



You and Your Purchases

In the United States, shopping has become a major leisure and lifestyle activity. What we buy has become a significant element in how we create our identity, how we judge others, how we define our social status, and how we “make ourselves feel better.” Making shopping decisions is a lot like making any other decision. Sometimes knowing what to buy is easy. Sometimes it’s hard. Whether it’s something as big as deciding on a college to attend or buying a car or something as small as selecting a brand of soap or finding a thank-you gift, a decision is involved.

Get as much information as you can about the products available to fulfill the need you are shopping for. How much of an information search you conduct will depend on the total cost of the search compared to the benefits you will receive. A smart consumer knows when to stop gathering information and make a decision. If a product costs only a few dollars, you probably won’t spend much time searching for information before you make a decision. But if an item costs a lot of money, you will want to spend more time learning about the product before you buy. After you have compared the products or services, the stores, and your resources, you are ready to make your decision.

Smart shoppers take time to learn about what they are buying. They do not buy on impulse. It may be time consuming, but the rewards of making your limited resources go farther are worth it. Smart shoppers also know that there is more to shopping than deciding when to purchase. The Federal Trade Commission has set rules and regulations in place to help you, as the consumer, be informed about the rights and options you have with regard to purchases you make. In this newsletter, we have compiled important information that may impact your shopping decisions. You may not even have been aware until now that some of this information is available. We hope it will help you as you partner with FFEF to improve your financial future. ■



Made in the USA

In these days of a global marketplace, imported products abound; and you may have a hard time finding a product with the “Made in USA” label. Some consumers, in an effort to support the US economy, only want to purchase products that say Made in USA. Merchants who know about this consumer loyalty make a point of using this labeling as a selling point. A product bearing a Made in USA label can be very appealing. But what does that label really mean? Are some products that don’t have the label still made in the US?

Consider the following examples given by the Federal Trade Commission:

Example 1: A bicycle is assembled in the United States, and its frame is manufactured in the United States. Of the bicycle tires, derailleur, gear shift, etc., some are manufactured in the United States and some are imported from foreign countries. Overall, U.S. costs constitute 75% of the total costs of manufacturing the product. In addition, under U.S. Customs Service rulings, the bicycle would be considered to have been last substantially

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promised or within the thirty days, they are required to give you the option of agreeing to wait longer for your order or canceling your order and receiving a refund.

Dealing with Unsatisfactory Purchases

The many opportunities available to us to shop without leaving the house can make life very convenient. The Federal Trade Commission has developed guidelines to help make sure you get the kind of service you are promised when making these purchases.

The 30-Day Rule

When you order by phone, telephone, or Internet, be sure to see if the company you order from has listed how many days you can expect to wait before your order is shipped to you. If no specific time is given, the company has 30 days to make the shipment. If the company is unable to ship your order within the time

The exception to this rule (there's always one!) is if the company doesn't promise a shipping time and you are applying for credit to make your purchase, the company is allowed 50 days to ship your order. For example, if you order a camcorder and apply to have monthly payments set up to make the purchase, you will need to allow up to 50 days to receive your camcorder.

Disputing unsatisfactory purchases on your credit card

If you use your credit card to pay for purchases, you are protected by the Fair Credit Billing Act. You can dispute an error on your credit card and withhold payment for the error amount until the dispute is settled. The Fair Credit Billing Act applies if you believe you have been charged the wrong amount, charged for

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Understanding the Cooling-Off Rule

You've probably been told at some point about a rule that allows you to cancel a purchase as long as you do it within three days from the date of the purchase. The Federal Trade Commission calls this the Cooling-Off Rule. As valuable as this rule is, it is also frequently misunderstood and leaves many consumers confused about the rights this rule gives them. We hope the following information will clarify some of these misconceptions so you have the knowledge you need to exercise this right should you need to.

Perhaps the best place to start is to state clearly when the Cooling-Off Rule does NOT apply.

1. Purchases made at a merchant's usual place of business

If you go shopping at the mall and then decide the next day that you spent too much money and want to return your purchase, the Rule does NOT apply. Although many retail establishments accept returns, they are exempt from the Cooling-Off Rule and are not legally required to do so.

2. Purchases made through the mail or by telephone

If a salesperson contacts you by phone, gives you the product information by phone, and you complete the purchase by phone, the Rule does NOT apply. The same is true of purchases you make through the mail.

3. Purchases of less than \$25

Regardless of where you make the purchase, if it is less than \$25, the Rule does NOT apply.

4. Purchases of motor vehicles, insurance, real estate, and securities

This is an important exception to keep in mind. Regardless of where you make the purchase of these items, the Rule does NOT apply. Once you sign the contract, it's yours. Many an unhappy consumer has taken a car they couldn't really afford back to the lot thinking the Cooling-Off Rule applied only to find they were sadly mistaken.

5. Retail transactions that begin at a place of business and are completed in your home

For example, if you order carpet at a carpet store but don't sign the contract until someone visits your home to measure floor space, the Rule does NOT apply. Once you have ordered the carpet, you are obligated to fulfill the terms of the sale.

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something you didn't purchase, or charged for an item that was never delivered. You can only withhold payment on the disputed amount and must pay the rest of your monthly bill as usual.

If you want to dispute a charge, send a letter to the address on your monthly statement that is designated for "billing inquiries." Your letter must reach the creditor within 60 days after the first time the bill containing the error was mailed to you. Be sure to include your name, address, account number, and a detailed description of the amount you are disputing. An effective complaint letter should be clear and concise, and include all the facts. Include copies of documents related to your complaint, such as sales receipts, repair orders, warranties, cancelled checks, contracts, and any previous correspondence with the company.

The creditor is required to answer your letter in writing within 30 days after receiving it. The dispute must be resolved by the creditor in not more than 90 days after receiving your letter.

Complaining about goods or services

You are also protected against unsatisfactory goods or services you purchased with your credit card if you made the purchase in your home state or within 100

miles of your current billing address, and the purchase totals more than \$50. It is best, if at all possible, to try and resolve the dispute with the seller first, but if this doesn't bring success, you can address the dispute to the credit card company. You are not required to use any special procedure.

Receiving products you didn't order

If you receive merchandise you didn't order, guess what—Federal law says you can consider it a gift! You are not required to pay for the merchandise or return it. If you do decide to keep it, you may want to send a letter to the seller telling them your intent. You are not legally required to do so, but it will help discourage the seller from sending you repeated bills and will prevent more errors in the future. The free samples you receive in the mail or merchandise that is sent by charities to ask for contributions are all legal.

If you have a dispute that you cannot get resolved through the proper channels, below are agencies you can contact for help:

- Your State consumer protection offices
- Your local Better Business Bureau (BBB)
- The Federal Trade Commission

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6. Arts or crafts purchased at fairs

If you visit an arts-and-crafts fair at your local shopping mall, state fair, school, etc., the Rule does NOT apply. The merchant is not legally obligated to accept your merchandise return.

Now let's look at circumstances where the Cooling-Off Rule DOES apply.

Other than the exceptions listed above, under the Cooling-Off Rule, you have three business days to cancel any purchase of \$25.00 or more that you have made somewhere other than the merchant's usual place of business:

In your home: For example, Tupperware, Avon, Mary Kay, etc.

Rented facilities: For example, hotel rooms, convention centers, fairgrounds, restaurants

Sales presentation in your home: If you invite a salesperson to demonstrate a product in your home and you make a purchase, your purchase is protected under the Cooling-Off Rule

Under any of these circumstances, the seller should give you a cancellation form along with your contract or receipt. The date of the sale should be noted on the cancellation form, which should state, "You may cancel this transaction without any penalty or obligation, within three business days from the above date."

If you do decide to cancel your purchase, sign and date the cancellation form and mail or deliver it to the address given for cancellation anytime before midnight of the third business day. Be sure to keep a copy for your personal records and send the form by certified mail with a return receipt requested in case you are asked to verify the date you mailed the cancellation form. You are not required to give a reason for the cancellation. Of course, it is always best to think carefully about your purchase before you make it to avoid having to deal with a cancellation. ■

Made in the USA *(continued from page 1)*

transformed in the United States. It would likely not be deceptive for the bicycle to be labeled "Made in USA."

Example 2: A toaster is made from primarily U.S. parts and is assembled in Canada in a process that constitutes a substantial transformation. U.S. costs account for 75% of the total costs of manufacturing the product. A claim that the toaster is "Made in USA" would likely be deceptive, as the last substantial transformation occurs outside the United States.

Sound complicated? It is. As you can see, the term Made in USA does not guarantee that all of the product parts and labor are 100 percent US based. In 1997, the Federal Trade Commission determined that they would stick by the definition of Made in USA that had existed for fifty years, i.e., For a product to be called Made in USA, or claimed to be of domestic origin without qualifications or limits on the claim, the product must be "all or virtually all" made in the US. The term "United States," as referred to in the Enforcement Policy Statement, includes the 50 states, the District of Columbia, and the US territories and possessions.

The "all or virtually all" description makes things difficult for manufacturers as there is no distinct definition of what "virtually all" means. Here's another example:

Example: A table lamp is assembled in the US from American-made brass, an American-made Tiffany-style lampshade, and an imported base. The base accounts for a small percent of the total cost of making the lamp, but a Made in USA claim is deceptive for two reasons: The base is not far enough removed in the manufacturing process from the finished product to be of little consequence, and it is a significant part of the final product.

What can a manufacturer do? They can make claims such as "We certify that our table lamps have at least 80 percent US content."

Products do not have to be submitted to the Federal Trade Commission for approval in order to carry the Made in USA label, but the Commission does have the power to bring law enforcement actions if they discover that false or misleading claims that a product is of US origin are being made. As with most other advertising claims, a manufacturer or marketer may make any claim as long as it is truthful and

substantiated. The Commission expects companies to follow the guidelines that have been established before adding the label. Also, not all products are

required to carry a "Made in ___" label. Products that are legally required to disclose their US content are automobiles and any textile, wool, and fur products, e.g., clothing, bedding, and linens. There's no law that requires most other products sold in the US to be marked or labeled Made in USA or have any other disclosure about their amount of US content. However, manufacturers and marketers who choose to make claims about the amount of US content in their products must comply with the FTC policy.

As confusing as the FTC policy can be, it stems from good intentions and is intent on protecting the consumer from false claims of Made in USA products. Since September 11, 2001, many people have become more avid about their patriotism and devotion to all things American and want to be assured that if they are going out of their way to buy products with the Made in USA label, they are getting what they pay for. With so many countries of the world becoming interdependent for economic success, if the FTC allowed the Made in USA labels only on products made 100 percent of materials and labor from the United States, there would be very little available for purchase that is Made in USA. There has to be some flexibility. ■

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Although the FTC does not intervene in individual disputes, the information you provide may indicate a pattern of possible law violations requiring action by the Commission. Visit ftc.gov or call toll-free, 1-877-FTC-HELP (382-4357); TTY: 1-866-653-4261.

For mail/telephone orders write: Direct Marketing Association (DMA), 1111 19th Street, NW, Washington, DC 20036.

For door-to-door sales write: Direct Selling Association (DSA), 1275 Pennsylvania Ave, NW, Washington, DC 20004, but they can only help you if the door-to-door seller is a member. ■

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