

OFFERING LAYAWAYS

3 Monday February

7.00
7.30
8.00
8.30
9.00
9.30
10.00
10.30
11.00
11.30
12.00
1.00
1.30

*Made
downpayment
on
layaway
(dress)*

17 Monday February

7.00
7.30
8.00
8.30
9.00
9.30
10.00
10.30
11.00
11.30
12.00
1.00
1.30

3 Monday March

7.00
7.30
8.00
8.30
9.00
9.30
10.00
10.30
11.00
11.30
12.00
1.00
1.30

17 Monday March

7.30
8.00
8.30
9.00
9.30
10.00
10.30
11.00
11.30
12.00
1.00
1.30

31 Monday March

7.00
7.30
8.00
8.30
9.00
9.30
10.00
10.30
11.00
11.30
12.00
1.00
1.30

*Final
payment
due!
Pick-up
dress*

14 Monday April

7.00
7.30
8.00
8.30
9.00
9.30
10.00
10.30
11.00
11.30
12.00
1.00
1.30

*Made
downpayment
on layaway
(patio
furniture)*

28 Monday April

7.00
7.30
8.00
8.30
9.00
9.30
10.00
10.30
11.00
11.30
12.00
1.00
1.30

12 Monday May

7.00
7.30
8.00
8.30
9.00
9.30
10.00
10.30
11.00
11.30
12.00
1.00
1.30

26 Monday May

7.30
8.00
8.30
9.00
9.30
10.00
10.30
11.00
11.30
12.00
1.00
1.30

9 Monday June

7.00
7.30
8.00
8.30
9.00
9.30
10.00
10.30
11.00
11.30
12.00
1.00
1.30

23 Monday June

7.00
7.30
8.00
8.30
9.00
9.30
10.00
10.30
11.00
11.30
12.00
1.00
1.30

7 Monday July

7.00
7.30
8.00
8.30
9.00
9.30
10.00
10.30
11.00
11.30
12.00
1.00
1.30

21 Monday July

7.00
7.30
8.00
8.30
9.00
9.30
10.00
10.30
11.00
11.30
12.00
1.00
1.30

*Final
payment
due!
Pick-up
furniture*

A
BUSINESS
BOOKLET
FROM THE
FEDERAL
TRADE
COMMISSION

Offering Layaways

Introduction

If you offer layaways, or are thinking about doing so, you may find this booklet helpful in avoiding potential misunderstandings with your customers.

The booklet discusses laws that affect layaways and describes various features of layaway plans. It suggests how you might communicate to your customers important information about your layaway plan, and it contains a checklist of suggested layaway disclosure information and a sample layaway receipt. You may wish to use this information to develop your own layaway form or to review the layaway procedures you now are using.

If, after reading this guide, you have questions about layaways, write to the **Correspondence Branch**, Federal Trade Commission, Washington, D.C. 20580, or contact the FTC regional office nearest you. The addresses and telephone numbers of the regional offices are listed on the back cover of this booklet.

Table of Contents

	Page
LAWS THAT AFFECT LAYAWAYS.	4
Federal Laws	4
State and Local Laws	4
DISCLOSING LAYAWAY TERMS....	5
Important Matters to Disclose.	5
Cancellation and Refund Policies	5
Payment Plans	6
Service or Layaway Charges..	8
Location of Layaway Merchandise	8
Availability of Merchandise..	8
Identification of Merchandise.	9
Common Ways to Disclose Terms	9
APPENDIX	
Layaway Checklist	10
Sample Layaway Sales Receipt	11

Laws That Affect Layaways

There is no federal law that specifically governs layaway transactions. However, you should be aware of two federal laws — the Federal Trade Commission Act and the Truth in Lending Act — that could affect your layaway plan. In addition, you should be aware that layaway practices could be affected by state or local laws.

Federal Laws

The Federal Trade Commission Act prohibits unfair or deceptive acts or practices in or affecting commerce. Failure to disclose important terms of your layaway plan under certain circumstances may violate the Act. The information contained in this booklet should enable you to avoid such potential violations.

Your layaway plan may be covered by the Truth in Lending Act if you require your customers to agree in writing to make all payments until an item is paid in full. If you do not bind your customer in writing to complete the layaway purchase, then the Truth in Lending Act does not apply. For further information about the requirements of the Truth in Lending Act, contact the Federal Trade Commission.

State and Local Laws

Some state and local laws specifically apply to layaway purchases. When this guide was prepared, such laws existed in California, Idaho, Illinois, Massachusetts, Maryland, New York, Ohio, Rhode Island, the District of Columbia, and New York City. These laws vary widely in what they require. In addition, most states have general consumer protection laws that may apply to layaways.

Disclosing Layaway Terms

There are good business reasons to give your layaway customers written disclosures:

- they help assure that customers understand their payment obligations;
- they give notice to customers of your layaway policies;
- they help ensure that all customers receive the same information; and
- they help prevent misunderstandings and disputes.

Important Matters to Disclose

There are some particularly important aspects of layaway plans to consider disclosing. These include: cancellation and refund policies; payment plans; service or layaway charges; and the location, availability, and identification of layaway merchandise.

Cancellation and Refund Policies

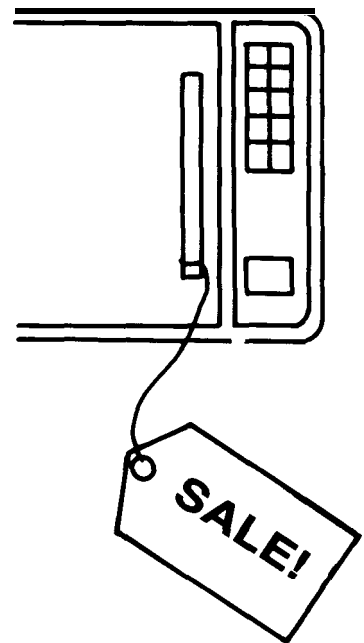
It is always a good business practice to inform customers about your cancellation and refund policies because the absence of cancellation and refund information can be a great source of customer dissatisfaction. By disclosing these policies in writing, you may significantly reduce customer complaints and the possibility of dissatisfied customers taking their business elsewhere.

Retailers use a number of different refund policies for layaway transactions. Some give full or partial cash refunds if layaways are not completed. Others give credit toward future purchases. State law may dictate what refund policy you must follow.

When you describe your cancellation and refund policy, use clear, simple, and direct language. For example, if you give full refunds, you might say:

We will refund all money you have paid.

Important Matters to Disclose



If you do not give full refunds, clearly state how much, if anything, you will charge for the incomplete layaway transaction. However, you should check the laws in your state. Some states limit the amount retailers may charge. If you give only partial refunds, you might say:

We will refund all money you have paid, less a cancellation charge of \$_____.

If you do not give cash refunds, but give credit toward a future purchase, you might say:

We will credit all money you have paid toward a future purchase.

By disclosing refund information, your customers will know what to expect if they do not complete the layaway purchase.

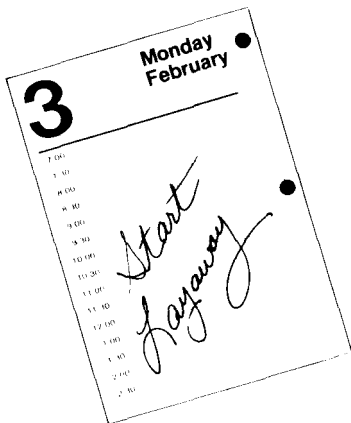
Payment Plans

If you require a specific amount of money to be paid at set intervals (for example, every two weeks), or require payments to be completed within a set period of time (for example, within 60 days of the start of the layaway), it will help your layaway customers to know your exact requirements. This disclosure might include:

- . the required payment amounts;
- the dates when payments are due; and
- the date when the final payment must be made, if applicable.

While the dollar amount, the number, and sometimes the frequency of payments may vary with the cost of the purchase, you may want to develop a standard payment disclosure format. For example, your layaway sales receipt might say:

Your payments of at least \$_____ are due on the _ day of each month, for _____ months, beginning _____ . Final payment is due by _____ .



Vague descriptions of payment terms will not help your customers understand your policy. Three such vague but commonly used phrases are given below, along with reasons why they are inadequate:

<i>Vague</i>	<i>Payments are due every 15 days.</i>
--------------	--

Inadequate because:

This does not tell your customers when their payments start, when the next payments are due, nor when the final payment must be made.

<i>Vague</i>	<i>Payments must be made in three equal installments.</i>
--------------	---

This does not tell your customers the beginning or ending dates of their layaway plan, nor give the exact dollar amount they must pay each time.

<i>Vague</i>	<i>Final payment is due in three months.</i>
--------------	--

This does not tell your customers the required payment amounts, the dates when payments are due, nor the date when final payment must be made.

Some retailers have a policy of canceling the layaway if the customer does not make a payment by a certain date or does not complete the transaction within a specified period. If you have such a policy, consider informing your customers in writing to avoid misunderstandings.

Some other retailers will let a layaway completion date go by, particularly if the payments are almost complete. As a reminder, such retailers send notices to their customers giving them a new date when all payments must be completed. If you have such a policy, you **may** want to use a notice that says:

<p>We have extended the due date for your final payment on your layaway purchase to _____.</p> <p>If we have not received your payment by this date, we will consider the purchase cancelled.</p>

Service or Layaway Charges

If you add a service or layaway charge to the purchase price, your customers will probably want to know this before they begin the layaway. Your sign or layaway sales receipt might say:

There will be a layaway charge of \$__.

If any other charges, like shipping, are imposed, informing your customers with a similar statement is helpful.

Location of Layaway Merchandise

Customers who buy merchandise on layaway may expect that the item will actually be “laid away” — physically separated from stock available for sale. Many retailers remove layaway articles from the sales floor; others keep large items, such as furniture or major appliances, on the sales floor but mark them “sold.” If you do not separate the layaway purchase from merchandise to be sold, telling your customers about your practice may avoid future complaints. You might post that information or include it on the layaway sales receipt. For example, a sign might say:

Large layaway purchases will remain on the sales floor but will be marked “sold.”

Availability of Merchandise

If the merchandise must be ordered, your customers will probably want to know when and under what circumstances it will be ordered. A notice explaining your policy might say:

Merchandise must be ordered. If you are buying merchandise on layaway, we will order your layaway item when you have paid half of the purchase price.



Identification of Merchandise

Because several months may elapse between the time a layaway purchase is started and the time the merchandise is picked-up, your customers may not always remember all the details about the merchandise they purchased.

To help avoid potential confusion about the particular merchandise selected, you may want to identify the layaway item on the layaway sales slip. Clearly describing the item's identifying characteristics, such as color, size, stock number, model number and trade name or manufacturer, may prevent misunderstandings when the customer makes the final payment and is ready to claim the layaway merchandise. For example, you might identify a dress purchased on layaway as:

One red dress, size 10, Dresswell Company, Style #130 A.

Businesses communicate their layaway terms in different ways. Some post their layaway terms on a sign in their stores. Others have their layaway disclosures on layaway sales receipts and provide customers with a copy when a purchase is made. Some retailers use both sales receipts and signs.

To avoid misunderstandings, always try to say who will do what on your sales receipt. This will let your customers know specifically what they must do to fulfill their part of the layaway transaction. Clear examples, short sentences, and easy-to-read type will help to convey your message.

If you post your layaway terms on a sign in your store, the sign (or signs) should be placed in an appropriate and conspicuous location (or locations), and the message should be clear and large enough to be read from a distance.

Common Ways To Disclose Terms

Appendix

Checklist and . . .

To help you evaluate your current layaway procedures, this booklet provides a layaway checklist and a sample layaway sales receipt. The checklist covers layaway information that your customers may want or need. The sample layaway sales receipt suggests ways you can adapt your current sales receipt to provide more complete information to your layaway customers.

Layaway Checklist

Does your layaway sales receipt include everything you want your customers to know about your layaway plan? For example, does it give:

- A description of the merchandise to be purchased?
- The total price of the purchase, including any service, layaway, or other charge?
- The minimum amount of each payment?
- Dates when payments are due?
- The date when the final payment must be made?
- Your cancellation and refund policy?
- Information about how refund or credit amounts are determined?
- Notice to the customer about whether the selected item will be separated from other merchandise?
- The time when the item will be ordered, if it is not already in stock?

Layaway Sales Receipt

Under Federal law, you do not have to use any particular form to provide information about your layaway plan, unless the Truth in Lending Act applies. State or local laws, however, may have such a requirement.

The following section indicates how you can disclose important layaway information in a clear and understandable way. You may wish to use this form to revise or draft your own receipt.

YOUR STORE

• *Sample Layaway Sales Receipt*

Address

Telephone

Customer Name _____ Date _____

Address _____ Layaway No. _____

Telephone _____

Description of Layaway Merchandise _____

We will remove this merchandise from the sales floor.

[Or: We will not remove this merchandise from the sales floor, but we will mark it "sold".]

[Or: The merchandise must be ordered. We will order your layaway item when you have paid half of the purchase price.]

Sales Price _____

Sales Tax _____

Layaway Charge _____

Other Charges _____ (Specify)

Total Price _____

Less Deposit _____

Balance Due _____

Payment Terms

Your payments of at least \$ _____

are due on the _____ day of each month,

for _____ months, beginning _____

Final payment is due by _____

Refund Policy

1. You may cancel this layaway at any time before your last payment is made by notifying us. [YOU MAY WANT TO SPECIFY HOW THE CUSTOMER SHOULD NOTIFY YOU.] If we do not receive your final payment by the "final payment due" date, we will automatically cancel your layaway purchase unless we agree to extend that date.
2. In the event of cancellation, we will refund all money you have paid.
[Or: In the event of cancellation, we will refund all money you have paid, less a cancellation charge of \$_____.]
[Or: In the event of cancellation, we will credit all money you have paid toward a future purchase.]

FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580
OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE \$300

FTC Headquarters

6th & Pennsylvania Avenue, N.W.
Washington, D.C. 20580
(202) 326-2222
TDD (202) 326-2502

FTC Regional Offices

1718 Peachtree Street, N. W., Suite 1000
Atlanta, Georgia 30367
(404) 347-4836

101 Merrimac Street, Suite 810
Boston, Massachusetts 02114-4719
(617) 424-5960

55 East Monroe Street, Suite 1860
Chicago, Illinois 60603
(312) 353-4423

668 Euclid Avenue, Suite 520-A
Cleveland, Ohio 44114
(216) 522-4207

100 N. Central Expressway, Suite 500
Dallas, Texas 75201
(214) 767-5501

1961 Stout Street, Suite 1523
Denver, Colorado 80294
(303) 844-2271

11000 Wilshire Boulevard, Suite 13209
Los Angeles, California 90024
(310) 235-4000

150 William Street, Suite 1300
New York, New York 10038
(212) 264-1207

901 Market Street, Suite 570
San Francisco, California 94103
(415)356-5270

2806 Federal Bldg., 915 Second Ave.
Seattle, Washington 98174
(206) 220-6363

FIRST CLASS MAIL
POSTAGE & FEES PAID
Federal Trade Commission
Permit No. G-62