

10 Things You Should Know About Contracts

1. People who ask you to sign contracts don't necessarily know what's in them.



I learned this the hard way when renting my first apartment in a new state. The landlord said “don’t bother cleaning when you move out because they always pay someone to come in and clean and then automatically and deduct a flat fee of \$125 from the deposit.”

Hmm...The contract said I (the tenant) was responsible for cleaning the apartment when moving out. When I asked, the landlord had no idea about that because they “had been doing it this way for years.”

Interesting how many years she’d been getting away with not giving tenants the opportunity to get back their entire deposit.

2. No contract is “routine.”

That only means the people asking you to sign them uses them a lot, but it doesn’t mean they know or understand what’s in them as I pointed out above. And it certainly doesn’t mean you know what’s in them. Most people might see the same contract to buy a car for instance, 4-5 times in a lifetime. And there is no guarantee that the wording hasn’t changed in the years since you signed your first one. Same with credit cards and especially with buying homes. Don’t “fall” for this very common pressure tactic!



3. Regardless, of what's in a contract, you are *both* legally responsible for its content.

But, when you sign a contract with a business rather than just between two people such as the sale of a used car, I'd say between you and a business, you probably have the most to lose if you renege on said contract. Which leads into this next point,

4. Know what "Breach of Contract" means.

It basically means that if one person does not do what they agreed to do in a contract, then that person is in "breach" of the contract. People get sued for breach of contract all the time.

A simple example is when you buy a car. You sign a contract with a dealer that says you will pay so much per month in car payments for however long it takes you to pay off the price (loan) of the car. In return, the dealer allows you to drive the car even though you don't technically own it yet. If you stop making payments, however, you are in "breach of contract" and the dealer has every right to take the car back (that process is called a "repossession").

Oh, and you will lose in court if you decide to "go after them."

5. You should read all contracts before signing them.

Look at the fine print for details such as any definition of what a late payment might look like (one minute past the due date, one day, one week, one month?) and what kind of fees are attached to that? Some contracts have late fees that increase as time goes by. Is there a grace period? Sometimes utilities and mortgage companies have those.

Look for any "pre-payment" penalties. This means if you pay off a loan early they will charge you a huge fee. The reason for that is because in essence, when you pay off a loan early, you are preventing them from collecting interest on the remaining length of the loan. Most companies really don't like that because it's less money for them.

Look for the details on those "no interest for 12 months" deals too: That's not always what you think it is.

Many companies count on customers to NOT read contracts and to NOT ask questions before signing them. This allows them to sneak in crazy high interest rates, late fees, random "administrative" fees and weird penalties.



6. You must question anything you don't understand.

Do not let them rush you! They will always try to do this (because they are sooo busy and their time is much more valuable than yours-not!) thus preventing you from finding the details. **So don't ever feel stupid asking questions, or calling a friend to ask questions.**

Remember the first point I made about them not knowing? Many companies update and change contracts more often than you change your underwear. In the real estate and banking industries for instance, the government changes regulations all the time which leads to new versions of contracts being created on a regular basis. Combine this with the fact that most employees are usually kept pretty busy during their work day and don't always have time to sit down on the job and read up on all the changes. They also aren't very likely to want to do this on their off time. In most cases they are probably learning when someone, like you, asks questions.

So, again, do not be afraid to ask questions and do not ever assume the sales reps are smarter than you are: That is a huge disservice to you!

7. Be prepared to walk away for ANY reason at all!

Before you sign a contract, you have every right to walk away for any reason.

For instance:

- If a sales person cannot explain any part of the contract.
- You do not understand or agree with any part of the contract.
- You simply changed your mind.
- You don't like the personality, looks, or smell of the sales person.

And you are not obligated to explain why you are walking away, regardless of what they say or if they threaten you with some sort of made up legal action.

These are sales people and yes they will probably be pissed if you walk away after all the time they may have spent with you, but that's one of the risks they take by being in sales.

It is not illegal for you to walk away if you have NOT signed anything- regardless of anything that was said.



8. It is very rare that a verbal agreement is legally binding or enforceable.

Surprisingly enough, *there are* a few exceptions to this rule. From what I've read, if you are dealing with horses or cattle, verbal agreements that are confirmed with a handshake are legally binding.

I've also read that when it comes to an engagement, the ring is a sign that one has legally agreed to be married. When a woman breaks the engagement she is legally obligated to return the ring because it was given to "seal the deal." (It's up to the guy on whether or not he wants it back, but it's still kind of interesting, isn't it?)

If you are ever thinking you might find yourself in this kind of situation, do some homework: This gray area differs from state to state and per each situation.

9. If you are over 18, your signature is legally binding.

If you aren't, then it's not.

Contracts can only be legally signed and enforced when both people signing it are over the age of 18. That's pretty much the "legally an adult" age in the entire USA when it comes to contracts and most laws.

The only exception that I know of might be in regards to getting married. And remember, 18 or not, if marriage is legal at 16 in your state, it too is a very legally binding financial agreement.

10. How to handle doubts.

Lastly, if you are ever in serious doubt about a contract that could make or break your business or seriously affect your finances or lifestyle, you should always call a lawyer that specializes in whatever business said contract is all about. In many situations, such as a buying a car, renting an apartment, or financing your first refrigerator, you can always ask a friend or family member with some experience in that arena. You might even want to bring them with you to guide you through the process. (I did this with both my kids when they bought their first car.) But if they have no experience with the type of contract you're dealing with, contact a lawyer. Your family or friends may not be equipped to represent you in a court of law if it ever comes to that and you really don't want to get into that sticky situation.





I hope this information prevents you from getting yourself into any sort of legally binding financial agreement that you don't fully understand.

Your comments or suggestions are always welcome: Leave them here on my site, www.janetmnast.com or email me at, jan@janetmnast.com

Sincerely,

Janet M. Nast

p.s.

I did mention some specific situations for which you might want more information such as interest rates, and “no interest same as cash for 12 months” deals. Explore my website (www.janetmnast.com) and my YouTube channel (<http://www.youtube.com/c/JanetMNast>) to learn more about some of these situations.

Almost all of this information can also be found in the book, “Shifting to the Business of Life,” available on Amazon, Kindle and Barnes and Noble.com

