12 Common Legal Mistakes and How To Avoid Them [1]

Get the facts about 12 common legal mistakes. Know the law so you don't make these mistakes.

Fact #1: Oral contracts are still contracts

A contract does not need to be in writing to be enforceable under the law. If you promise to buy something and someone else promises to sell it to you, you may have just made a contract. Your promise is the same as signing your name to a contract. This includes renting apartments.

Fact #2: Once you pay or sign–don't plan on backing out

A lot of people think that even after they pay for something or sign a contract, they still have a few days to get out of the contract. BUT, with a few rare exceptions, once you pay or sign the contract, you cannot get out of it. A contract is a legally enforceable agreement. Realizing that you have made a bad deal is not a good enough reason to get out of a contract.

If you want to get out of a contract, or return something that you've already paid for ask! It's OK to ask the person you made the deal with to let you out of it. Also, when dealing with a business, ask what their "returns and exchanges" policy is. They might let you change your mind to keep you as a customer.

Exceptions:

1. The seller broke the law during the sale: Most sales can be reversed if the seller committed fraud or violated the law.
2. The cooling-off rule:If you buy something at your home, workplace, dormitory, or at a temporary business place like a convention or hotel room rented by the seller, you get 3 days after the sale to cancel it. But: not if the entire sale is done over the phone or by mail.; not if the price is less than $25.00

To get more details, get the brochure on the Cooling-Off Rule from Legal Services Corporation of Delaware or the Federal Trade Commission (202) 326-2222.

Fact #3: Interest gets paid first

Most loans and debts have an interest charge. When you start paying off the debt, your payments go to pay off the interest first unless the agreement says otherwise in writing. This is a standard business practice.

If your payments aren't big enough to cover the interest, you will never pay off the loan. If your payments aren't enough to pay the interest, you might even end up owing more money than when you started. That is why it is so important to get a loan with a low interest rate.

Before you sign contract with interest:

- find out how many dollars per month you will be paying in interest.
- find out how many months you will be paying.
- ask if there is any way to get a lower interest rate.
- get the contract in writing and save it.

Fact #4: Beware! If you sign a contract with someone else, you are stuck with them

Many people get mortgages, car loans, rent apartments or sign other contracts with a spouse or companion. Before you do so, remember that the other person on the contract is a part-owner with you.

If you break-up or get a divorce, you will still be part-owners unless you do something to change the original contract to get one person's name off of it. The other person will almost always need to agree to the change first. Sometimes this will mean selling whatever you bought and dividing the money. Other times it can be very hard to get someone's name off a contract. (see below).

Fact #5: If you sign a contract with someone else, they can stick you with the bill

When you sign a mortgage, car loan, apartment lease, or anything where you co-sign for somebody on a debt, if the co-signor doesn't pay their share, the creditor on the contract (the mortgage company, landlord, etc.) will ask you to pay everything. Unless the original contract says how the bill will be divided up, the creditor won't care about your arrangement with your co-signor. The creditor only wants his money - from you.

For example: You and a friend agree to share an apartment and split the rent 50-50. Both of you (or just you) sign a 1 year lease. If your friend moves out, you must still pay ALL the rent or the landlord will evict you. The landlord may even sue you for all of the money.

Fact #6: Utilities are usually your responsibility–put 'em in your name

Unless your lease says the utilities are included in your rent, YOU must put them in your name. If you leave the bill in the landlord's name, you are breaking your lease. If you leave it in the old tenant's name, you are stealing from the old tenant.

When you are ready to move out, YOU must make arrangements to get the utility company to read the meter and shut-off their service (gas, cable, or electric). Don't expect the landlord to do it.

If you move out without getting the utilities shut-off, the landlord or new tenant might not let the utility company in to check the meter and shut-off the power. Then YOU will be stuck paying for somebody else's bills even though you don't live there anymore.

Fact #7: Never rent a place on the landlord's promise to fix it

Sometimes when a landlord wants to rent an apartment or house that has problems that need to be fixed, the landlord will tell prospective tenants that he will use the first month's rent to pay for repairs and will have it ready before you move in. Or, he will promise to fix the problems after you move in.

You should not sign a lease or give a landlord any money if the apartment needs repairs before you can move in. If the apartment is in such bad shape that you cannot safely live in it, it is illegal for the landlord to rent it to you or anyone else.

Once you move in or give the landlord money, he no longer has any incentive to make the repairs. He will probably keep your money and never make the repairs.

If you want or need the apartment that badly, get a letter signed by the landlord saying exactly what he will fix and the exact date when he will be done. If the landlord won't give you such a letter, it probably means he has no intention of making the repairs!

Fact #8: When you move out, take your stuff or lose it

When you move out of your house or apartment, you must take all of your belongings with you by the move-out date. Start moving early so you can be done by the end of your lease. If necessary, store things at a friend's house. Always move the most valuable things first (like TVS, jewelry).

After the move-out date, or after you tell the landlord you've moved-out, or after you turn-in the key, the landlord has a legal right to do anything he wants with things you leave behind - even if it's in boxes, or out on the porch.

Leaving things behind means you have abandoned them–you don't want them anymore. If you want them you must take them when you move.

When the house or apartment is vacant, there is also a very high chance that somebody will break-in and steal whatever is left.

If the landlord says you can leave property behind and come back for it later, GET IT IN WRITING and put a copy of it on the property so any maintenance person will know not to take it or throw it out.

Fact #9: Nobody can "fix" your credit report

If the information on your credit report is accurate, then it stays there, no matter how bad it is.

The only way information ever gets taken off your credit report is if it's too old or wrong.

For delinquent accounts, information may only stay on your credit report for 7yrs after the last scheduled payment;

If the bill goes to a collection agency or is "charged off" it can stay for an extra 6 months.

Judgments against you can stay for 7 yrs or until the statute of limitations expires (whichever is longer).

Bankruptcies stay 10yrs - that means a debt might get taken off your credit report sooner (7yrs) if you don't file bankruptcy.

If something is on your credit report that shouldn't be there, the credit bureau must remove it FREE.

Never pay someone to "fix" your credit. They are robbing you!

Fact #10: Car repo'd? House sold at foreclosure sale? You might still owe money

When your car is repossessed or your house is sold because you didn't make the payments, the creditor (loan company) is supposed to sell the house or car and use the money to pay off your debt.

If the sale doesn't make enough money to pay your debt (and it almost never does) you must pay the rest of it. The amount left to pay is called a "deficiency."

A court can attach your wages or have some of your belongings sold to pay off the deficiency
After a repossession or foreclosure, save all the letters you get about it. They can be very helpful to you if the loan company doesn't follow the law.

Fact #11: Used car service contracts, extended warranties are almost never worth the money

Lots of used car dealers offer "service contracts" or "extended warranties." These are separate contracts that you pay extra for when you buy the car.

The dealers claim that they are a good deal but the truth is that dealers sell them because they make so much money on them. The price you are charged for the contract can be hundreds of dollars over what it actually costs.

Many contracts don't cover the parts of your car that are most likely to break. They only cover the parts that rarely break.

If a dealer tries to sell you a service contract or extended warranty, ask why he won't guarantee the car himself for free. If he offers to guarantee the car, GET IT IN WRITING!

Fact #12: Rapid refund tax services can cost you a bundle

Some tax preparers say they can give you a refund faster than the IRS. What they don't want you to know is they are actually giving you a loan until your refund comes.

The problem is your refund might be smaller than you expected, maybe because you did your taxes wrong, or the IRS took your refund because you owed back taxes, child support, or a student loan.

Then the tax preparer can sue you to get their loan back.

OR if you owe money to the bank that gives the loan (you might not even realize this is a bank loan), the bank can take your refund for itself.

Next time, just tell the IRS you want the refund direct deposited to your bank account–it'll be fast enough, you won't worry about the loan, and it'll be free.