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Signing on the Dotted Line . . .


What college students need to know about contracts



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What you will learn about


- cellular phone contracts/plans
- promissory notes
- leases/rental agreements and renters' legal rights
- auto service contracts
- credit card agreements



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Cellular Phone Contracts



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Usage

- cellular phone contracts are based on used minutes
- plan cost increases with more minutes
- some carriers only charge for peak hour minutes
 - defined in the contract
 - many carriers offer free night and weekend minutes
 - know when night minutes begin and end




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Coverage area

- know where coverage area begins/ends
- expensive roaming fees for calls placed outside carrier's coverage area
- frequent travelers may want a nationwide plan




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Additional features

- unlimited text messaging
- nights beginning early
- no roaming
- web browsing/downloading
- rollover minutes
- free mobile-to-mobile minutes

Paying the monthly fee for these features is less expensive than overage fees!




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Choosing a cellular contract

- verify amount of “anytime” minutes
- be aware of the length of contracts and fees or charges for breaking them
 - two-year mobile phone contracts can offer better rates
 - consider a pre-paid plan rather than locking into a lengthy contract
- some plans offer a free or discounted phones


www.escapecellhell.org



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Promissory Notes



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What is a promissory note?

- a binding, legal document the borrower signs when receiving a loan
- a document stating the conditions for borrowing funds and the terms for repaying the loan




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Promissory note features

- terms and conditions
- borrower's rights and responsibilities
- interest rate
 - rate the lender charges to the borrower to use the borrowed money
 - calculated as a percentage of the principal amount
- late charges




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Promissory note features

- grace period
 - length of time the borrower has before starting payments
 - typically six months for student loans
- repayment
- default
- transaction history
 - when you confirmed your acceptance of terms and conditions, signed the promissory note, etc.



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Leases and Rental Agreements




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Leases

- usually more long-term (at least six months)
- rent is locked in for the length of the lease

Source: *Money Management Counseling: Home Finance*;
www.nslp.org



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Rental agreements

- usually for 30 days
- automatically renewed unless you or your landlord gives 30 days written notification
- good option if you plan to move within a short time
- landlord can raise rent on short notice

Source: *Money Management Counseling: Home Finance*;
www.nslp.org




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Lease/rental applications

- application fee
 - may be charged to cover the cost of your credit report
- if your application is rejected due to a poor credit report
 - you have the legal right to know which credit bureau provided the report
 - the credit bureau is required to give you a free copy of your report
 - it is your responsibility to correct any inaccuracies on your report




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If you are a first-time renter

- landlord may require a guarantor or co-signer who agrees to pay the rent if you fail to do so
- ask the landlord who can qualify as a guarantor or co-signer




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Contract terms

- information that should be included:
 - names of all adults who will be living in the residence
 - the exact property that is being rented
 - length of the lease/rental agreement and dates covered
 - rental amount, due date, and penalties for late payment




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Contract terms

- information that should be included:
 - if pets are allowed
 - amount of security deposit and conditions under which it will or will not be refunded
 - any utilities covered in the cost of rent
 - conditions for renewal and non-renewal of lease/rental agreement



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Before you sign

- things to check:
 - water pressure
 - if laundry facilities are available
 - if the following in good working condition and free from damage:
 - water faucets
 - appliances
 - electrical outlets
 - walls, ceilings, and floors

Invest in renters insurance!




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Renters' legal rights

- repairs
 - landlords required to keep property livable
- cosmetic alterations
 - not required of landlords
 - your lease may or may not allow you to make your own cosmetic alterations
 - if allowed, get permission in writing
 - if you make unauthorized changes, you may lose your security deposit and/or have to pay to undo the alterations
 - you may even be evicted for breaking the terms of the lease




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Renter's legal rights

- moving out early
 - you are legally responsible to pay rent for the duration of the lease
 - you may be charged for the cost of re-renting the property (advertising, etc.)
 - landlord may charge a termination fee or keep your deposit
 - ask if sub-leasing is allowed
 - military clause



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Renter's legal rights

- find out if your state has a landlord/tenant handbook
 - often published through the state Attorney General's office
- campus student life office is another resource



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Auto Service Contracts



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Auto service contracts

- often called “extended warranties”
 - new cars
 - used cars
- some lenders may require you to purchase
 - find out exactly what they require to be covered



Refer to “Warranties” handout


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Questions to ask

- Are 100% of repairs covered or just a portion?
- Is towing or rental car service provided?
- What type of repairs are covered?
 - bumper to bumper
 - drive train only
 - rust and corrosion
 - What if a non-covered part damages a covered part?




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Contract terms

- items subject to everyday wear and tear are usually not covered
 - oil filter
 - light bulbs
 - belts
 - hoses
 - windshield wiper blades
- using an unauthorized mechanic or making repairs yourself may nullify contract




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Contract terms


- ask about hidden fees
 - deductibles
 - cancellation fees (if you sell the car)
- ask about extra services
 - roadside assistance
 - locksmith service



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Credit Cards



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What to look for

- terms and conditions
 - annual percentage rate (APR)
 - finance charges/interest
 - credit limit increases
 - grace period
 - fees
 - features




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Annual percentage rate (APR)

- interest rate the cardholder pays to:
 - carry a balance
 - take out a cash advance
 - transfer a balance from another credit card




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Annual percentage rate (APR)

- fixed
 - does not change often
 - credit card companies must inform cardholders before changing the APR
- variable
 - changes often
 - usually tied to prime or U.S. treasury bill rate




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Annual percentage rate (APR)

- tiered
 - different rates applied to varying levels of outstanding balances
- penalty
 - increases if credit card holder makes a late payment
- introductory
 - lower rate for a stated introductory period, then increases later
- delayed
 - does not apply until after a stated period (i.e. no interest until June)




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Finance charges

- amount the card holder pays to use credit
- calculated by using the outstanding balance and stated APR
- some cards have minimum finance charges even if the calculated finance charge is less

Source: Bankrate.com




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Credit limit and grace period

- credit limit
 - maximum amount for purchases, cash advances, balance transfers, fees, and finance charges
- grace period
 - number of days the credit card holder has to pay the bill in full without receiving a finance charge




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Types of fees

- annual
 - charge for having the card
- cash advance
 - charge for borrowing cash
- balance transfer
 - charge for transferring a balance from one card to another




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Types of fees

- late payment
 - charge for payment received after the due date
- over the credit limit
 - charge for borrowing over the credit limit




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Credit card features

- cash advances
 - credit card holder can borrow cash through ATMs or checks
- incentives
 - rebates on purchases, frequent flier miles, or car rental insurance




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Reminders for all types of contracts

- keep copies in a secured location
- contracts are legally binding documents
- changes to contracts should be:
 - made in permanent ink
 - initialed and dated by all parties involved




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Now what?




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Automobile Warranties

New Vehicles

- **A manufacturer's warranty is included with the purchase price of new cars.**
 - Details of the warranty can be found on the manufacturer's website and in your vehicle owner's manual.
 - Find out how long your car will be covered.
 - years vs. miles
 - Ask about the warranty start date.
 - date purchased vs. date put into service
- **Tire and battery warranties are provided separately by their manufacturers.**
- **Items subject to everyday wear and tear are usually not covered, such as:**
 - filters
 - light bulbs
 - belts
 - hoses
 - windshield wiper blades
- **Using an unauthorized mechanic or making repairs yourself may nullify the contract!**

Used Vehicles

- **Ask if the warranty is still in effect.**
 - If not, you may want to purchase an extended warranty/service contract.
- **Some dealers may offer a limited warranty on used cars.**

Questions to Ask

- **What types of repairs are covered?**
 - bumper to bumper
 - drive train only
 - rust and corrosion
 - What if a non-covered part damages a covered part?
- **Are there hidden fees?**
 - deductibles
 - cancellation fees (if you sell the car)
- **Is pre-authorization required for repairs?**
- **Does your lender require an extended warranty?**
 - If so, what do they require to be covered?
- **Are there extra services?**
 - locksmith service
 - roadside assistance and towing
 - rental car service



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