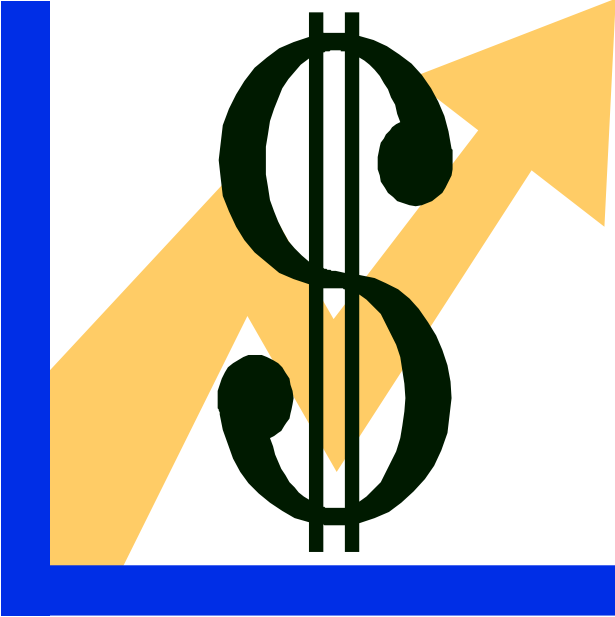


Contracts and Credit



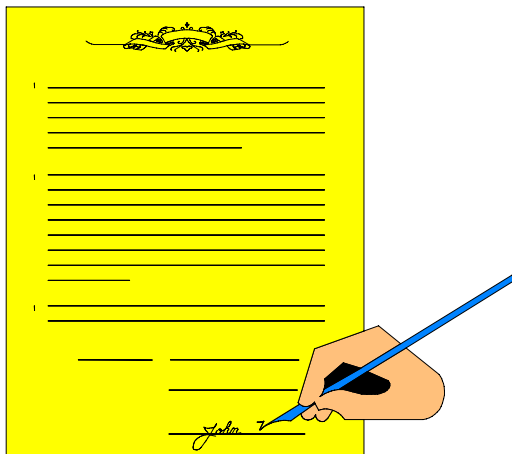
Contracts and Credit

Contracts

What is a contract?

A contract is a legally binding agreement in which property, goods or services are provided in exchange for money or something else of value. Some common types of contracts are:

- A purchase agreement for a home.
- A sales contract or installment purchase plan for an automobile, appliance or other major purchase, including catalogue purchases.
- Door-to door sales agreements.
- A mortgage or personal loan.
- An authorization to perform home repairs or services.
- An employment contract.
- A lease on an apartment, home or business.
- An application for a credit card or charge card.
- Membership in certain types of clubs or programs, such as mail order record clubs and health or sports facilities.



Contracts are not always written agreements. Many day-to-day transactions actually involve a contractual relationship but are not put in writing. The important thing to remember is that contracts are usually legally binding, whether oral or written.

When you sign a document you are agreeing to what it says — not what you think or hope it says — and you should be willing to be legally bound by its terms. A valid contract usually cannot be broken unless both parties agree. Read the entire document carefully before you sign it. If there is any part of it you don't understand, talk to your lawyer before sign. Do not sign a contract that has blank spaces or includes any word or phrase you do not understand. Keep a copy of the signed contract.

What should be included in the contract?

A contract should contain all of the relevant provisions to which the parties have agreed. For example, if you rent an apartment and the landlord agrees to pay all utilities that should be stated in the lease in addition to all of the other terms. If it is not included, the tenant may not be able to enforce the landlord's promise.

Who may sign a contract?

For a contract to be legally binding, both parties must be mentally competent and be at least 19 years of age, except that a married person of any age and persons under 19 who have been legally "emancipated" from their parents may sign a contract and be legally bound by its terms.

This does not mean persons under 19 or those who are not mentally competent are not allowed to sign contracts, but that these contracts may not be enforceable.

Are parents liable for contracts signed by their children?

Generally, only contracts for "necessities of life" may be enforced against a child's parent or guardian. Thus, if a 17-year-old signs an agreement to buy a stereo system and then fails to make the payments, the store could repossess the stereo, but could not force the parents to fulfill the contract.

Can I get out of a contract?

In some cases, yes. Some sales contracts must allow the buyer to cancel within a certain period of time. Many door-to-door sales, for example, may be cancelled within three working days, provided the amount of the sale is more than \$25 and the sale takes place off the seller's premises. The seller must give the buyer written notice of this right of cancellation.



If a contract was obtained through fraud, misrepresentation or coercion, it is possible it may be cancelled.

However, simply changing your mind or deciding you cannot afford an item for which you have signed a contract would not be sufficient reason to release you from the contract.

What if I break the contract?

If you fail to fulfill the terms of the contract, the other party may file a lawsuit asking the court to award damages for breach of the contract, or a lawsuit asking the court to require you to do what you agreed to under the contract. The lawsuits may be filed in small claims court if the amount at issue is within the small claims court limit.

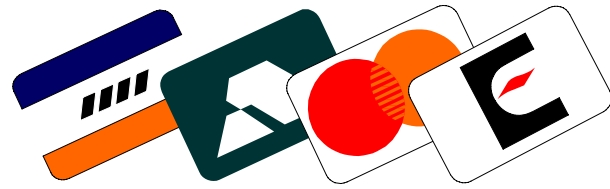
It is not always necessary to take a case of this type to court. Talk to your lawyer. It is possible you can reach a settlement that is fair to both parties without the additional time and expense of litigation.

Credit

It can sometimes be convenient to pay for a purchase over an extended period of time, using a credit card or installment purchase plan. However, "buying now and paying later" can be more expensive since interest charges and other costs are often added to the cash price of merchandise or services. Also, credit purchases often involve signing a contract that gives the seller legal rights in the property until the full purchase price and finance charges are paid.

What is a credit card?

A common method of credit purchasing is the use of a credit card, which may be issued by a bank, department store or other creditor. The creditor is, in effect, loaning you money for various purchases, for which you may be charged a stated interest rate. The interest rates, and in some cases an annual service charge, is regulated by law. The issuer of the credit card must inform you in writing of the conditions of the credit arrangement, including the method for handling billing errors.



Must I pay for unauthorized purchases on my credit card?

If your credit card is lost or stolen, you may be liable for some unauthorized purchases, but there is a limit on the amount you would have to pay. You do not have to pay for unauthorized purchases made after you notify the company of the theft or loss. If you receive a credit card you have not requested, you are not liable for any use of that card unless you accept it by signing or using it. Merely failing to destroy or return an unsolicited credit card does not automatically make a person responsible for unauthorized charges made with it.

What is the Equal Credit Opportunity Act?

Passed in 1975, the Equal Opportunity Act makes credit equally available to all creditworthy people, without regard to sex, marital status, age, race, color, national origin or receipt of public assistance. It applies to all forms of credit — business, consumer, education, home financing — and covers all credit providers.

This act says if both spouses request credit, a creditor must consider part-time and full-time income from both spouses in determining creditworthiness; that alimony and child support must be considered as income if the applicant chooses to list these as income; that if a married individual applies for credit in his or her own name, and is creditworthy, a creditor cannot ask about his or her spouse's income or credit history or use this information to deny credit; and that credit history will be carried on both spouses if they have accounts in both names or the accounts are used by both.

If an individual is denied credit, or credit is stopped, the creditor must inform the individual of the reason, if requested to do so.

Can I see my credit file?

Throughout the United States, credit bureaus maintain credit files on millions of consumers. If you have ever used credit, there is probably a record in a credit bureau. Potential creditors use these files to check your creditworthiness before extending new or additional credit to you. Under the Fair Credit Reporting Act, you have a right to see your credit history and to know who else has seen it for credit or employment purposes.

There are limits on how long negative information may be carried on you in your file. If there is incorrect information in your file you have the right to have it reinvestigated, corrected or deleted, and to have a new report sent to creditors. You may also place a written statement in your file explaining your version of disputed information.

This pamphlet, which is issued to inform, not to advise, has been prepared and published by the Nebraska State Bar Association. It is distributed by those who want to help you obtain your rights under the law.



Nebraska State Bar Association
635 South 14th Street
P.O. Box 81809
Lincoln, Nebraska 68501-1809
(402) 475-7091
www.nebar.com

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