

DB

FRAUD

THE TARGET
IS YOU!

32231



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CITIZENS
PROTECTION
DIVISION

Telephone: 348-4528



Dear Fellow Citizens:

All of us are consumers. We buy things -- goods and services -- to meet our needs. When we make a purchase, we are entitled to full value for our money. We are fortunate that the great majority of business people are honest and reputable.

However, there are those who are out to see that we do not get what we pay for. Sometimes, by false representations, they sell us things we really do not want or need. Other times, we get considerably less than what we pay for, or nothing at all. This pamphlet tells of some of the more common means by which consumers are cheated and defrauded. It describes the pitfalls to be avoided so that you need not be the next victim.

A high priority of my office is to protect you from, and alert you to, possible deceptive and fraudulent practices. I have established a Citizens Protection Division to combat this type of wrongdoing. Call or write:

Mr. Floyd Olson, Assistant County Attorney
Chief, Citizens Protection Division
248 Courthouse
Minneapolis, Minnesota 55415
Telephone: 348-4528

Working together, we can serve notice that our county will not tolerate deceptive practices.

Sincerely yours,

A handwritten signature in cursive script that reads "Gary W. Flakne".

Gary W. Flakne
Hennepin County Attorney

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SOME COMMON SCHEMES



We could write a book about the endless varieties of fraudulent schemes concocted for unwary consumers. Here are a few examples you are likely to experience.

Free Prize Gimmick

You win a prize for a contest you never entered. You win a free gift as an introductory offer. Sound wonderful? Watch out! The "free gift" as an introductory offer is conditioned on your signature to a service contract, or on your purchase of other items at a price more than ample to pay for the apparent "give away".

The "contest" you "win" is usually no contest at all, but merely a scheme to gain your confidence. The game is to entice you to buy at a premium price things you don't need or want.

Bait and Switch

A "lead item" is advertised at an exceptionally low price -- and sometimes a free gift is thrown in for good measure. When you arrive at the shop to make the purchase, you are told that the "lead item" is sold out, or that the newspaper advertisement was a misprint. Sometimes the bait item is even "down graded" by the salesperson, who then urges you to buy a substitute item -- naturally at a much higher price.



Door to Door Surveys

The caller announces that he is conducting a survey and wants to come inside. Be on your guard: Such an approach may be used by people to sell you unwanted merchandise. Worse yet, carelessly allowing strangers into your house could make you the victim of some violent crime. Most legitimate surveys

can be conducted briefly and at the door. Be sure you know the identity of anyone whom you allow into your living room.

Referral Rebates

This trick is also known as the "rags to riches by rebate plan." The salesperson informs you that the item he is selling will cost you little or nothing. Since you are well known in the neighborhood, your endorsement of the product is in demand. For every sale which originates from your referral of friends and relatives you are to receive a commission. You buy. Somehow your popularity dwindles -- there are no rebates!

Chain Letters

The chain letter (usually containing ten names) directs that you send money or some valuable item to one of the persons named in the letter. You are assured that you will receive a bonanza of money or gifts by adding your friends' names to the chain. Look Out! There isn't enough money or prizes to go around. Somebody is going to be short changed.

TIPS FOR THE BUYER



Shop with Purpose

Before signing a sales contract or making a large cash purchase ask yourself these questions:

1. Do I know what I'm buying?
2. If there is a contract, have I read it carefully?
3. Is this product the only thing that will fill my needs or will something else do just as well?
4. Can I get substantially the same item at a better price elsewhere?
5. If the purchase is for credit, what is the lowest price available for the loan?
6. What kind of protection (such as guarantees and warranties) do I have?

The Moment of Truth -- Signing the Contract

Your intended purchase may be based on a written contract. It might be labeled by some such name as "purchase order" or "installment agreement". This legal document could bind you for years. The average citizen simply does not know the complicated laws applicable to contracts. At least big purchases (such as buying a house) should never be made without the assistance of an attorney. For smaller purchases, you can protect yourself against some of the common pitfalls by taking a few precautions:

1. Never permit a salesperson to pressure you or rush you into signing a contract. An honest salesperson would prefer that you be satisfied with your purchase. Think it over! Haste can cause you to obligate yourself to a written contract which you will regret tomorrow.

2. Read every contract carefully, and if you do not understand it, do not rely on the salesperson's explanations. What the salesperson told you may not count. Under certain circumstances the judge could rule that the important thing is the wording of the contract you signed.

3. Know the exact cost of the purchase. Interest rates are deceptive. Consumer credit is a complex and often mystifying area of the law. You may encounter such terms as Truth in Lending, the annual percentage rate, time price differential, carrying charges, premium insurance, balloon or accelerated payments and deferred payments. **Remember, if you are confused call your lawyer or one of the agencies listed on page 27.**

Credit Card Holders

A credit card holder can demand in writing that the company who issued the credit card correct mistakes or make adjustments on the billing statement. The company has 30 days after receipt of the written demand in which to correct your account. Any business issuing a credit card must provide the name, address, and telephone number of the de-

partment designated to receive such a request. Failure to do so is a violation of the law.

Home Solicitation Sales

Salespersons who sell you in your home any product having a value of more than \$25.00 are required by law to inform you of your right to cancel the sale in cases where you did not initiate the contact with the sales person.

If you sign an agreement with a door-to-door salesman, he must furnish you with a copy of the contract showing the date of the transaction. **You may cancel the contract at any time until midnight of the third business day after the day on which the sale occurred.** You can accomplish this by simply mailing a notice or sending a telegram to the seller at the place specified in the agreement within the three day period. The seller then must return the amount you have paid him. In turn, the buyer must give back the goods sold in substantially as good condition as when received from the seller. These things are to be accomplished within 10 days of the date of the notice of cancellation. If the seller fails to return your money and has not complied within 20 days of your notice of cancellation, you may keep the goods but you need not make any further payments.

Unsolicited Merchandise



If you receive goods addressed and mailed to you and which were not solicited by you, you have the option of rejecting the merchandise, or keeping the goods without any obligation to pay or respond to the sender.

CONSUMER CREDIT

Unlawful Contract Provisions

Several provisions are prohibited by law from being made a part of a contract in con-



sumer credit sales. These clauses may be disregarded by the buyer. The forbidden provisos include:

1. A waiver or release of claims or defenses against anyone (such as a finance company) who buys the contract from the original seller.
2. An arbitrary acceleration of payment of the debt, except in cases where the consumer is in default.
3. A confession of judgment or assignment of wages to the creditor.
4. A grant of authority to the creditor unlawfully to enter the consumer's premises to repossess the goods.
5. A waiver of any lawsuit against the seller or person holding the contract, based on unlawful methods of collecting payments or repossessing goods.
6. A release of any legal remedy that the consumer may have against the seller, whether stated in the sales contract or other separate document in connection with the sale.

If your contract has any of these provisions, call your lawyer or one of the agencies listed on page 27.

Interest *

"Interest represents the price borrowers pay to lenders for credit over specified periods of time. The amount of interest paid depends on a number of factors: the dollar amount lent or borrowed, the length of time involved in the transaction, the stated (or nominal) annual rate of interest, the repayment schedule, and the method used to calculate interest."

SIMPLE INTEREST

"The various methods used to calculate interest are basically variations of the simple interest calculation method."

"The basic concept underlying simple interest is that interest is paid only on the original amount borrowed for the length of time the borrower has use of the credit. The amount borrowed is referred to as the principal."

* Excerpts on pages 7-14 reprinted from "ABC's of Figuring Interest" Business Conditions, September, 1973, Federal Reserve Bank of Chicago.

pal. In the simple interest calculation, interest is computed only on that portion of the original principal still owed.

"Example: Suppose \$1,000 is borrowed at 5% and repaid in one payment at the end of one year. Using the simple interest calculation, the interest amount would be 5% of \$1,000 for one year, or \$50, since the borrower had use of \$1,000 for the entire year.

"When more than one payment is made on a simple interest loan, the method of computing interest is referred to as 'interest on the declining balance'. Since the borrower only pays interest on the amount of original principal which has not yet been repaid, interest paid will be smaller the more frequent the payments. At the same time, of course, the amount of credit the borrower has at his disposal is also smaller."

OTHER CALCULATION METHODS

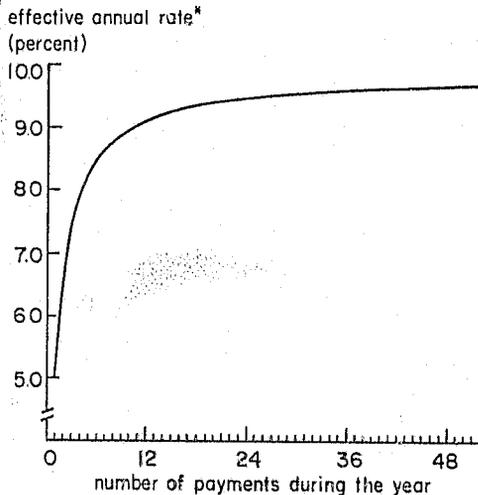
"Add-on interest, bank discount, and compound interest calculation methods differ from the simple interest method as to when, how, and on what balance interest is paid. The 'effective annual rate', or the annual percentage rate, for these methods is that annual rate of interest which when used in the simple interest rate formula equals the amount of interest payable in these other calculation methods. For the declining balance method, the effective annual rate of interest is the stated or nominal annual rate of interest. For the methods to be described below, the effective annual rate of interest differs from the nominal rate."

ADD-ON INTEREST

"When the add-on interest method is used, interest is calculated on the full amount of the original principal. The interest amount is immediately added to the original principal and payments are determined by dividing principal plus interest by the number of payments to be made. When only one payment is involved, this method produces the same effective interest rate as the simple interest method. When two or more payments are to

be made, however, use of the add-on interest method results in an effective rate of interest that is greater than the nominal rate. True, the interest amount is calculated by applying the nominal rate to the total amount borrowed, but the borrower does not have use of the total amount for the entire time period if two or more payments are made."

"Add-on interest: the more frequent the payments, the higher the effective rate



*Based on 5 percent add-on, one-year loan."

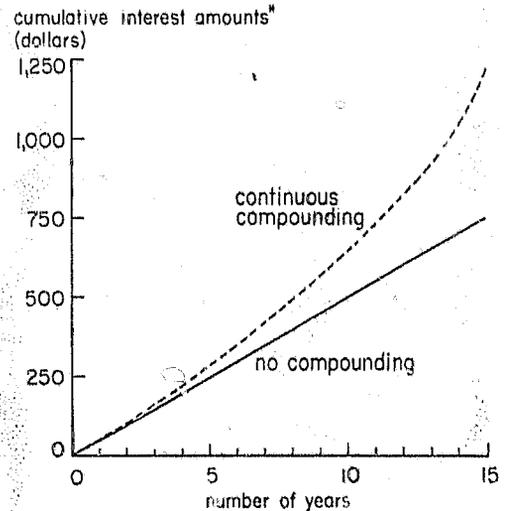
COMPOUND INTEREST

"When the compound interest calculation is used, interest is calculated on the original principal plus all interest accrued to that point in time. Since interest is paid on interest as well as on the amount borrowed, the effective interest rate is greater than the nominal interest rate. The compound interest rate method is often used by banks and savings institutions in determining interest they pay on savings deposits 'loaned' to the institutions by the depositors.

Example: Suppose \$1,000 is deposited in a bank that pays a 5 percent nominal annual rate of interest, compounded semi-annually (i.e., twice a year). At the end of the first half-year, \$25 in interest (5 percent of \$1,000 for one-half year) is payable. At the end of the year, the interest amount is calculated on

the \$1,000 plus the \$25 in interest already paid, so that the second interest payment is \$25.63 (5 percent of \$1,025 for one-half year). The interest amount payable for the year, then, is \$25 plus \$25.63, or \$50.63. The effective rate of interest is 5.063 percent which is greater than the nominal 5 percent rate. The more often interest is compounded within a particular time period, the greater will be the effective rate of interest."

"Compound interest: over time, compounding increases the amount of interest paid



*Amount paid on \$1,000 at 5 percent annual interest rate."

HOW LONG IS A YEAR?

"In the above examples, a year is assumed to be 365 days long. Historically, in order to simplify interest calculations, financial institutions have often used 12 30-day months, yielding a 360-day year. If a 360-day year is assumed in the calculation and the amount borrowed is actually used by the borrower for one full year (365 or 366 days), then interest is paid for an additional 5/360 or 6/360 of a 'year'. For any given nominal rate of interest, the effective rate of interest will be greater when a 360-day year is used in the interest rate calculation than when a 365-day year is used. This has come to be known as the 365-360 day method."

WHEN REPAYMENT IS EARLY — THE "RULE OF 78"

"In the above examples, it was assumed that periodic loan payments were always made exactly when due. Often, however, a loan may be completely repaid before it is due. When the declining balance method for calculating interest is used, the borrower is not penalized for prepayment since interest is paid only on the balance outstanding for the length of time that amount is owed. When the add-on interest calculation is used, however, prepayment implies that the lender obtains some interest which is unearned. The borrower then is actually paying an even higher effective rate since he does not use the funds for the length of time of the original loan contract.

Some loan contracts make provisions for an interest rebate if the loan is prepaid. One of the common methods used in determining the amount of the interest rebate is referred to as the 'Rule of 78'.

Application of the Rule of 78 yields the percentage of the total interest amount that is to be returned to the borrower in the event of prepayment. The percentage figure is arrived at by dividing the sum of the integer numbers (digits) from one to the number of payments remaining by the sum of the digits from one to the total number of payments specified in the original loan contract. For example, if a five month loan is paid off by the end of the second month (i.e., there are three payments remaining), the percentage of the interest that the lender would rebate is $1 + 2 + 3 = 6$ divided by $1 + 2 + 3 + 4 + 5 = 15$, or 40 percent. The name derives from the fact that 78 is the sum of the digits from 1 to 12 and, therefore, is the denominator in calculating interest rebate percentages for all 12-period loans.

Application of the Rule of 78 results in the borrower paying somewhat more interest than he would have paid with a comparable declining balance loan. How much more depends on the effective rate of interest charged and the total number of payments specified in the original loan contract. The higher the effective rate of interest charged and the greater the specified total number of

payments, the greater the amount of interest figured under the Rule of 78 exceeds that under the declining balance method. (See chart).

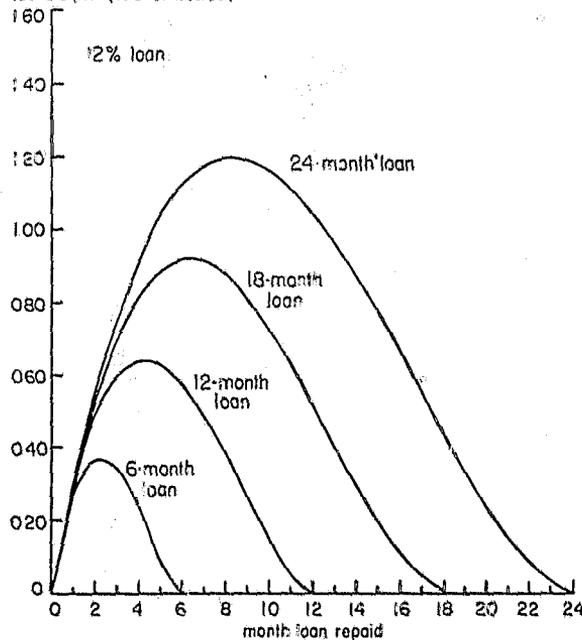
The difference between the Rule of 78 interest and the declining balance interest also varies depending upon when the prepayment occurs. This difference over the term of the loan tends to increase up to about the one-third point of the term and then decrease after this point. For example, with a 12-month term, the difference with prepayment occurring in the second month would be greater than the difference that would occur with prepayment in the first month; the third-month difference would be greater than the second-month difference; the fourth month (being the one-third point) would be greater than both the third-month difference and the fifth month difference. After the fifth month, each succeeding month's difference would be less than the previous month's difference."

"Interest paid under the Rule of 78 is always more than under the declining balance—

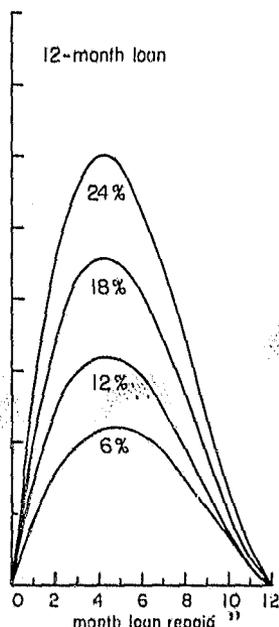
but how much more depends on:

The term of the original loan contract

difference in interest paid
(dollars per \$100 of interest)



The effective annual rate of interest



CHARGES OTHER THAN INTEREST

"In addition to the interest which must be paid, loan agreements often will include other provisions which must be satisfied. Two of these provisions are mortgage points and required (compensating) deposit balances."

MORTGAGE POINTS

"Mortgage lenders will sometimes require the borrower to pay a charge in addition to the interest. This extra charge is calculated as a certain percentage of the mortgage amount and is referred to as mortgage points. For example, if 2 points are charged on a \$10,000 mortgage then 2 percent of \$10,000, or \$200, must be paid in addition to the stated interest. The borrower, therefore, is paying a higher price than if points were not charged—i.e., the effective rate of interest is increased. In order to determine what the effective rate of interest is when points are charged, it is necessary to deduct the dollar amount resulting from the point calculation from the mortgage amount and add

it to the interest amount to be paid. The borrower is viewed as having the mortgage amount less the point charge amount rather than the entire mortgage amount.

Example: Suppose that 2 points are charged on a 20-year, \$10,000 mortgage where the rate of interest (declining balance calculation) is 7 percent. The payments are to be \$77.53 per month. Once the borrower pays the \$200 point charge, he starts out with \$9,800 to use. With payments of \$77.53 a month over 20 years, the result of the 2 point charge is an effective rate of 7.262 percent.

The longer the time period of the mortgage, the lower will be the effective rate of interest when points are charged because the point charge is spread out over more payments. In the above example, if the mortgage had been for 30 years instead of 20 years, the effective rate of interest would have been 7.201 percent."

REQUIRED (COMPENSATING) DEPOSIT BALANCES

"A bank may require that a borrower maintain a certain percentage of the loan amount on deposit as a condition for obtaining the loan. The borrower, then, does not have the use of the entire loan amount but rather the use of the loan amount less the amount that must be kept on deposit. The effective rate of interest is greater than it would be if no compensating deposit balance were required.

Example: Suppose that \$1,000 is borrowed at 5 percent from a bank to be paid back at the end of one year. Suppose, further, that the lending bank requires that 10 percent of the loan amount be kept on deposit. The borrower, therefore, has the use of only \$900 (\$1,000 less 10 percent) on which he pays an interest amount of \$50 (5 percent of \$1,000 for one year). The effective rate of interest is, therefore, 5.556 percent as opposed to 5 percent when no compensating balance is required."

THE REAL COST OF FINANCING

Very few consumers know how much of their purchase money represents credit

charges. There are good reasons for being confused. In addition to the several ways to compute interest we have just discussed, the consumer must reckon with the distinctions between interest and such terms as annual percentage rate and time price differential.

Annual percentage rate. This term and its related term 'finance charge' are significant in disclosure requirements to the consumer under Federal Truth in Lending legislation. The finance charge is the amount of all charges imposed directly or indirectly by the creditor to the buyer as an incident to extending credit. The annual percentage rate is the percentage of the finance charge applied to the unpaid balance of the amount financed.

Truth in Lending does not limit the amount of interest or the time price differential in a credit purchase. All the law requires is disclosure. The finance charge can include: (a) interest (or time price differential) or a similar system of additional charge; (b) service or carrying charge; (c) a loan fee; (d) cost of a credit report; and (e) a premium for insurance protecting the creditor against default or credit loss. Do not confuse the items included in this type of disclosure with interest rates permitted under state law.

Interest. Under state law interest charges may not exceed \$8.00 on \$100 for one year. To charge more is called "usury". There are some exceptions to the \$8.00 limitation. Open-ended credit transactions, such as the typical charge account, may be charged a 12% annual percentage rate. Disclosure under Federal Truth in Lending legislation does not require a separate itemization of the amount of interest charged. Annual percentage rates also need only be accurate to the nearest quarter of one percent. Hence, the disclosure required is not particularly helpful in determining whether you are being charged a usurious rate of interest.

Time Price Sales. Added to the confusion is the so-called time price differential. This is the cost you pay under a retail sale installment contract when you buy a new or used car. The law permits charges of \$8.00 per \$100 for new cars, and cars one-year old;

\$11.00 per \$100 for cars two or three years old; \$13.00 per \$100 for cars older than 3 years. Do not confuse these dollar amounts with percentages. The actual finance rates would much exceed the dollars-per-hundred figures above quoted.

Balloon Payments are sometimes offered if the buyer complains that the monthly payments are too high. When this happens, the salesperson often offers lower monthly payments to meet the buyer's budget. The catch is that the purchaser must make one gigantic final payment. Balloon payments are frequently used in sales of real estate by contract for deed. Real estate, however, is an appreciating asset. Automobiles do not appreciate in value. Conceivably, a balloon payment at the end of a 36 month contract on a car could be more than the value of the automobile. Avoid balloon payments, especially on depreciating assets.

RENTING A HOME

Renting versus Buying

Is it cheaper to rent than to buy a home? Here are some considerations:

1. The effective annual cost of home ownership as opposed to renting. Interest payments on the mortgage loan and the real estate taxes are both deductible on your income tax returns. You might find it cheaper to purchase a home than to rent.

2. Real estate is an appreciating asset. A home purchased 10 years ago for \$20,000, if maintained, may be worth \$30,000 or more today.

Thoughts For the Renter

If you do rent, consider the following:

1. It is not uncommon to spend 25% of your monthly income on a "roof over your head."

2. Generally, you will pay extra rent for an apartment with such extras and attractions as a swimming pool, sauna, and game room.

3. A cooperative landlord and considerate

tenants are a pleasant bonus. Check them out before renting.

4. Is a long-term lease desirable? You might be renting out of necessity, waiting to buy a home. You might be transferred to another state by your employer. If these are considerations, it would be wise to think twice before signing a lease binding you for a year or more.

Tips for Tenants.

Security deposits. Many landlords require the advance payment of \$50 or \$100 to secure the performance of the rental agreement. Often the reason given is to secure against losses caused by tenant damage to the premises. Every landlord now must either return the deposit to the tenant within two weeks after terminating the lease, or within that time give written notice to the tenant of the reasons for withholding the deposit. If the landlord fails to provide the required notice within the two-week period, he forfeits any right to withhold the deposit. A landlord retaining the deposit in bad faith can be forced to pay up to \$200 in punitive damages. Provisions in leases purporting to waive these rights are not enforceable.

Automatic renewals. Sometimes residential leases contain provisions automatically renewing the lease for the same length of time as the original term of the lease, unless the tenant gives notice to the landlord that he wants out. These provisions are only effective if the landlord gives notice to the tenant in writing of the automatic renewal provision. Notice by the landlord to the tenant must be given 15 days before the tenant is required to inform the landlord of his intentions to stop renting under these provisions. The notice by the landlord is not effective if it is given 30 days before such notice is required to be given by the tenant.

Substandard Housing. Tenants living in apartments considered substandard, unhealthy or unsafe have the right to demand an inspection by local officials having the responsibility of building code enforcement. Upon completion of the inspection, the owner of the building is informed of any

violations and given a reasonable time to correct them. Until the defects are satisfactorily repaired, no tenant can be removed from possession of the premises; nor can the tenant be evicted, or the terms of the lease changed, as punishment for exercising these rights.

Renting from Month to Month

If you do not have a written lease, chances are you rent by the month. In that event, you must give written notice before the first day of the rental period in order to terminate your occupancy at the end of that period. You are entitled to the same notice from your landlord.

Examples:

1. You rent by the calendar month. If you want to move March 31st, you must give written notice to your landlord prior to March 1st.

2. Your rent is due on the 15th of each month. Your rental month thus runs through the 14th of the following month. If your landlord wants you to move by midnight April 14th, he must give you written notice before March 15th.

If in doubt, call your lawyer.

PURCHASING A HOME

The Purchase Agreement



Purchase agreements or earnest money contracts should not be signed unless you fully understand all the terms or have consulted with a lawyer. This contract sets the terms of the family's most important purchase, the home. Yet, day after day, most homebuyers consult their attorneys only after signing the earnest money contract. This purchase agreement details the terms of the sale. It also binds the parties while the title is examined and until the closing. The contract usually contains the names of the parties, the legal description of the property, the kind of deed to be given, the date and location of the closing, the price and terms of payment, the manner of apportioning taxes and assessments, what personal property is included, and protective conditions for both the buyer and the seller.

There are several things you should know about purchase agreements:

1. If the seller is married, his or her spouse also should sign the agreement.

2. Earnest money can be in any amount, but usually, the more expensive the home, the more earnest money you must pay.

3. Earnest money is required by law to be placed in a trust account of the real estate broker until the transaction is completed.

4. If you have any doubt about qualifying for a mortgage, you should demand a provision in the agreement requiring the refunding of your earnest money in the event you are unable to obtain financing after a reasonable time.

5. If you are buying a new house in the process of construction, insist upon compliance with the plans and specifications. A provision should be included establishing responsibility for damages and defects to the property: (a) between the time of signing the agreement and the date the house is delivered to you; and (b) for a reasonable time after you move in.

6. Your lawyer can tell you what burdens are normally borne by the buyer and which ones are usually imposed on the seller. Consult him before you sign. Have him represent you until the sale is consummated and good title and possession delivered. Adequate legal representation is the only sensible and the cheapest way to purchase a home.

HOME IMPROVEMENTS

Room additions, heating and cooling systems, new roofs and other home improvements are expensive, especially if you have to pay twice! Moreover, the law gives the contractor protection for nonpayment by allowing him to foreclose on your property. Many unfortunate cases have occurred from the unjust enforcement of these so-called "mechanics liens". For example, if a homeowner paid the contractor on completion of an improvement (such as the installation of new kitchen cabinets), but the contractor did not pay the supplier or subcontractor for

materials used in the improvement, the supplier or subcontractor could have a lien placed against the home and proceed to foreclose on it. The only alternative is for the homeowner to pay twice and hope to recover against the contractor!

Under a new state law which became effective on January 1, 1974, the contractor is required to give notice in writing to the property owner of the names of other persons or companies furnishing labor or materials for the improvement. This notice is required to advise the property owner of his right to withhold payments to the contractor unless the contractor provides the owner with waivers of mechanics lien claims. Failure to give this notice defeats the right to the lien against the property. Subcontractors, under this new law, are also required to give written notice to the owner of the property within 20 days after first furnishing the labor or material.

As a homeowner, you can also guard against being cheated by following a few simple suggestions:

1. Always insist on a written agreement with the contractor for home improvements.

2. Require the name and address of both the contractor and the salesperson on the agreement.

3. Make sure that the dates of beginning and completion of the work are stated on the agreement, along with a full, detailed description of what is to be done, and the total price for the work and material.

4. If any modifications must be made in the agreement after signing it, do not rely on verbal understandings. Insist that all modifications be in writing. Demand that you be furnished with a copy of the agreement and of all modifications.

LAWS TO HELP THE CONSUMER

Auto Mileage Tampering

Buying a used car? How far has the car been driven? Tampering with odometers is now prohibited by law. Any alteration that is

known to the seller must be disclosed in writing to the buyer. If the true mileage is not known, then that fact must be disclosed. Failure to do so can be punishable under both criminal law (as a gross misdemeanor) and under civil law by imposing triple damages.

Dating of Perishable Food

All perishable food manufactured or processed after January 1, 1974, is subject to regulations of the Minnesota Commissioner of Agriculture to assure that the product is within reasonable limits on spoilage, drying or other deterioration. The Attorney General, or any municipal or county law enforcement official may bring legal action to restrain violations.

Gasoline Price Disclosure

Octane ratings and prices, including federal and state taxes of fuel used in motor vehicles, must be publicly posted and displayed.

Drug Price Disclosure

Every pharmacy is required to post the names and current prices of the 60 most often prescribed drugs. The list must be easily readable by consumers. Phone calls inquiring about the current price of any of these drugs must be answered.

Hearing Aid Purchases

Hearing aids cannot be sold without a prescription of an audiologist, otolaryngologist, otologist, or licensed medical doctor. Persons under 60 years old may waive this protection after the law has been made known to them by the hearing aid vendor. Sales without prescriptions made to those not waiving their rights, and to those over 60, constitute violations and are punishable as misdemeanors.

Disclosure of Funeral Expenses

All funeral establishments are required to furnish an itemized statement of the costs for the care and disposition of deceased persons in accordance with Board of Health rules. Further, caskets offered for sale must display the retail price on the casket. Failure to comply with these rules is dealt with as

unprofessional conduct and may jeopardize the license of the funeral director.

GARNISHMENT

Garnishment is the legal method of "freezing" your property or paycheck in the hands of your employer or your bank. Upon receiving a garnishment the bank or your employer must disclose what is owed to you, using a written, notarized statement for the report. Failure to do so within the time stated may result in your bank or employer being liable for the amount of your debt.

An employer cannot fire an employee from his job unless the employee's earnings have been subject to garnishment more than three times within a 90 day period and for more than one indebtedness. If an employer violates this requirement, the employee can, within 90 days after being fired, bring a civil action for reinstatement and recover twice his lost wages. Furthermore, under court decisions, only in rare instances, (such as a default), can garnishment be used before a judgement is obtained for the debt. This means that before garnishment occurs you must receive notice of the law suit against you by service of a summons and complaint. If you answer as required by law, you must receive a hearing and judgement must be entered. Seventy-five percent of disposable earnings in the hands of the employer are exempt from garnishment. The exemption applies to earnings after all deductions required by law to be withheld.

BANKRUPTCY

Many people believe that the only way out of difficult financial situations is to file bankruptcy. If your liabilities are greater than your assets, you qualify. Yet, bankruptcy might provide no solution at all. If most of your debts are secured debts, you could be worse off than before. Automobiles, television sets, major appliances and home improvements for which a mechanics lien can be filed, are all secured debts. Thus, if you owe \$200.00 of unsecured debts and

\$5,000.00 of secured debts, bankruptcy will relieve you only of the unsecured debts. The creditors on your secured debts will simply take your property back. The result: No car, no TV, no washing machine. For you, bankruptcy may not be the answer.

Other alternatives are available. Chapter XIII of the Bankruptcy Act allows a wage earner plan, which does not carry with it the same stigma or disabilities of bankruptcy. If the plan is accepted it permits a debtor to pay a reasonable amount of his earnings (as agreed upon) to a court-appointed trustee, who distributes the money in accordance with the plan. It is a supervised renegotiation of the payment schedules of an individual's debts under the guidance of the court. Before you insist on filing bankruptcy, ask your attorney whether or not you qualify for a wage earner plan.

EMPLOYMENT AND COLLECTION AGENCIES

Both employment and collection agencies are required to be licensed by the Department of Labor and Industry of the state of Minnesota.

Employment Agencies

Every agency is required by law conspicuously to display its license in the main office of the agency. Look for it! In addition:

1. Fees cannot be accepted by an agent for simply registering an applicant for employment.

2. When a payment is made for services rendered in obtaining employment, every agent is required to give the applicant a receipt showing the name and address of the agency, the amount of payment, the date of payment and the purpose for which payment was made.

3. Every agency must keep a record of all services to both employers and employees. The State Department of Labor and Industry has the authority to demand these records for inspection.

4. If no job opening existed at the place where the job applicant was directed, the agent must refund any amount the applicant paid going to and returning from the place he was sent. This must be refunded within 48 hours of demand. However, if the employer requested that the agent send the applicant for an interview, there is no such obligation to refund.

5. Fee splitting is prohibited. So is false advertising and placing applicants in unlawful employment.

6. If a strike exists at the place of employment and the agent knows this, he must so inform the applicant.

Collection Agencies

These agencies also must display their licenses in the offices where the business is conducted. They are specifically prohibited from the following practices:

1. Furnishing legal advice, engaging in the practice of law, using legal stationery or forms, or otherwise creating the appearance of judicial process.

2. Publishing lists of debtors, using "shame" cards, or utilizing similar devices for intimidation.

3. Operating in a way that creates the impression that the agency is associated with the federal, state, county or local government.

4. Co-mingling money of a customer with its own operating funds.

HOW TO HANDLE SMALL CLAIMS

Claims up to \$500.00 (not involving title to real estate) can be heard with a minimum of formality in the Hennepin County Conciliation Court. Here is how this small claims court works:

1. The Clerk of Conciliation Court, Room 438, City Hall and Courthouse in downtown Minneapolis, will furnish you with a complaint form for you to complete. The Clerk will charge a nominal filing fee.

2. The Clerk then advises you of the date your claim will be heard.

3. The Clerk sends out a summons requiring the appearance of the person (defendant) you are suing on the hearing date.

4. The defendant, if he desires, may file a counter-claim against you.

5. Prior to the hearing you should prepare a concise outline of your claim and locate all documents and writings which support your claim.

6. At the hearing, explain the facts to the judge and show him all the documents and writings.

7. You may have an attorney present at this hearing, or you may appear on your own behalf. There is less formality about receiving evidence in Conciliation Court than in other courts. Most persons appear without their lawyers.

8. The judge, after hearing both sides, takes the case under advisement. You are informed by mail of his decision.

9. The losing party may have his case heard all over again in the Hennepin County Municipal Court. An attorney should be obtained in that event.

FRANCHISES AND PYRAMID DISTRIBUTORSHIPS

Franchising

Franchising is a legitimate and lucrative business. Some specialty food and restaurant chains have developed outstanding reputations and have honest business offers for the person who can make a substantial investment in time and money. However, many such operations are phony. The name and services you buy may either be worthless or non-existent. No one can sell or offer for sale a franchise in Minnesota unless a proper franchise statement has been filed with the Commissioner of Securities of the state Department of Commerce. Call him (296-2594) before you invest.

Pyramid Distributorships

Distributorships whose purpose is to get

you to recruit other distributors, who in turn are to recruit more distributors, have a bad track record. The person at the top of the pyramid gets rich on your investment. The goal of this questionable business is not to sell products, but to obtain investors.

The **Minneapolis Better Business Bureau** is an excellent source of information about such bogus practices. Before you get too excited about such a "get rich quick" scheme, give the Bureau a call. Other agencies offering helpful information about consumer problems are listed at the back of this pamphlet. Call them before acting.



NURSING HOMES

Recent legislation established a "Bill of Rights" for nursing home patients. These rights are designed to insure privacy, disclosure, and continuity of care. This "Bill of Rights" must be posted in licensed nursing homes and must be furnished to all residents on admission.

Mistreatment, intentional abuse or serious neglect of nursing home residents is a crime punishable by imprisonment for up to one year or payment of a fine up to \$1,000.00 or both. Any suspected violation should be reported to the State Board of Health. Infractions of state fire and safety standards should be reported to the State Department of Public Safety. Retaliation against a patient, resident or employee making a good faith report of these violations is punishable by up to 90 days in jail or up to a \$300.00 fine, or both.

PARENTS LIABLE FOR CHILD'S VANDALISM

If the wrongdoer who is under 18 years of age and lives with his parents willfully or maliciously injures your person or destroys your property, his parents can be made to pay up to a maximum of \$100.00. If the parents refuse to pay you may sue in Conciliation Court. Tell the judge you are proceeding under Minnesota Statutes \$540.18.

CONSUMER PROTECTION AGENCIES

Here are some of the agencies ready
to help you:

Citizens Protection Division
Hennepin County Attorney
248 Courthouse
Minneapolis, Minnesota 55415
348-4528 (Civil complaints)

Business Fraud Division
Hennepin County Attorney
400 Courthouse
Minneapolis, Minnesota 55415
348-3110 (Criminal complaints)

Consumer Affairs Department
City of Minneapolis
105 Courthouse
Minneapolis, Minnesota 55415
348-4283 (General complaints)

Office of Consumer Services
Minnesota Department of Commerce
Metro Square Building
7th and Robert Street
Saint Paul, Minnesota 55101
296-2331 (General complaints)

Consumer Protection Division
Minnesota Attorney General
102 State Capitol Building
Saint Paul, Minnesota 55155
296-3353 (General complaints)

Better Business Bureau
15 South Fifth Street
Minneapolis, Minnesota 55402
335-8875 (General complaints)



HENNEPIN COUNTY GOVERNMENT

Board of County Commissioners
Room 130, Courthouse
Minneapolis, Minnesota 55415

District No. 1
Commissioner Richard O. Hanson

District No. 2
Commissioner Thomas E. Ticen

District No. 3
Commissioner Thomas L. Olson

District No. 4
Commissioner David P. Lindgren

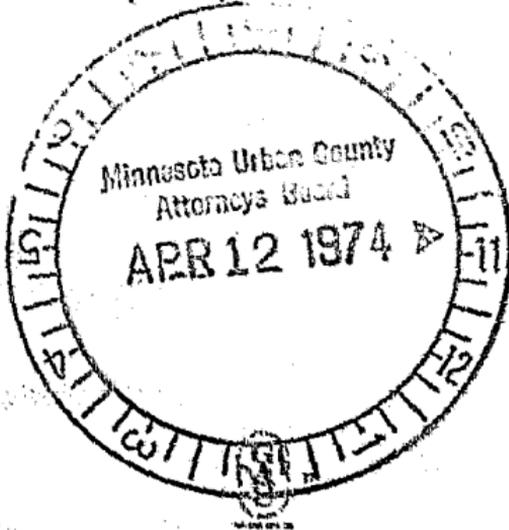
District No. 5
Commissioner E. F. (Bud) Robb, Jr.

Hennepin County Attorney
Gary W. Flakne
400 Courthouse
Minneapolis, Minnesota 55415

Hennepin County Sheriff
Donald Omodt
Room 6, Courthouse
Minneapolis, Minnesota 55415



Prepared by:
Gary W. Flakne
Hennepin County Attorney
400 Court House
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(Not Printed at Government Expense)

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