

YOUR RIGHTS AND RESPONSIBILITIES WHEN APPLYING FOR CREDIT OR LOANS

When you apply for credit, you'll be asked for information about yourself that covers several different areas. The person to whom you are applying for credit will want to know your past credit record and whether or not you have a large enough income to meet all your expenses. They'll want to know if your income is steady and how long you've been at your job.

They'll want to know whether or not you've shown signs of poor money management in the past. They'll also want to know how long you've been living in the community, how long in your present home, and whether you are renting or buying. And they'll want to know about your assets--your home, your furniture, and your automobile. And they'll want references.

These are the most important things the person to whom you are applying for credit will need to know about you before they will let you borrow money. Usually your age isn't important unless you've just reached the age of eighteen and don't have an employment history. Or if you are a senior citizen who can't offer a steady job as proof of your ability to repay a loan, then you may have some difficulty also. Usually, however, even people in these categories can get credit if they meet all the other requirements. And don't forget that good references do matter.

Before you decide to buy or borrow from anyone, become a comparison shopper--look around for the best deal in goods and for loans. Deal only with recognized companies and agencies, however, and if you are in doubt about a company, ask for information at your Better Business Bureau.

CONSUMER RIGHTS

When you get a loan or purchase with a payment plan, make sure you understand exactly what you're responsible for. Read all of the contract and read it carefully. Make sure all the details are spelled out for you. Don't ever sign a contract that you don't understand and always keep a copy of every contract you sign.

If you make application for credit and you are turned down, you can get the name and address of the Credit Bureau which prepared the report used to deny you credit. That Credit Bureau has to tell you the nature, substance, and, in most cases, sources of the information in the report--in other words, just exactly what's been said about you and who said it. There is no charge for this information (if it is requested within 30 days after turned down).

You can take anyone you like with you to the Credit Bureau--this includes an attorney. If there is information on your report which is incomplete or incorrect, you can, in most instances, have this information re-investigated, and if it is found to be false, you can have it removed from your file. And if after all this you are still not satisfied with the accuracy of the report, you can have your own version of the material included in the report.

It is possible to learn who has received a credit report on you within the last six months.

If incorrect information has been sent out, the Bureau will let you know whom it's been sent to. This process is not necessarily easy and will no doubt require quite a bit of time and patience.

You may have your credit report withheld from any business which does not legitimately need it, and you may sue an agency that uses a report dishonestly. If you sue and your suit is successful, you may also collect your own attorney's fees from the company.

Finally, there can be no unfavorable information about you reported after seven years. There are several exceptions to this rule, and the major one is bankruptcy, which can be reported for up to ten years.

If you are applying for a credit card, there are several things to watch. Credit cards usually don't have the conditions and liabilities involved in their use printed on the card itself, so before signing a credit card, you should read carefully all the information that comes along with it. Be aware of finance charges, expected monthly payments, and types of accounts or use the card is limited to. Another thing to verify is the annual fee – some of these can be very high, and you might not know about it without asking.

Notify the credit card company at once if your card is lost or stolen. If someone else is using your card, even if they don't have your permission, you may still be held responsible for up to \$50.00 charged on your card. So, let the credit card company know right away--in writing--if your card disappears. Keep a list of your credit cards. You won't be responsible for any charges on the card if you promptly notify the company about its loss. Failure to notify the company may result in your being liable for \$50.00 of unauthorized charges on the credit card. Federal law provides for liability of a cardholder where the liability is "not in excess of \$50."

Credit cards are often stolen, so take care of your cards just as you'd take care of your money.

Remember, credit has responsibilities and rights. Make sure you always know those responsibilities and rights so you get the most for your money.

Additional helpful information may be found at the websites of the [Federal Trade Commission](#) and the [Consumer Financial Protection Bureau](#).

THE BILL CONSOLIDATION LOAN: WHERE RIGHTS BECOME RISKS

Consumers who purchase on credit have rights which they often give up without even knowing it. These rights are included in a "Retail Installment Contract," which is an agreement between the buyer and the seller, and which deals with the payment terms.

Suppose you went into a store to buy a refrigerator. The cash price for the appliance is more money than you have, so you ask the seller about credit terms. He tells you that by financing the refrigerator through him, there will be no downpayment, and you can pay a certain amount of money each month for 24 months. At the end of that time, you will have paid the seller the total cost of the refrigerator, plus a charge for financing. This charge is based on an annual percentage rate. Since you have already shopped around, you decide that his price is fair, his credit terms are reasonable, and his reputation good. After reading the "Retail Installment Contract," you may decide to make the purchase on his credit terms.

At this point, your rights in the contract are between you and the seller, and deal specifically with the purchased appliance. Read it carefully.

But often, after you make your first or second payment to the refrigerator seller, you'll get a notice from a finance company telling you that you should make your future payments to them. The seller has assigned your contract to the finance company, which means that he has sold it to them so that he could get a lump sum of cash at once. The finance company usually pays less for the contract than even the cash price of the refrigerator; but the seller has his money immediately, and the finance company can make money when you pay them the finance charges. This is also a source of new customers for them.

So far, your rights, as under the original Retail Installment Contract, have not been changed. But it is important to understand that your contract has gone from the seller to a finance company, because that step is what could lead to your losing certain rights in the contract.

After you make your next few payments on time, you may start getting letters from the finance company suggesting a "Bill Consolidation" loan. Such a loan would take all of your Retail Installment Contracts, and possibly other bills, and combine them into one bill, with one monthly payment. Sometimes, you are told that the one monthly payment will be lower than the amount you are now paying.

It is the finance company's business to loan money, and so they might approach you for a bill consolidation loan without your ever having even requested information about one. It is important to realize that this new contract is a personal loan contract between you and the lender. The original Retail Installment Contract and the old seller are no longer a part of this, and here is where you give up certain rights concerning your purchase of the refrigerator.

One such right is that under the Retail Installment Contract anyone to whom the seller assigns or sells your contract is still subject to the same defenses you had against the seller. If

something goes wrong with the refrigerator, the seller and the assignee both are subject to this defense. But with a personal loan contract, the lender has no responsibility should something go wrong with the appliance. But you, as the buyer, are still personally indebted to the lender who has loaned you money to pay the seller off.

A second right you have under a Retail Installment Contract is that no lien or security interest can be taken by the seller in any property other than that originally pledged in the contract. However, in a loan contract a lien or security interest usually is taken in property other than that which was originally purchased. Often, the family car and all the household furniture become security for the loan, whereas only your refrigerator (or whatever items are being paid off) was security in the Retail Installment Contract.

Finally, under a Retail Installment Contract, there is a limit on the finance charges. But a loan contract, the finance charges the lender can charge may be more than can be charged on Retail Installment Contracts.

Remember that, for the "privilege" of consolidating Retail Installment Contracts, you give up certain important rights, and in addition, it almost always costs you more money.

WHAT TO DO ABOUT WAGE GARNISHMENT

If you have been sued for money and you lose, the person who sued you is given a judgment. If you do not pay a judgment, you will not go to jail. The person who sued you, the “judgment creditor,” must execute on the judgment to get money from you, unless you agree to pay the judgment voluntarily. Executing on the judgment means that the creditor tries to have the judgment paid out of the property or wages of the debtor, the person who owes the money. One of the most common ways to execute on a judgment is to garnish a person’s wages.

Garnishment or attachment of wages almost always follows a judgment. Before wages are taken from the debtor, the creditor will have already filed a lawsuit, the creditor will have had the lawsuit served on the debtor. The debtor will have had an opportunity to answer the lawsuit and, of course, if the debtor does not agree with the creditor, the debtor has an opportunity for a trial.

A judgment is a court decision that there is something owed by the debtor to the creditor. As stated previously, the creditor then must try to collect the judgment. If the debtor does not agree to pay the judgment voluntarily, the creditor will have some type of writ of execution issued (executing on the judgment). There are several types of these writs, including attachment, levy, or garnishment. This writ is issued by the court and directs some public officer like the marshal or sheriff to take possession of some asset or property of the debtor and have it sold, with the proceeds of the sale being applied to the judgment, (attachment), or take money out of the debtor’s bank account (levy). An execution can also authorize the officer to tell an employer to take part of an employee's salary from each paycheck until the amount of the judgment has been paid to the creditor (garnishment). There are limitations on how much of the paycheck may be taken. In Tennessee, no more than 25% of a debtor's take-home pay may be turned over to the creditor. Even this amount is subject to being reduced. In Tennessee, a debtor is entitled to an absolute exemption of 30 times the federal minimum wage plus an additional \$2.50 per week for each child under 16 who is a resident of the state. If a debtor can prove that the money left over from the debtor’s paycheck after the garnishment is not a sufficient amount for the debtor and his family to live on, the debtor may ask the court to set up a payment plan by filing a “Motion to Pay by Installments,” also called a “slow pay” petition. The necessary forms may be obtained from the court clerk.

In attachment situations, a creditor can also have the sheriff collect money from a person who owes the debtor money. For instance, if Bob pays rent to Tom every week, and Steve sued and obtained a judgment against Tom, Steve could attach the payments made from Bob to Tom.

Some payments are automatically exempt from garnishment. These include amounts received for Aid to Families with Dependent Children, disability insurance benefits, Social Security payments, and VA disability payments.

Once a judge has entered a judgment, the best course of action for the debtor to follow is to pay the amount of the judgment to the creditor voluntarily, or to make satisfactory arrangements with the creditor for regular payments. If the debtor does not do this, the creditor

can force the debtor to answer questions under oath about the debtor's income and property, by deposing the debtor, so the creditor knows what types of executions should be issued to satisfy the judgment. If the debtor is subpoenaed for a deposition, and the debtor fails to appear for the deposition, the debtor could be found in contempt of court. This could ultimately lead to the sheriff finding the debtor, handcuffing the debtor, and bringing the debtor to court for a deposition.

In Tennessee, a garnishment is good for six months unless the court notifies your employer that the garnishment has been released. The court will only do this if you have made arrangements to pay your creditor. If you make arrangements and fail to keep up your payments, the creditor may start the garnishment again.

There is also the possibility that the debtor may consider filing bankruptcy to relieve himself of certain obligations. Bankruptcy is a very complicated process, and if you are considering it, you should consult a bankruptcy attorney.

More information about wage garnishment can be found at the website of [Legal Aid of East Tennessee](#).

COLLECTION AGENCIES

Persons or corporations that do not get paid often turn debts over to a collection agency. Collection agencies are licensed and regulated by the state. There are also federal regulations that a collection agency must obey, known as the Fair Debt Collections Practices Act, or FDCPA. These regulations are for the protection of the public and to insure fairness in debt collection practices. For instance, in trying to locate a debtor, the agency cannot state that the debtor owes a debt nor contact a person other than the debtor more than once, nor can the mail sent to that person indicate that the information sought relates to debt collection. An agency cannot call a debtor after 9:00 p.m. or before 8:00 a.m. If the debtor tells the agency, in writing, that he or she refuses to pay a debt or that he or she wishes no further communication, the only communication that the agency is allowed, is to say that further efforts will stop or that certain legal actions or remedies may take place. A collector may not badger or abuse a debtor or use or threaten violence to the person or property or use obscene or profane language. The agency cannot cause a telephone to ring or engage anyone in conversation repeatedly or continuously to annoy, abuse, or harass anyone. No false representations may be made by the agency, nor can they threaten to take any illegal action or any action they do not intend to take. The collection agency must send written notice containing the amount of the debt and the name of the creditor to whom the debt is owed.

Failure to comply with these regulations subject the agency to a lawsuit for damages and attorney's fees.

Now you know some of the things a collection agency cannot do. But what can they do? The agency can make reasonable inquiries to find out where a debtor is living; they can contact a debtor and ask him or her to pay the debt; they can hire an attorney to sue to collect a debt and to exercise all the rights of the original creditor to garnish wages or property after getting a judgment. They can subpoena a debtor for a deposition to reveal information about his or her property, living expenses and income, after a judgment has been obtained.

What should a debtor do if he or she is contacted by a collection agency? If the debtor owes the bill, arrangements for payment can usually be made. Any agreement to accept monthly payments is an accommodation on the part of the agency, not their legal obligation. However, most agencies, while they have a right to immediate payment of the entire balance, will accept reasonable efforts to pay. Remember, not having the money to pay does not relieve the obligation to pay, and a creditor may get a judgment against a debtor regardless of his or her ability to pay. If you enter a payment agreement, make sure the agreement is in writing.

If a debtor does not owe the bill he or she should let the agency know it. If the agency insists that the debt is owed, they may have to sue to prove it. If a debtor receives papers from a court, he or she must do something within the time specified by law. Ignoring the papers because a person does not owe the bill can lead to a default judgment and loss of the opportunity to contest the claims of the agency.

Collection agencies are a legitimate, useful part of our commercial society. Without

them, the cost of doing business would be much higher, and all consumers would pay for the few who abuse their credit. The vast majority of consumers pay their bills and have no contact with collection agencies. Since agencies charge the people who turn over accounts to them a percentage of the amount collected, most creditors would prefer to settle with their customers before their accounts are assigned to a collection agency. Most creditors also are understanding about legitimate inability to pay and are willing to make arrangements with their customers.

In conclusion, a collection agency must operate within certain guidelines but has the power to act on behalf of a creditor and may even have a lawyer take a debtor to court. If the debtor does not owe a bill, he or she should protest and quickly respond to any legal action. If he or she does owe the bill, every effort should be made to pay it in order to avoid further obligations of time, money and emotional energy.

More information is available at the website of [Legal Aid of East Tennessee](#).

"ARE YOU A VICTIM OF MAIL FRAUD OR MISUSE OF MAIL?"

You have received a chain letter in the mail. You recognize the last name on the list and wonder whether or not that person is counting on you to continue the chain. You would rather not be bothered with it but would also prefer not to disappoint the sender.

The best action you could take for your friend would be to advise him or her that the U.S. Postal Service warns against participation in chain letter schemes. Any chain letter that requires payment of anything of value, even if it is only a handkerchief, is illegal under federal lottery laws. Chain letters are also considered to be fraudulent because they promise the possibility of large returns for only a small investment.

The mail has made it possible to obtain almost anything without leaving home. But in doing so, it has also created a market for many dishonest activities. In addition to the chain letter, another type of mail fraud is the Lonely Hearts Club. Also known as Matrimonial or Pen Pal Clubs, they all have the same purpose: that is, to have correspondence with members of the opposite sex, which would lead to the possibility of marriage.

People seeking romance and companionship are offered memberships and mailing lists from companies which call themselves Lonely Hearts Clubs. In some cases, the mailing lists provided by these clubs have been used to solicit money for various reasons. For example, a man might ask for travel expenses from a woman with the promise to join her, and then never show up.

Probably one of the most vicious of fraudulent schemes, aimed particularly at senior citizens, is the sale of worthless medicines and remedies through the mail. The worst schemes advertise a quick recovery. A desperate victim, imagining one of the gimmicks will work, might try one after another. The result could be that proper medical attention is delayed until it is too late.

Other rackets promise cures for obesity, baldness and loss of virility. Medical frauds are so widespread that the postal inspection service has a group of specialists to investigate this type of illegal activity.

Another common type of mail fraud involves the real estate swindle. Dishonest promoters can sell almost worthless land by mailing attractive brochures and placing advertisements in newspapers and magazines. They claim the land is suitable for homesites, retirement, or investment purposes. Anyone considering such a purchase is urged to inspect the parcel of land. It should be determined that the seller can produce a legitimate title to the property, and that the land can be legally used for whatever purpose it is being bought.

Along with these mail fraud warnings, the postal service has laws which forbid the mailing of unordered merchandise by insured or C.O.D. mail. Since the person receiving a C.O.D. article must pay charges before delivery, he or she may mistakenly pay for something that was not ordered or wanted. Notify your postmaster at once if unordered C.O.D.'s are

addressed to you. Postal inspectors will investigate.

It is not against the law to simply mail unordered merchandise provided it is neither insured nor C.O.D. So you may receive unordered items in your mail. These items commonly include greeting cards, books, neckties, pen and pencil sets, key rings and religious medals. If you do not desire to pay for the merchandise, you may write the word "REFUSED" on the cover and return it to the post office. If return postage is guaranteed, this action should cause your name to be removed from the mailing list. If the return postage is not guaranteed the matter will be treated as waste. You may, however, keep the unsolicited merchandise and are under no obligation to pay for it.

In all cases of mail fraud or misuse of the mail, the post office itself has no authority to recover money or property which the victim has lost. The post office does not have the power to take any action to adjust transactions which are unsatisfactory or which have left a customer feeling that he or she did not get his or her money's worth.

However, where there seems to be a violation of postal laws, the matter is presented to a U.S. Attorney for proper action.

If you have reason to believe that you are the victim of mail fraud, contact your nearest U.S. Postal Service office, or report [online](#). The postal service has its own team of investigators that work closely with their local U.S. Attorney's office.

DON'T BE FOOLED BY ILLEGAL SALES GIMMICKS

In order to protect yourself and to be a wise consumer, you need to know about some of the dishonest and illegal ways retailers and salesmen often trap unsuspecting customers. Two methods are called "referral selling" and "bait and switch."

The bait and switch scheme is one of the hardest sales gimmicks to prove dishonest. The idea behind the gimmick is to advertise a product at a low and attractive price to get the customer in the store. The salesman can then say the product advertised is not very good--you'd be better off spending more money and getting a better model. Or, he can say that so many people have come in the store that the supply of the special product has run out--and then he'll try to interest you in the more expensive model.

The law requires that a store have enough items they've advertised on sale to meet an expected demand. If the store has run out of the advertised special, they'll usually give a due bill entitling you to get the item at a later time but at the special sale price. Bait and switch is also a violation of the Tennessee Consumer Protection Act, which has enhanced civil penalties, including three times the actual damages plus attorney's fees if appropriate.

Referral selling is illegal in many states, but there are still some dishonest salesmen who will try to use it. Often people who know referral selling is illegal will find themselves tricked into agreeing to it. Listen carefully to any sales scheme and make sure you do not fall for anything. The idea in referral selling is that the salesman asks you for names of your friends who might also be interested in his product. The salesman tells you he'll give you a discount on your own purchase for every friend who buys one of the items, too. The salesman may make you these promises, but you won't find them in writing in your sales contract. And usually, the price you pay for a product in a referral scheme is even more than you would pay for the product in a normal sale.

The "free offer" gimmick may be another attempt to take advantage of you as a customer. This time they tell you that you've won a free TV set, a free sewing machine, or a free course of dance lessons. The only catch is that you have to buy a service policy or a cabinet for the sewing machine or some other service that goes along with the prize. The cost of the cabinet or the service policy will often equal or even be greater than the normal price of the "free product." Remember, a company that gives its products away won't remain in business very long. And remember, too, if you win a prize, you do not have to pay anything for it--except to Uncle Sam at income tax time.

Another area to watch out for is mail order. Before you deal with any mail order firm, check the background of the company with your local Better Business Bureau. Be prepared to wait for quite a while before your product arrives. And remember, too, that products advertised by mail are often less attractive or well-made than they looked on an illustrated advertisement. If the item arrives and it is completely different from the advertised product and you feel that it has been lied about and you have been cheated, then you may have a case against the company which sold it to you. You will have to call your Better Business Bureau for some information

about how to file a complaint and get your money back.

Some really fraudulent mail order firms will even send merchandise you didn't order and then try to nag and harass you for payment. Remember you never have to pay for anything you haven't ordered. Contact your [Better Business Bureau](#), the [Tennessee Department of Consumer Affairs](#) or the office of your [District Attorney](#) and ask for advice.

One last gimmick to be aware of is fear-sell. A man pretending to be a state inspector or offering a free inspection may come to your house and tell you your furnace or chimney is a hazard to your health. He will say you have to get it fixed right away. Do not be scared and do not be rushed. Check the inspector's credentials first. Get another estimate on the work from a reputable firm before you decide what to do.

Most retailers want to please their customers, but if you think you have been taken advantage of by sales gimmicks, you can go to your [Better Business Bureau](#), your local [consumer protection agency](#), or even, in some cases, a consumer ombudsman at your local newspaper, radio or TV station.

Remember to avoid trouble whenever you can. Deal with responsible firms. Do not be rushed into signing or buying anything ever. Never sign any contract unless you understand it thoroughly. Make sure you understand the guarantee and service policy on any item you buy. Find out about the company's credit policy and their policies concerning exchanges and returns. And check more than one place before you buy. Learn how to protect yourself by shopping wisely.

FACTS ABOUT TENNESSEE'S LEMON LAW

The [Tennessee Division of Consumer Affairs](#) receives hundreds of complaints each year about defects in new cars that the dealers cannot seem to repair.

WHAT IS A LEMON?

A “lemon” is a motor vehicle sold or leased after January 1, 1987, that has a defect or condition that substantially impairs the motor vehicle; and the manufacturer, its agent, or authorized dealer cannot repair the vehicle after a reasonable number of attempts. Under the statute, the manufacturer must replace the motor vehicle or refund the purchase price (less a reasonable allowance for use).

Substantially impair means to render a motor vehicle unreliable or unsafe for normal operation, or to reduce its resale market value below the average resale value for comparable motor vehicles.

The law presumes that a reasonable number of attempts to repair have been made if the same problem has not been repaired after 4 attempts, or the vehicle is out of service for repairs for a cumulative total of 30 or more days during the term of protection. This law is only applicable if the vehicle was bought new. It does not apply to used vehicles, and also does not apply to certain types of other vehicles such as recreational vehicles.

Term of protection is defined as one year from the date of original delivery or the term of the warranty, whichever comes first.

The law is unclear about whether you have to have reported your problem during the “term of protection” in order to have a claim under the “lemon law.” The Tennessee Division of Consumer Affairs has adopted a position that the problem essentially has to be reported within the first year or within the term of the warranty, whichever comes first.

WHAT SHOULD YOU DO IF YOU HAVE A LEMON?

If you have a lemon, you must notify the manufacturer of the problem in writing by certified mail. The manufacturer has an additional opportunity to repair your car within 10 days. If the manufacturer cannot repair your car and the manufacturer has an informal dispute settlement procedure that complies with Federal Trade Commission regulations, the refund and replacement provisions of the lemon law won't apply until you submit to the procedure. You are not bound by the decision and can still seek available legal remedies, including asking a court to award a replacement vehicle or reimbursement of the purchase price (less a reasonable allowance for use), plus attorney fees and court costs.

WHEN CAN YOU TAKE ACTION?

You can file a lawsuit at any time within one year from the date of original delivery of your car or within six months from the expiration of your express warranty, whichever is later.

Extended warranties are not considered in determining the time period in which to take action. You should consult an attorney well before the expiration of your time limit to be sure of preserving your legal rights, as the attorney will need sufficient time to investigate and comply with all legal requirements.

For more information, please write the [Tennessee Division of Consumer Affairs](#), 500 James Robertson Parkway, Nashville, TN 37243-0600, or call toll-free 1-800-342-8385.

TELEMARKETING SCAMS

A telemarketer is someone who attempts to sell you a product or service by telephone. Many telemarketing scams start with notification that you have won a valuable prize and now the caller wants to convince you to give information about yourself so that you can claim your prize. Everyone should exercise extreme caution when giving credit card numbers or checking account information over the phone. If a telemarketer or anyone else calling by phone asks for your checking account number, the name of your bank, or your credit card number, you should avoid giving this information until you have checked out the company. For example, if you give your checking account number over the phone, an unscrupulous telemarketing company may prepare a debit memo and send it to its own bank as if you had written the company a check. The debit memo is then sent to your bank. If the bank honors the debit memo, the money will be taken from your account often without your knowledge or consent. This is how many people are ripped off by telemarketers who are not reputable. Keep in mind, if you've truly "won" something, you shouldn't have to pay for it.

Scam artists are always trying to stay one step ahead of the law by using new schemes that sound too good to be true. Remember - if it sounds too good to be true, it usually is.

Most fraudulent telemarketers work out of "boiler rooms." This is simply rented space with a bank of telephones. This kind of setup makes it extremely difficult to track down companies that have scammed consumers out of money because it is so easy for them to move on to a new location or town.

Because enforcement is so difficult, it is essential that you follow these helpful tips in order to avoid being victimized by unscrupulous telemarketers.

1. Do not give checking account information to anyone over the phone.
2. Do not give your credit card number over the phone unless you have checked out the organization and know that it has a good reputation.
3. Do not assume an organization is legitimate solely on the basis of impressive looking brochures or enthusiastic testimonials.
4. Call the Better Business Bureau or the Tennessee Division of Consumer Affairs in order to find out if any complaints have been registered against the company.
5. Ask questions and demand straight answers on the name, address and history of the company. If the caller is uncooperative in answering your questions, simply hang up the phone. Remember you have a right to know specific information about the caller and the company. Then you should verify the information given to you by conducting your own investigation or by calling the Better Business Bureau or the Tennessee Division of Consumer Affairs Consumer Hotline.

Be alert to fraudulent telemarketers who engage in phony charitable solicitations. Be alert, too, about your consumer rights. Going back to the prize situation which began this discussion, you should know that, under Tennessee law, a company may not condition the consumer's receipt of a prize upon requiring the consumer to pay a service charge, handling charge, mailing charge, or similar charge. You are entitled to receive the prize without paying a penny.

We need to recognize that selling products or services by phone is not illegal in and of itself. Legitimate telemarketers provide useful and helpful information about services and products. The convenience of doing business by phone is exactly what makes telemarketing an attractive tool for unscrupulous salespeople and companies.

Another scam uses fear to confuse the victim and obtain money. Be VERY skeptical of telephone calls where the caller claims to be from the Department of Revenue or the Internal Revenue Service, claiming that you owe money to them and that you must contact them immediately in order to avoid a criminal action and appearance before a United States Magistrate Judge. The IRS will NEVER contact you by telephone regarding a tax debt, and the organization itself has no power to file criminal charges against you. That may only be done by your local U.S. Attorney's office, who represents the United States in criminal cases. If you receive one of these calls, don't return it, don't answer any questions, and report the call to the Department of Revenue or the IRS immediately.

For more information on telemarketing laws and other laws that protect consumers, call the [Tennessee Division of Consumer Affairs](#) Hotline at 1-800-342-8385 or visit the website of the [Tennessee Attorney General](#). The telephone number for the [Better Business Bureau](#) in Knoxville is 692-1600.

THREE DAY “COOLING OFF” PERIODS ON CONSUMER TRANSACTIONS

Many consumers think they have three days to cancel any contract they enter into. That is not true! You, as a consumer, do have the specific right to cancel certain transactions under Tennessee law. Two of those situations are (1) “home solicitation”, and (2) “prepaid entertainment sales.” If it is a prize promotional (music, books, videos, magazines), you have 7 days to review or cancel.

What is a home solicitation sale? Simply put, a home solicitation is a door-to-door sale. The seller either invites himself or herself to your home or tries to sell you something in a place other than his or her usual place of business. The sale must cost you more than \$25.00 in order for the cancellation right to apply. The law defines what is and what is not a home solicitation sale.

Let’s look first at those transactions that are not home solicitation sales:

1. If you order something through the mail there is no three day cancellation period.
2. If YOU call a seller to come to your home in order to sell you something, there is no cancellation period UNLESS the seller does not have an office in Tennessee.
3. If YOU call the seller on the telephone and the entire sale takes place over the phone, there is no cancellation period.
4. If you need the seller’s goods or services for an emergency, and YOU write a statement saying that you are waiving your rights to cancel the transaction, obviously, you no longer have the right to cancel, even if the transaction falls within the definition of a door-to-door sale.
5. If you call a seller to come to your home specifically to perform repairs or maintenance to your property, you have no right to cancel within three days.

Let’s turn to some of the situations which DO give you three days to cancel:

1. If the SELLER makes the first contact and everything takes place in your home, or over the telephone, you have three days to cancel.
2. If YOU call the seller for repairs, but when he or she comes to your home, he or she sells you something more than the repairs, the sale of those additional goods can be canceled within three business days.
3. If the seller does NOT have a fixed business location in Tennessee and sells you something out of a hotel room or some other temporary location, you may cancel within three days.

It’s important to understand that these are only the most common examples. If there is a question about whether your situation qualifies for the three day “cooling off” period, you should talk to an attorney. Also understand that the sale of a motor vehicle does not come with a “cooling off period” and once you’ve signed the contract, you’ve purchased the car.

What happens if the sale is determined to be a home solicitation sale or a prepaid entertainment contract? Under Tennessee law, the seller is required to tell you of your right to cancel a door-to-door sale. All door-to-door sales are required to be accompanied by a written contract which has an easily detachable form explaining how you can cancel. This form should be captioned in bold type ‘BUYER’S RIGHT TO CANCEL’ and in duplicate, so you can keep a copy for yourself. All you should have to do is sign and date the form, tear it off, and send it to the seller, preferably by certified mail. If the contract does not have the detachable form, you may still cancel by writing the seller. Repeat, **YOU MUST CANCEL IN WRITING**. If you do not cancel in writing, your cancellation will not be effective. Your notice or cancellation must be sent in by midnight of the third business day after signing the contract. If you mail the cancellation, it must be postmarked by the third business day.

If the seller does not give you proper notice of your right to cancel, you may cancel the door-to-door sale at any time until you are provided with the proper notice. Make sure you cancel in writing! It is also a good idea to make a copy of your cancellation for your records and to mail the original by certified mail.

If you cancel, the seller has ten business days to return any deposits or down payments you might have made. If the seller has already delivered goods to you, the seller has 20 business days to come and get them. If the goods are not picked up by that time, you may keep them!

If you have questions about the 3-day waiting period or any other law that protects consumers, call the [Tennessee Division of Consumer Affairs](http://www.tn.gov/consumer) at 1-800-342-8385.

PLEASE NOTE:

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