



ELECTIVE

STUDENT BOOK



▶ **Consumer Math | Unit 7**

Smart Consumer

Introduction

This unit is all about your rights as a consumer. There are protections in place to ensure your rights to fair prices and quality goods and services. There are also actions that can be taken if a seller violates your rights. In this unit, you will learn about your rights as a consumer and your rights with financial institutions.

But as a consumer, you also have responsibilities. You will learn about smart shopping tips, how to recognize deceptive sales techniques, and how to read and understand the terms of a warranty. Understanding your rights as a consumer, how to do your research, and the steps to take if your rights are violated will ensure your hard-earned money is well-spent and not wasted.

Objectives

Read these objectives. The objectives tell you what you will be able to do when you have successfully completed this LIFE·PAC. When you have finished this LIFE·PAC, you should be able to:

1. Recognize rights and responsibilities as consumers.
2. Identify the laws and regulations that protect your bank account.
3. Identify the laws and regulations that protect you when applying for a loan.
4. Identify advertising and sales techniques and their purposes.
5. Recognize deceptive sales techniques.
6. Read and understand the terms of a warranty, including the time frame a warranty applies, what is covered, what is not covered, and the limitations.
7. List tips for smart shopping.
8. Be able to define the Cooling Off Rule.
9. Evaluate a hypothetical consumer purchase using the PACED decision-making process.
10. Access consumer websites and gather information needed to make a hypothetical purchase.
11. Write a letter of complaint to a company's headquarters to protect your consumer rights.

1. CONSUMER RIGHTS

People in the United States have lost more than \$100 billion dollars to illegal scams. These scams include employment scams, telemarketing scams, fundraising scams, sweepstakes scams, and more. Also, many people suffer from injuries caused by faulty products. Even more common, but not as devastating, people buy products that fail, and pay for services that do not fulfill their expectations. In this section, you'll explore the rights you have when you make purchases.

Section Objectives

Review these objectives. When you have completed this section, you should be able to:

1. Recognize rights and responsibilities as consumers.
2. Identify the laws and regulations that protect your bank account.
3. Identify the laws and regulations that protect you when applying for a loan.

Vocabulary

Study these words to enhance your learning success in this section.

Better Business Bureau

Bureau of Consumer Protection

consumer

consumer rights

Note: All vocabulary words in this unit appear in **boldface** print the first time they are used. If you are unsure of the meaning when you are reading, study the definitions given.

YOUR RIGHTS AS A CONSUMER

Consumers are individuals who own goods or services. This is just about everybody. If you have ever made a purchase, you are a **consumer**. You are also a consumer if you have ever paid for a service, such as a mechanic fixing your car or a hairstylist cutting your hair. Have you ever bought a product that didn't work, or paid for a service that you weren't happy with? There are rights that protect you when you make these purchases.

Consumer rights are what every consumer should expect from companies that sell goods and services. For example, consumers should expect manufacturers and retail stores to honor the warranties they issue, and they should expect only to pay when services are provided.

Years ago, consumers were without these rights. Consumers had no help when it came to faulty or defective products, or misleading or deceptive advertising methods. Now there are basic consumer rights and knowing these rights can help you protect your money.

Here are the rights:

- » **Consumers have the right to be safe.** This right protects consumers against injury that may be caused by a product. The Consumer Product Safety Commission (CSPC) oversees thousands of commercial products and establishes standards, requires product testing, and requires companies to have warning labels. In addition, the CPSC requires immediate notification when defective products have already been sold and need to be recalled.
- » **Consumers have the right to receive compensation.** This right entitles you to receive fair compensation to make up for unsatisfactory goods or services.
- » **Consumers have the right to choose freely.** This right gives you the choice of products. In other words, consumers should have a variety of options provided by different companies. When there are options, there is also competition. And competition keeps prices lower. The federal government has laws in place to ensure that consumers have choices.
- » **Consumers have the right to be heard.** This right gives you the ability to voice complaints and concerns against products. If you have a difficulty with a business about a product or service, there are places to take your complaints. If the business is in violation of the law, you may turn to the state and federal attorney general's office. In addition, you may contact the Better Business Bureau to file a complaint. The **Better Business Bureau** is an organization whose purpose is to receive and investigate customer complaints of dishonest business practices. They also publish this information so that you can avoid businesses with bad records.
- » **Consumers have the right to be informed.** This right ensures businesses provide consumers with appropriate information that will enable them to make informed product choices. This information must be complete and truthful. There are laws in place to protect against printing incorrect information when labeling, advertising, packaging, or providing financial information.
- » **Consumers have the right to education.** This right gives consumers access to information that helps consumers make good purchasing decisions.
- » **Consumers have the right to service.** This right gives you the chance to refuse any service offered. It also states that when receiving a service, you should be treated with courtesy and respect, and that the business should respond to your needs and problems.

The **Bureau of Consumer Protection** works to create rules and regulations to protect consumers against unfair, deceptive, or fraudulent practices. The bureau also conducts investigations, sues companies and people who violate the law, and educates consumers and businesses about their rights and responsibilities.

You have rights when you purchase products or services. You also have rights when you open a checking or savings account, or when you apply for a loan.



Write T for True or F for False.

- 1.1 _____ A consumer is a person who sells a product or service.
- 1.2 _____ Consumers have the right to freely choose their products or services.
- 1.3 _____ Consumers have the right to quick, efficient returns.
- 1.4 _____ Businesses must provide consumers with information that will enable them make informed product choices.
- 1.5 _____ The Better Business Bureau investigates customer complaints of dishonest business practices.
- 1.6 _____ Once you discuss a service with a business, you are obligated to accept the service.

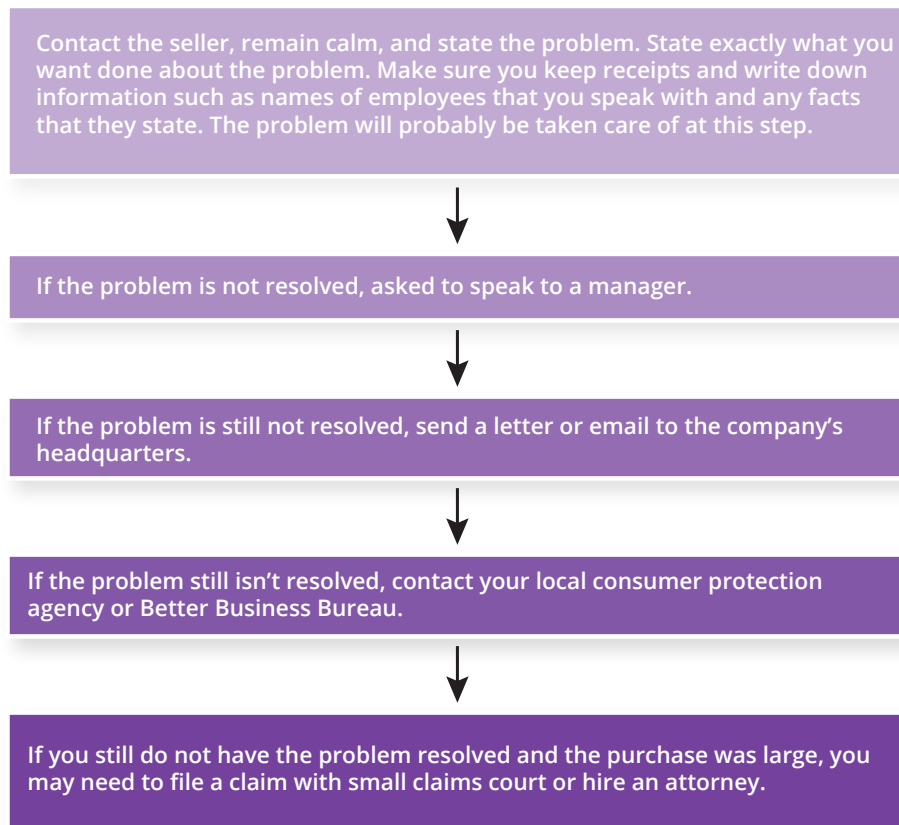
Complete these activities.

- 1.7 Jayden was feeling pressured into buying a service plan for his new car. What right should Jayden exercise?
- a. the right to service b. the right to be safe c. the right to education
- 1.8 Emily was injured due to a malfunction in her car's airbag. What right should Emily exercise?
- a. the right to service b. the right to be safe c. the right to education
- 1.9 Cristian bought a new car from a dealership and had to make constant repairs in the first six months of ownership. What right should Cristian exercise?
- a. the right to choose freely
 b. the right to receive compensation
 c. the right to education

Purchases. What options do you have if you buy a product that doesn't work? You can get all your money back, get some of your money back, get the product repaired at the seller's expense, get the product replaced, or get store credit—credit to spend at that store only. And what should you do when the service is not what you asked for? You can also ask for your money back.

If a business has violated one of your rights as a consumer, you can follow these steps to be compensated:

- » Contact the seller, remain calm, and state the problem and exactly what you want done about the problem. Make sure you keep receipts and write down information, such as names of employees that you speak with and any facts that they state. The problem will probably be taken care of at this step.
- » If the problem is not resolved, ask to speak to a manager.
- » If the problem is still not resolved, send a letter or e-mail to the company's headquarters.
- » If the problem still isn't resolved, contact your local consumer protection agency or Better Business Bureau.
- » If you still do not have the problem resolved and the purchase was large, you may need to file a claim with small claims court or hire an attorney.



Scams. Scams violate your rights. They violate your right to be informed. Remember, information must be complete and truthful. The Bureau of Consumer Protection collects complaints about scams, investigates the complaints, and makes the information available to the public. The bureau suggests that before you fall victim to a scam, become educated. It's the first line of defense against fraud and deception. To learn more about scams, you can watch the news or read articles on websites dedicated to this topic.

Have you ever seen an ad like this?

Be your own boss!! Earn thousands of dollars from home! No risk. Call now!

There are many job scams to look out for when hunting for a job. The Bureau of Consumer Protection provides articles highlighting some of the common scams. Scammers advertise jobs the same way employers do—online (on job sites, social media, ads), in newspapers, and sometimes on TV and radio. The typical format is meant to gather your personal information—and money—with the promise of a job. Some typical job scams the Bureau of Consumer Protection lists include:

- » work-from-home job scams
- » nanny, caregiver, and personal assistant job scams
- » mystery shopper job scams
- » job placement service scams
- » government and postal job scams



1.13 The first step you should take if you have a problem with a product or service is _____.

- a. file a complaint with the Better Business Bureau
- b. ask for a manager
- c. contact the seller
- d. post about it on social media

1.14 If you've spoken to a manager about a problem is unable to help you, your next step should be _____.

- a. posting about the issue to social media
- b. never shopping there again
- c. trying a different store
- d. contacting corporate headquarters

1.15 If you've tried everything and the store will not refund you for a faulty large purchase, your last step could be _____.

- a. protesting in front of the store
- b. leaving negative feedback on the website
- c. talking to the manager again
- d. filing a claim in small claims court

1.16 In one to two sentences, describe the information you should make note of when speaking with a seller about a problem with a product or service.

SELF TEST 1

Write the letter of the vocabulary word that matches the correct definition (each answer, 2 points).

- | | | | | |
|-------|-------|--|----|------------------------------------|
| 1.01 | _____ | limits the amount of time a bank can hold funds deposited by check | a. | Better Business Bureau |
| 1.02 | _____ | this act promotes availability of credit to all creditworthy applicants | b. | Bureau of Consumer Protection |
| 1.03 | _____ | insurance that protects your money if the bank fails | c. | consumer |
| 1.04 | _____ | organization that receives and investigates customer complains of dishonest business practices | d. | consumer rights |
| 1.05 | _____ | requires banks provide account info to consumers when they ask | e. | Truth in Savings Act |
| 1.06 | _____ | this act helps eliminate abusive debt collection practices | f. | Electronic Fund Transfer Act |
| 1.07 | _____ | laws and regulations that protect consumers when buying products or services | g. | Expedited Funds Availability Act |
| 1.08 | _____ | this act requires creditors to promptly fix billing mistakes and promptly process payments | h. | FDIC Deposit Insurance Regulations |
| 1.09 | _____ | requires financial institutions to limit consumer responsibility if a debit card is lost | i. | Truth in Lending Act |
| 1.010 | _____ | organization that collects and investigates complains about scams | j. | Equal Credit Opportunity Act |
| 1.011 | _____ | any individual who uses or has paid for goods or services | k. | Fair Credit Reporting Act |
| 1.012 | _____ | requires lenders to disclose loan terms information | l. | Fair Debt Collection Practices Act |
| | | | m. | Fair Credit Billing Act |

Write *T* for True or *F* for False (each answer, 2 points).

- | | | |
|-------|-------|--|
| 1.013 | _____ | If you buy a product that doesn't work, you will not be able to return it. |
| 1.014 | _____ | When writing a letter of complaint to a business, you should include specific action you would like them to take. |
| 1.015 | _____ | Consumers have the right to freely choose their products or services. |
| 1.016 | _____ | Once you discuss a service with a business, you are obligated to accept the service. |
| 1.017 | _____ | Businesses must provide consumers with information that will enable them make informed product choices. |
| 1.018 | _____ | The Equal Credit Opportunity Act prevents lenders from making loan decisions based on factors such as race, color, religion, and marital status. |
| 1.019 | _____ | The Fair Debt Collection Act requires banks to provide account information to consumers when they ask. |

- 1.020** _____ It is a consumer's responsibility to stay informed about product recalls.
- 1.021** _____ It is not a consumer's responsibility to report fraudulent activity.
- 1.022** _____ Smart shoppers find out about refunds, returns, and cancellation policies before purchasing.

Write an X next to the laws and regulations that protect your bank account (each answer 3 points).

- 1.023** _____ Truth in Savings Act
- 1.024** _____ the right to education
- 1.025** _____ Equal Credit Opportunity Act
- 1.026** _____ Electronic Fund Transfer Act
- 1.027** _____ FDIC Deposit Insurance Regulations
- 1.028** _____ Expedited Funds Availability Act

Circle the correct answer (each answer, 2 points).

- 1.029** Marshall was feeling pressured into buying a warranty plan for his new car. What right should Marshall exercise?
- a. the right to service b. the right to be safe c. the right to education
- 1.030** Lindsay was made ill by a food product she purchased at a grocery store. What right should she exercise?
- a. the right to service b. the right to be safe c. the right to education
- 1.031** Pedro purchased a new laptop and had to spend several hundred dollars in repairs as the laptop kept breaking immediately after purchase. What right should he exercise?
- a. the right to choose freely
b. the right to receive compensation
c. the right to education
- 1.032** Julia received a letter in the mail saying her car's airbag has a problem and she should take the car to the dealership to get it fixed for free. This is an example of a _____.
- a. scam b. product recall c. legitimate offer
- 1.033** Scams violate your _____.
- a. right to be heard b. right to freedom of choice
c. right to be informed d. right to be safe

- 1.034** The first step you should take if you have a problem with a product or service is _____.
- file a complaint with the Better Business Bureau
 - ask for a manager
 - contact the seller
 - post about it on social media
- 1.035** If you've tried everything and the store will not refund you for a faulty large purchase, your last step could be.
- protesting in front of the store
 - leaving negative feedback on the website
 - talking to the manager again
 - filing a claim in small claims court
- 1.036** Nick could not withdraw money from his checking account, even though it had been several weeks since he deposited a check. What act protects him from this?
- the FDIC Deposit Regulations Act
 - the Expedited Funds Availability Act
 - the Truth in Lending Act
 - the Equal Credit Opportunity Act
- 1.037** Sarah was getting harassed at work by companies to whom she owed money. What act protects her from this?
- the FDIC Deposit Regulations Act
 - the Fair Debt Collection Practices Act
 - the Truth in Lending Act
 - the Equal Credit Opportunity Act
- 1.038** Garrett's bank account info was stolen and over \$1,000 was taken. Which act or regulation protects him from having to pay for all of it?
- the Truth in Savings Act
 - FDIC Deposit Insurance Regulations
 - the Electronic Fund Transfer Act
 - the Expedited Funds Availability Act

SALES TECHNIQUES

Have you ever heard, “It’s the hottest sale of the season!” or “Buy two shirts and get the third at 50 percent off!”? These are examples of sales techniques that stores use to get you to shop there. Watch out for these sales techniques! They might convince you to buy something that you don’t need, like a pet rock. Some commonly used sales techniques include the following:

- » **Coupons**—discounts through print or online promo codes for products or services.
- » **Rebates**—discount applied after purchase with a refund mailed to the consumer.
- » **Promotional pricing**—lowering the price on some items for a short amount of time.
- » **Free trial offer**—free access to a product or service for a period before payment is required.
- » **Sample**—smaller product size given to try it out before purchase.
- » **Demonstrations**—a product or service is demonstrated to show how it works.
- » **Product displays**—products are displayed to highlight their features.
- » **Contests or games**—consumers enter a contest or play games to win free products or services.
- » **Point-of-sale displays**—signs that stick out into the aisle from the shelf or signs that sway when a consumer walks by.
- » **Loyalty programs**—points earned for shopping at that store.
- » **Subscription service**—merchandise arrives automatically unless the consumer takes steps to stop shipment and billing; often used by book and music services.



The techniques you just read about are used legally. However, there are also deceptive or misleading techniques. Here are a few:

- » **“Bait and Switch”**—The advertisement entices consumers into the store with bargains that are too good to be true. Once consumers are in the store, they are told the item is unavailable and are shown a similar, but more expensive, item. Often high-pressure sales tactics are used. This is illegal in most states.
- » **Exploitation of fears and misgivings**—The advertisement plays on consumer fears.
- » **Out-of-context quotations**—Comments by a noted person or passages from a story are taken out of context to imply an endorsement of a product or service.

What should you do if you come across a deceptive or misleading technique? You should avoid that store and report them to your local consumer protection agency.

Complete these activities.

- 2.9** Julian went to a store and found that the store did not have the sale item she wanted. A salesperson showed her a similar, but more expensive, item. This is an example of a(n) _____.
- honest sales technique
 - advertisement
 - warranty
 - deceptive sales technique
- 2.10** Naomi needed a car but didn't have a down payment and her credit score was low. She went to a car dealership after seeing a commercial that said they would get any buyer into a new car, no matter their circumstances. When she got there, they agreed to a loan for a used car, but the rate was 30 percent, and she was required to pay \$5,000 down. This was an example of _____.
- exploitation of fears and misgivings
 - out-of-context quotations
 - bait and switch
 - a loyalty program
- 2.11** A streaming service offers 30 days of streaming free before you must start paying for the subscription. This is an example of a _____.
- coupon
 - free trial
 - contest or game
 - loyalty program
- 2.12** When you earn points that can add up to a free purchase at a store, it's a _____.
- loyalty program
 - coupon
 - sample
 - contest
- 2.13** Using a promo code for 20% off on your purchase is an example of a _____.
- sample
 - free trial offer
 - coupon
 - subscription service
- 2.14** A kitchen knife company sets up a table in the middle of a shopping center and gives a little show, cutting up vegetables and giving shoppers free samples of the food. This is a _____.
- contest or game
 - subscription service
 - coupon
 - demonstration



Smart Shopping. Now that you know the advertising and sales techniques designed to entice you, you are equipped with more knowledge to make better decisions when you shop. Smart shoppers also follow these tips:

- » Avoid high-pressure sales techniques and don't take immediate action. Think before you buy.
- » Offers that sound too good to be true usually are.
- » Don't give out your credit card number for any purpose other than to make a purchase.
- » Don't believe statements that a product or service is free, followed by a request that you pay for something.
- » Request written information about the company and product.
- » Don't buy anything on terms you don't fully understand.
- » Find out about refunds, returns, and cancellation policies.
- » Don't believe testimonials you can't verify.
- » Don't provide any personal financial information.

Write T for True or F for False.

- 2.15 _____ It's acceptable to provide your credit card number for a product demonstration.
- 2.16 _____ Advertisers are required to always tell the truth.
- 2.17 _____ Offers that sound too good to be true usually are.
- 2.18 _____ You should avoid high-pressure sales techniques.
- 2.19 _____ You should request information about the company and product in writing.

Complete the activity.

2.20 Explain at least four things that smart shoppers do.



804 N. 2nd Ave. E.
Rock Rapids, IA 51246-1759
800-622-3070
www.aop.com

EL2307 - Nov 2023 Printing



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