



OFFICE OF THE
CHAIRWOMAN

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 16, 2015

The Honorable David Vitter
Chairman
Committee on Small Business and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Chairman Vitter:

We submit this eighth annual report in accordance with Section 212(a)(6) of the amended Small Business Regulatory Enforcement Fairness Act (the “Act”).¹ This statute requires agencies to publish guides to assist small entities in complying with rules that significantly affect them. The Federal Trade Commission (“Commission” or “FTC”) has a longstanding and effective business education program,² and only a small fraction of our business education library is discussed in this report.

From July 1, 2014 to July 1, 2015, the FTC issued no final rules that are subject to Section 212 of the Act.³ Over that time period, the Commission also certified to the Small Business Administration that certain other final regulations issued would not have a significant economic impact on a substantial number of small business entities. Nonetheless, the Commission has either made available or is preparing updated compliance materials for several of these rulemakings, although not required to do so by the Act. Some examples are set out below:

- **Trade Regulation Rule Concerning Cooling Off Period for Sales Made at Homes or at Certain Other Locations (“Cooling-Off Rule”), 16 CFR § 429:** On January 9, 2015, the Commission amended the Cooling-Off Rule by increasing the exclusionary limit for all door-to-door sales at locations other than a buyer’s residence from \$25 up to

¹ 5 U.S.C. § 601 note.

² From FY2002-FY2014, the FTC’s “Compliance Assistance” under the Act was rated an “A” by the Small Business Administration’s National Ombudsman. We anticipate the same grade when the National Ombudsman submits its FY2015 Report for all agencies.

³ Section 212 requires agencies to publish a “small entity compliance guide” for any new rule for which an agency is required to prepare a final regulatory flexibility analysis under section 3(a) of the Regulatory Flexibility Act, which is codified at 5 U.S.C. § 604.

§130. Under the final rule, the revised definition of door-to-door sale distinguishes between sales at a buyer's residence and those at other locations. The revised definition retains coverage for sales made at a buyer's residence that have a purchase price of \$25 or more. 80 Fed. Reg. 1,329 (Jan. 9, 2015). The final rule amendment was effective on March 13, 2015. The Commission updated its guidance "Buyer's Remorse: When the FTC's Cooling-Off Rule May Help" (Aug. 2015) (enclosed).

- **Consumer Warranty Rules, 16 CFR §§ 701-703:** On July 20, 2015, the Commission concluded its review of the Interpretations, Rules, and Guides under the Magnuson-Moss Warranty Act and announced it would keep the Rules and Guides in their present form (Rules at 16 CFR §§ 701-703; Guides at 16 CFR § 239) while modifying the Interpretations (16 CFR §§ 700.10, 700.11(a)). *See* 80 Fed. Reg. 42,710 (Final Rule) (July 20, 2015); 76 Fed. Reg. 52,596 (Rule Review; Request for Comments) (Aug. 23, 2011). The Commission revised Part 700.10 of the Interpretations to clarify that implied tying – warranty language that implies to a consumer that warranty coverage is conditioned on the use of select parts or service – is deceptive. It also revised Part 700.10 to state that, to the extent that the Warranty Act's service contract provisions apply to the insurance business, they are effective if they do not interfere with state laws regulating the business of insurance. Finally, the Commission also updated the citation format in the Interpretations and Rules. The Commission updated its guidance "Businessperson's Guide to Federal Warranty Law" (May 2015) (enclosed).

For many years, the FTC has had a highly effective program of providing compliance assistance to small businesses.⁴ We plan to continue to refine and improve these efforts. If you have any questions, please contact Christian S. White, the Deputy General Counsel for Legal Counsel and Small Business Coordinator at the Commission, at (202) 326-2476.

Respectfully,

/signed/
Edith Ramirez
Chairwoman

Enclosures

cc: The Honorable Steve Chabot
Chairman
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

⁴ The Commission also considers the specific and unique circumstances of a case when enforcing business obligations. Section 223 of the Act requires that agencies establish policies to reduce or waive penalties for small entities in appropriate circumstances. In 1997, the Commission issued a small business leniency policy statement that describes factors that may result in reduction or waiver of penalties. *See* 62 Fed. Reg. 16,809 (Apr. 8, 1997) (issuing policy); 62 Fed. Reg. 46,363 (Sept. 2, 1997) (responding to comment received). As such cases arise, the Commission considers these leniency factors whenever a civil penalty may be assessed against a small business.

In addition, and beyond the Act's requirements, the Commission established corporate leniency policies for violations of the Textile and Wool Rules, 67 Fed. Reg. 71,566 (Dec. 2, 2002), the Funeral Rule (through the Funeral Rule Offender Program), and the Franchise Rule (through the Franchise Rule Alternative Law Enforcement Program) that have helped in fostering a more collaborative regulatory environment for small entities. These policies have helped increase overall compliance with the rules while minimizing the burden on business of correcting certain minor or inadvertent errors that are not likely to injure consumers.



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SCAM ALERTS

Buyer's Remorse: When the FTC's Cooling-Off Rule May Help

[Vea esta página en español](#)

The FTC's Cooling-Off Rule gives you a 3-day right to cancel a sale made at your home, workplace or dormitory, or at a seller's temporary location, like a hotel or motel room, convention center, fairground or restaurant. It also applies when you invite a salesperson to make a presentation in your home. But not all sales are covered.

Related Items

- [Shopping Online](#)
- [Comparing Products Online](#)

- [At the Time of Sale](#)
- [Exceptions to the Rule](#)
- [How to Cancel](#)
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- [If You Have Problems](#)

At the Time of Sale

By law, the seller must tell you about your right to cancel at the time of sale. The seller also must give you two copies of a cancellation form (one to keep and one to send if you decide to cancel your purchase) and a copy of your contract or receipt. The contract or receipt should be dated, show the name and address of the seller, and explain your right to cancel. The contract or receipt must be in the same language that is used in the sales presentation. Your right to cancel for a full refund extends until midnight of the third business day after the sale.

Exceptions to the Rule

Certain types of sales can't be canceled, even if they take place in places normally covered by the Rule. The Cooling-Off Rule does not cover sales that are:

- under \$25 for sales made at your home;
- under \$130 for sales made at temporary locations;
- for goods or services not primarily intended for personal, family or household purposes. (The Rule applies to courses of instruction or training.);
- made entirely online, or by mail or telephone;
- the result of prior negotiations at the seller's permanent place of business where the goods are sold regularly;
- needed to meet an emergency;
- made as part of your request for the seller to do repairs or maintenance on your personal property (purchases made *beyond* the maintenance or repair request *are* covered).

Also exempt from the Cooling-Off Rule are sales that involve:

- real estate, insurance, or securities;
- automobiles, vans, trucks, or other motor vehicles sold at temporary locations if the seller has at least one permanent place of business;
- arts or crafts sold at fairs or places like shopping malls, civic centers, and schools.

How to Cancel

You don't have to give a reason for canceling your purchase. You have the right to change your mind.

To cancel a sale, sign and date one copy of the cancellation form. Mail it to the address given for cancellations, making sure the envelope is post-marked before midnight of the third business day after the contract date. Saturday is considered a business day; Sundays and federal holidays are not. Because proof of the mailing date and receipt are important, consider sending the cancellation form by certified mail so you can get a return receipt. Keep the other copy of the cancellation form for your records.

If the seller didn't give you cancellation forms, you can write a cancellation letter. It must be post-marked within three business days of the sale.

If You Cancel

If you cancel your purchase, the seller has 10 days to:

- cancel and return any check you signed;
- refund all your money and tell you whether any product you still have will be picked up; and
- return any trade-in.

Within 20 days, the seller must either pick up the items left with you, or reimburse you for mailing expenses, if you agree to send back the items.

If you received any goods from the seller, you must make them available to the seller in as good condition as when you got them. If you don't make the items available to the seller — or if you agree to return the items but don't — you remain obligated under the contract.

If You Have Problems

If you think a seller has violated the FTC's Cooling-Off Rule, [file a complaint](#) with us.

You also may wish to contact your [state Attorney General](#) or [local consumer protection agency](#). Some state laws give you more rights than the FTC's Cooling-Off Rule, and some local consumer offices can help you resolve your complaint.

If you paid for your purchase with a credit card and a billing dispute arises about the purchase —for example, if the merchandise shipped was not what you ordered — you can notify your credit card company that you want to dispute the purchase. By [law](#), the credit card company must acknowledge your dispute in writing and conduct a reasonable investigation of your problem. You may withhold payment of the amount in dispute, but only until the dispute is resolved. You are still required to pay any part of your bill that is not in dispute. To protect your rights, you must send a written notice about the problem to the credit card company at the address for billing disputes listed on your billing statement within 60 days after the first bill containing the disputed amount is mailed to you.

Tagged with: [buying](#), [purchase](#), [refunds](#), [shopping](#)

August 2015

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Businessperson's Guide to Federal Warranty Law

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Do your product warranties comply with law? This guide explains the Magnuson-Moss Warranty Act, the federal law governing warranties on consumer products.

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INTRODUCTION

This manual is intended as a businessperson's guide to the basic features of the Magnuson-Moss Warranty Act, the federal law governing warranties on consumer products. The text provides citations to specific sections of the law—the Warranty Act itself, the Rules the Federal Trade Commission (FTC) adopted under the Act, and the FTC's Warranty Advertising Guides. For reference purposes, a supplement to this manual containing the Act, the Rules, and the Guides is available from the FTC's Consumer Response Center. See [Additional Sources of Information](#).

This manual also addresses some basic points of state law that you need to know to understand the requirements and prohibitions of the Magnuson-Moss Act. However, because state law varies, you may need to contact a private attorney or the offices of the attorneys general in the states where you do business to get specific state law information. The manual is intended as a tool for you to use in consultation with your attorney, not as a substitute for your attorney's advice.

The names of the companies in the examples in this manual are fictitious; any resemblance between them and the names of actual companies is completely coincidental.

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UNDERSTANDING WARRANTIES

Your warranty is a contract that commits you to stand behind your product.

Generally, a warranty is your promise, as a manufacturer or seller, to stand behind your product. It is a statement about the integrity of your product and about your commitment to correct problems when your product fails.

Section 2-314 of the Uniform Commercial Code, which is law in every state but Louisiana, covers the implied warranty of merchantability.

The law recognizes two basic kinds of warranties—implied warranties and express warranties.

Implied Warranties

Implied warranties are unspoken, unwritten promises, created by state law, that go from you, as a seller or merchant, to your customers. Implied warranties are based upon the common law principle of "fair value for money spent." There are two types of implied warranties that occur in consumer product transactions. They are the implied warranty of merchantability and the implied warranty of fitness for a particular purpose. The implied warranty of merchantability is a merchant's basic promise that the goods sold will do what they are supposed to do and that there is nothing significantly wrong with them. In other words, it is an implied promise that the goods are fit to be sold. The law says that merchants make this promise automatically every time they sell a product they are in business to sell. For example, if you, as an appliance retailer, sell an oven, you are promising that the oven is in proper condition for sale because it will do what ovens are supposed to do—bake food at controlled temperatures selected by the buyer. If the oven does not heat, or if it heats without proper temperature control, then the oven is not fit for sale as an oven, and your implied warranty of merchantability would be breached. In such a case, the law requires you to provide a remedy so that the buyer gets a working oven.

Basically, your product is "merchantable" if it does what it is supposed to do.

Section 2-315 of the Uniform Commercial Code covers the implied warranty of fitness for a particular purpose.

The **implied warranty of fitness for a particular purpose** is a promise that the law says you, as a seller, make when your customer relies on your advice that a product can be used for some specific purpose. For example, suppose you are an appliance retailer and a customer asks for a clothes washer that can handle 15 pounds of laundry at a time. If you recommend a particular model, and the customer buys that model on the strength of your recommendation, the law says that you have made a warranty of fitness for a particular purpose. If the model you recommended proves unable to handle 15-pound loads, even though it may effectively wash 10-pound loads, your warranty of fitness for a particular purpose is breached.

Implied warranties deal with the product at the time it is purchased.

Generally, customers have four years to enforce an implied warranty claim.

Implied warranties are promises about the condition of products at the time they are sold, but they do not assure that a product will last for any specific length of time. (The normal durability of a product is, of course, one aspect of a product's merchantability or its fitness for a particular purpose.) Nor does the law say that everything that can possibly go wrong with a product falls within the scope of implied warranties. For example, implied warranties do not cover problems such as those caused by abuse, misuse, ordinary wear, failure to follow directions, or improper maintenance.

Merchants of used goods also give implied warranties.

You can sell without implied warranties—"as is"—in most states.

Generally, there is no specified duration for implied warranties under state laws. However, the state statutes of limitations for breach of either an express or an implied warranty are generally four years from date of purchase. This means that buyers have four years in which to discover and seek a remedy for problems that were present in the product at the time it was sold. It does not mean that the product must last for four years. It means only that the product must be of normal durability, considering its

To sell "as is" you must clearly and conspicuously disclaim implied warranties, generally in writing.

You cannot sell "as is"

<p>in some states.</p>	<p>nature and price.</p>
<p>You cannot avoid implied warranties if you offer a written warranty on a consumer product.</p>	<p>A special note is in order regarding implied warranties on <i>used</i> merchandise. An implied warranty of merchantability on a <i>used product</i> is a promise that it can be used as expected, given its type and price range. As with new merchandise, implied warranties on used merchandise apply only when the seller is a merchant who deals in such goods, not when a sale is made by a private individual.</p>
<p>You cannot avoid responsibility for personal injury caused by a defect in your product, even if you sell "as is."</p>	<p>If you do not offer a written warranty, the law in most states allows you to disclaim implied warranties. However, selling without implied warranties may well indicate to potential customers that the product is risky—low quality, damaged, or discontinued—and therefore, should be available at a lower price.</p>
<p>Section 2-313 of the Uniform Commercial Code covers express warranties.</p>	<p>In order to disclaim implied warranties, you must inform consumers in a conspicuous manner, and generally in writing, that you will not be responsible if the product malfunctions or is defective. It must be clear to consumers that the entire product risk falls on them. You must specifically indicate that you do not warrant "merchantability," or you must use a phrase such as "with all faults," or "as is." A few states have special laws on how you must phrase an "as is" disclosure. (For specific information on how your state treats "as is" disclosures, consult your attorney.)</p> <p>Some states do not allow you to sell consumer products "as is." At this time, these states are Alabama, Arizona, Connecticut, Kansas, Maine, Maryland, Massachusetts, Minnesota, Mississippi, New Hampshire, Vermont, Washington, West Virginia, and the District of Columbia. In those states, sellers have implied warranty obligations that cannot be avoided.</p> <p>Federal law prohibits you from disclaiming implied warranties on any consumer product if you offer a written warranty for that product (see What the Magnuson-Moss Act Requires) or sell a service contract on it (see Offering Service Contracts).</p> <p>You should be aware that even if you sell a product "as is" and it proves to be defective or dangerous and causes personal injury to someone, you still may be liable under the principles of product liability. Selling the product "as is" does not eliminate this liability.</p> <p>Express Warranties</p> <p>Express warranties, unlike implied warranties, are not "read into" your sales contracts by state law; rather, you explicitly offer these warranties to your customers in the course of a sales transaction. They are promises and statements that you voluntarily make about your product or about your commitment to remedy the defects and malfunctions that some customers may experience.</p> <p>Express warranties can take a variety of forms, ranging from advertising claims to formal certificates. An express warranty can be made either orally or in writing. While oral warranties are important, only written warranties on consumer products are covered by the Magnuson-Moss Warranty Act.</p>

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The Act improves consumers' access to warranty

UNDERSTANDING THE MAGNUSON-MOSS WARRANTY ACT

information.

The Act enables consumers to comparison shop for warranties.

The Act encourages warranty competition.

The Act promotes timely and complete performance of warranty obligations.

The Act does not compel you to give a written warranty.

There are three FTC Rules

The Magnuson-Moss Warranty Act is the federal law that governs consumer product warranties. Passed by Congress in 1975, the Act requires manufacturers and sellers of consumer products to provide consumers with detailed information about warranty coverage. In addition, it affects both the rights of consumers and the obligations of warrantors under written warranties.

To understand the Act, it is useful to be aware of Congress' intentions in passing it. First, Congress wanted to ensure that consumers could get complete information about warranty terms and conditions. By providing consumers with a way of learning what warranty coverage is offered on a product before they buy, the Act gives consumers a way to know what to expect if something goes wrong, and thus helps to increase customer satisfaction.

Second, Congress wanted to ensure that consumers could compare warranty coverage before buying. By comparing, consumers can choose a product with the best combination of price, features, and warranty coverage to meet their individual needs.

Third, Congress intended to promote competition on the basis of warranty coverage. By assuring that consumers can get warranty information, the Act encourages sales promotion on the basis of warranty coverage and competition among companies to meet consumer preferences through various levels of warranty coverage.

Finally, Congress wanted to strengthen existing incentives for companies to perform their warranty obligations in a timely and thorough manner and to resolve any disputes with a minimum of delay and expense to consumers. Thus, the Act makes it easier for consumers to pursue a remedy for breach of warranty in the courts, but it also creates a framework for companies to set up procedures for resolving disputes inexpensively and informally, without litigation.

What the Magnuson-Moss Act Does Not Require

In order to understand how the Act affects you as a businessperson, it is important first to understand what the Act does not require.

First, the Act does not require any business to provide a written warranty. The Act allows businesses to determine whether to warrant their products in writing. However, once a business decides to offer a written warranty on a consumer product, it must comply with the Act.

Second, the Act does not apply to oral warranties. Only written warranties are covered.

Third, the Act does not apply to warranties on services. Only warranties on goods are covered. However, if your warranty covers both the parts provided for a repair and the workmanship in making that repair, the Act does apply to you.

Finally, the Act does not apply to warranties on products sold for resale or for commercial purposes. The Act covers only warranties on consumer products. This means that only warranties on tangible property normally used for personal, family, or household purposes are covered. (This includes property attached to or installed on real property.) Note that applicability of the Act to a particular product does *not*, however, depend upon how an individual buyer will use it.

under the Act.

Section 102 of the Act directs how to title your warranty.

The Disclosure Rule {16 C.F.R. Part 701} directs what you must include in your warranty.

The Pre-Sale Availability Rule {16 C.F. R. Part 702} directs how to make your warranty available before sale.

If you give a written warranty on a consumer product, Section 108 of the Act prevents you from eliminating or restricting implied warranties.

With some exceptions, Section 102 (c) of the Act

The following section of this manual summarizes what the Magnuson-Moss Warranty Act requires warrantors to do, what it prohibits them from doing, and how it affects warranty disputes.

What the Magnuson-Moss Act Requires

In passing the Magnuson-Moss Warranty Act, Congress specified a number of requirements that warrantors must meet. Congress also directed the FTC to adopt rules to cover other requirements. The FTC adopted three Rules under the Act, the *Rule on Disclosure of Written Consumer Product Warranty Terms and Conditions* (the Disclosure Rule), the *Rule on Pre-Sale Availability of Written Warranty Terms* (the Pre-Sale Availability Rule), and the *Rule on Informal Dispute Settlement Procedures* (the Dispute Resolution Rule). In addition, the FTC has issued an interpretive rule that clarifies certain terms and explains some of the provisions of the Act. This section summarizes all the requirements under the Act and the Rules.

The Act and the Rules establish three basic requirements that may apply to you, either as a warrantor or a seller.

1. As a warrantor, you must designate, or title, your written warranty as either "full" or "limited."
2. As a warrantor, you must state certain specified information about the coverage of your warranty in a single, clear, and easy-to-read document.
3. As a warrantor or a seller, you must ensure that warranties are available where your warranted consumer products are sold so that consumers can read them before buying.

The titling requirement, established by the Act, applies to all written warranties on consumer products costing more than \$10. However, the disclosure and pre-sale availability requirements, established by FTC Rules, apply to all written warranties on consumer products costing more than \$15. Each of these three general requirements is explained in greater detail in the following chapters.

What the Magnuson-Moss Act Does Not Allow

There are three prohibitions under the Magnuson-Moss Act. They involve implied warranties, so-called "tie-in sales" provisions, and deceptive or misleading warranty terms.

Disclaimer or Modification of Implied Warranties

The Act prohibits anyone who offers a written warranty from disclaiming or modifying implied warranties. This means that no matter how broad or narrow your written warranty is, your customers always will receive the basic protection of the implied warranty of merchantability. This is explained in [Understanding Warranties](#).

There is one permissible modification of implied warranties, however. If you offer a "limited" written warranty, the law allows you to include a provision that restricts the duration of implied warranties to the duration of your limited warranty. For example, if you offer a two-year limited warranty, you can limit implied warranties to two years. However, if you offer a "full" written warranty, you cannot limit the duration of implied warranties. This matter is explained in

prohibits you from including a tie-in sales provision in your warranty.

These are examples of prohibited tie-in sales provisions.

This is an example of a permissible warranty provision to use instead of a tie-in.

Section 110(c) (2) of the Act prohibits deceptive warranties.

Section 110(d) of the Act makes breach of warranty a violation of federal law, and enables consumers to recover attorneys' fees.

Titling Written Warranties as "Full" or "Limited".

If you sell a consumer product with a written warranty from the product manufacturer, but you do not warrant the product in writing, you can disclaim your implied warranties. (These are the implied warranties under which the seller, not the manufacturer, would otherwise be responsible.) But, regardless of whether you warrant the products you sell, as a seller, you must give your customers copies of any written warranties from product manufacturers.

"Tie-In Sales" Provisions

Generally, tie-in sales provisions aren't allowed. That's a provision that requires a consumer to buy an item or service from a particular company to keep their warranty coverage. Here is an example of prohibited tie-in sales provisions.

To keep your new Plenum Brand Vacuum Cleaner warranty in effect, you must use genuine Plenum Brand Filter Bags. Failure to have scheduled maintenance performed, at your expense, by the Great American Maintenance Company, Inc., voids this warranty.

However, a warrantor can require a consumer to use select items or service if they're provided free of charge under the warranty.

Your warranty can disclaim warranty coverage only for defects or damage caused by the use of parts or service you didn't provide. Here is an example of a permissible provision in that circumstance:

Necessary maintenance or repairs on your AudioMundo Stereo System can be performed by any company. Improper or incorrectly performed maintenance or repair that causes damage to your product may void this warranty.

One exception to the general ban on tie-in provisions is that a warrantor may include a tie-in provision if it has received a waiver from the FTC. To get a waiver, you must prove to the FTC's satisfaction that your product won't work properly without a specified item or service. Contact the warranty staff of the FTC's Bureau of Consumer Protection for information on how to apply for a waiver.

Deceptive Warranty Terms

Obviously, warranties must not contain deceptive or misleading terms. You cannot offer a warranty that appears to provide coverage but, in fact, provides none. For example, a warranty covering only "moving parts" on an electronic product that has no moving parts would be deceptive and unlawful. Similarly, a warranty that promised service that the warrantor had no intention of providing or could not provide would be deceptive and unlawful.

How the Magnuson Moss Act May Affect Warranty Disputes

Two other features of the Magnuson-Moss Warranty Act are also important to warrantors. First, the Act makes it easier for consumers to take an unresolved warranty problem to court. Second, it encourages companies to use a less formal, and therefore less costly, alternative to legal proceedings. Such alternatives, known as dispute resolution mechanisms, often can be used to

Dispute Settlement

Mechanisms use conciliation, mediation, or arbitration to resolve disputes. For more information, an FTC publication *Handling Customer Complaints*, is available from the Government Printing Office.

If you require your customers to use a dispute settlement mechanism before suing under the Act, your mechanism must comply with the FTC's Dispute Resolution Rule {16 C.F.R. Part 703}.

A mechanism that does not meet the standards of the Dispute Resolution Rule may still be a valuable tool for you.

settle warranty complaints before they reach litigation.

Consumer Lawsuits

The Act makes it easier for purchasers to sue for breach of warranty by making breach of warranty a violation of federal law, and by allowing consumers to recover court costs and reasonable attorneys' fees. This means that if you lose a lawsuit for breach of either a written or an implied warranty, you may have to pay the customer's costs for bringing the suit, including lawyer's fees.

Because of the stringent federal jurisdictional requirements under the Act, most Magnuson-Moss lawsuits are brought in state court. However, major cases involving many consumers can be brought in federal court as class action suits under the Act.

Although the consumer lawsuit provisions may have little effect on your warranty or your business, they are important to remember if you are involved in warranty disputes.

Alternatives to Consumer Lawsuits

Although the Act makes consumer lawsuits for breach of warranty easier to bring, its goal is not to promote more warranty litigation. On the contrary, the Act encourages companies to use informal dispute resolution mechanisms to settle warranty disputes with their customers. Basically, an informal dispute resolution mechanism is a system that works to resolve warranty problems that are at a stalemate. Such a mechanism may be run by an impartial third party, such as the Better Business Bureau, or by company employees whose only job is to administer the informal dispute resolution system. The impartial third party uses conciliation, mediation, or arbitration to settle warranty disputes.

The Act allows warranties to include a provision that requires customers to try to resolve warranty disputes by means of the informal dispute resolution mechanism before going to court. (This provision applies only to cases based upon the Magnuson-Moss Act.) If you include such a requirement in your warranty, your dispute resolution mechanism *must* meet the requirements stated in the FTC's *Rule on Informal Dispute Settlement Procedures* (the Dispute Resolution Rule). Briefly, the Rule requires that a mechanism must:

- Be adequately funded and staffed to resolve all disputes quickly;
- Be available free of charge to consumers;
- Be able to settle disputes independently, without influence from the parties involved;
- Follow written procedures;
- Inform both parties when it receives notice of a dispute;
- Gather, investigate, and organize all information necessary to decide each dispute fairly and quickly;
- Provide each party an opportunity to present its side, to submit supporting materials, and to rebut points made by the other party; (the mechanism may allow oral presentations, but only if both parties agree);
- Inform both parties of the decision and the reasons supporting it within 40 days of receiving notice of a dispute;

- Issue decisions that are not binding; either party must be free to take the dispute to court if dissatisfied with the decision (however, companies may, and often do, agree to be bound by the decision);
- Keep complete records on all disputes; and
- Be audited annually for compliance with the Rule.

It is clear from these standards that informal dispute resolution mechanisms under the Dispute Resolution Rule are not "informal" in the sense of being unstructured. Rather, they are informal because they do not involve the technical rules of evidence, procedure, and precedents that a court of law must use.

Currently, the FTC's staff is evaluating the Dispute Resolution Rule to determine if informal dispute resolution mechanisms can be made simpler and easier to use. To obtain more information about this review, contact the FTC's warranty staff.

As stated previously, you do not have to comply with the Dispute Resolution Rule if you do not require consumers to use a mechanism before bringing suit under the Magnuson-Moss Act. You may want to consider establishing a mechanism that will make settling warranty disputes easier, even though it may not meet the standards of the Dispute Resolution Rule.

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REQUIREMENT I: SECTION 102 OF THE MAGNUSON-MOSS ACT.

Written warranties must be titled "full" or "limited" As explained on p. 5, this requirement applies to warranties on products costing more than \$10.

"Full Warranty" means the coverage meets the federal minimum standards for comprehensive warranties, while "Limited Warranty"

TITLING WRITTEN WARRANTIES AS "FULL" OR "LIMITED"

The Magnuson-Moss Warranty Act requires that every written warranty on a consumer product that costs more than \$10 have a title that says the warranty is either "full" or "limited" (The Act calls these titles "designations.") The title is intended to provide consumers, at a glance, with a key to some of the important terms and conditions of a warranty.

The title "full warranty" is a shorthand message to consumers that the coverage meets the Act's standards for comprehensive warranty coverage. Similarly, the title "limited warranty" alerts consumers that the coverage does not meet at least one of the Act's standards, and that the coverage is less than "full" under the Act.

What the Terms "Full" and "Limited" Mean

Determining whether your warranty is a "full" or a "limited" warranty is not difficult. If each of the following five statements is true about your warranty's terms and conditions, it is a "full" warranty:

1. You do not limit the duration of implied warranties.
2. You provide warranty service to anyone who owns the product during the warranty period; that is, you do not limit coverage to first purchasers.
3. You provide warranty service free of charge, including such costs as returning the product or removing and reinstalling the product when

means the coverage does not.

You must be able to demonstrate that any duties you impose are reasonable. Requiring customers to return a registration card is an unreasonable duty that is not allowed in a full warranty 116 C.F.R. §700.6(b)}.

This is an example of a full warranty. It specifies that the customer has a right to a replacement or a refund if repairs are not possible. Notice that this full warranty does not cover every type of defect in the product.

necessary.

4. You provide, at the consumer's choice, either a replacement or a full refund if, after a reasonable number of tries, you are unable to repair the product.
5. You do not require consumers to perform any duty as a precondition for receiving service, except notifying you that service is needed, unless you can demonstrate that the duty is reasonable.

If any of these statements is not true, then your warranty is "limited".

You are not required to make your entire warranty "full" or "limited" If the statements above are true about the coverage on only some parts of your product, or if the statements are true about the coverage during only one part of the warranty period, then your warranty is a multiple warranty that is part full and part limited.

Examples of Full Warranties, Limited Warranties, and Multiple Warranties

Counterpoint Carpet Corp. Full Five Year Warranty

What is Covered This warranty covers any defects in materials or workmanship, including installation, with the exceptions stated below.

How Long Coverage Lasts

This warranty runs for five years from the date your carpet is installed.

What is not covered

This warranty does not cover fading or discoloration caused by exposure to sunlight or chemicals such as ammonia, laundry detergent, or household bleach. (For information on how to prevent fading or discoloration, consult our manual "Care Tips From Counterpoint Carpet," available free from your Counterpoint dealer.)

What Counterpoint Will Do

Counterpoint will repair any carpet that proves to be defective in materials or workmanship. In the event repair is not possible, Counterpoint will either replace your carpet with new carpet of similar composition and price, or refund the full purchase price of your carpet, whichever you prefer.

How To Get Service

Contact any Counterpoint dealer, listed in the Yellow Pages under "Carpet," or contact Counterpoint at 800-987-6543. A service representative will come to your home and take any necessary action to correct problems covered by this warranty.

How State Law Applies

This warranty gives you specific legal rights, and you may also have other rights which vary from state to state.

When you decide on your warranty's terms and conditions, consider eliminating unnecessary restrictions. Rather than adopting warranty terms just because they are common in your industry, let your experience guide you. For example, a limit on the duration of implied warranties may be the only provision that would prevent your written warranty from being "full" If your experience indicates that you do not really need this restriction, you may wish to consult your attorney and eliminate it.

Also, remember that the distinctions between a "full" and a "limited" warranty are specified by law, and that the legal meanings of the words "full" and "limited" in written consumer product warranties are far more narrow and specific than they are in ordinary usage. Avoid confusing the legal and ordinary meanings.

Magnifisound Corporation Limited Warranty

What Does This Warranty Cover? This warranty covers any defects or malfunctions in your new Magnifisound hearing aid.

How Long Does The Coverage Last? This warranty lasts as long as you own your Magnifisound aid. Coverage terminates if you sell or otherwise transfer the aid.

What Will Magnifisound Do? Magnifisound will replace any defective or malfunctioning part at no charge. You must pay any labor charges.

What Does This Warranty Not Cover? Batteries, or any problem that is caused by abuse, misuse, or an act of God (such as a flood) are not covered. Also, consequential and incidental damages are not recoverable under this warranty. Some states do not allow the exclusion or limitation of incidental or consequential damages, so the above limitation or exclusion may not apply to you.

How Do You Get Service? In order to be eligible for service under this warranty you **MUST** return the warranty registration card attached below within 30 days of purchasing the aid.

If something goes wrong with your aid, send it postage paid with a brief written description of the problem to:

Magnifisound Corp.
Box 10000
Auditory, Ohio

We will inspect your aid and contact you within 72 hours to give the results of our inspection and an estimate of the labor charges required to fix the aid. If you authorize repairs, we will return the repaired aid to you COD within 72 hours. You must pay any labor charges upon receipt of the repaired aid.

This is an example of a limited warranty. It is limited because there are requirements that the customer pay labor and postage charges, and that the customer return a registration card.

This is a multiple warranty that is part full and part limited. The initial two-year full warranty spells out that the customer has a right to a refund or a replacement. The remainder of the warranty is limited because it covers only parts and not labor.

This part full and part limited multiple warranty is a pro rata warranty-- one which provides a refund or credit that decreases during the life of the product according to a

If you inform us that you wish us to provide necessary parts to you but you wish to have repairs performed elsewhere, we will return the aid and replacement parts to you within 72 hours.

There is no charge for inspection.

How Does State Law Apply? This warranty gives you specific legal rights, and you may also have other rights which vary from state to state.

Full Two Year Warranty on The Black Star 2001 Clothes Washer

What is covered: Any defect in your 2001 Clothes Washer.

For How Long: Two years after the date you bought your 2001 Clothes Washer.

What Black Star Will Do: Repair, or if repair is not possible, either replace your 2001 Clothes Washer, or refund the purchase price, whichever you prefer.

Limited Warranty on Parts for the Third through Fifth Years

What is covered: Any defect in your 2001 Clothes Washer.

For How Long: From the start of the third year after you bought your 2001 Clothes Washer until the end of the fifth year.

What Black Star Will Do: Provide free new or rebuilt replacement parts, but not labor to install the parts. Any servicer you choose can do service during this period.

How to Get Service: Contact any Black Star Dealer or any Authorized Black Star Service Center. See the Yellow Pages under "Appliance Repair" for the name of a Black Star Servicer near you, or call 800-111-1111.

Your Rights Under State Law: This warranty gives you specific legal rights, and you may also have other rights which vary from state to state.

Treadwell Tire Full Warranty During First 20% of Usable Tread Life

If a defect in materials or workmanship appears in your Treadwell Tire before 20% of the tread is worn away, Treadwell Corporation will provide, at your choice, either free replacement of the same model number Treadwell Tire or a complete refund of the original purchase price.

formula. Notice that the formula is carefully spelled out. The warranty specifies that during the initial period of full coverage the customer has a right to a replacement or a refund. The remainder of the warranty is limited because the customer can get only a partial credit.

Limited Warranty During Remaining 80% of Usable Tread Life

If a defect in, materials or workmanship appears in your Treadwell Tire after 20% of the tread is worn away and before the remainder of the tread is worn away, Treadwell Corporation will provide you with a credit good for the purchase of any Treadwell Tire of the same model number. The credit will drop by 10% of the original purchase price for each additional 10% of the tread that is worn away when the defect appears.

How to Get Service

Just bring the defective tire to any Treadwell Dealer. The address of the dealer near you is listed on the other side of this document

How State Law Relates to this Warranty

This warranty gives you specific legal rights, and you may also have other rights which vary from state to state.

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REQUIREMENT II: THE DISCLOSURE RULE {16 C.F.R. PART 701}.

Written warranties must include specified information. As explained on p. 5, this requirement applies to warranties on products costing more than \$15.

The five basic questions about warranty coverage can be used as headings for organizing your warranty.

STATING TERMS AND CONDITIONS OF YOUR WRITTEN WARRANTY

The FTC's *Rule on Disclosure of Written Consumer Product warranty Terms and Conditions* (the Disclosure Rule) requires a written warranty on a consumer product that costs more than \$15 to be clear, easy to read, and contain certain specified items of information about its coverage.

To help you comply with the law and to make your warranty clear and easy to read, you may wish to refer to *Writing Readable Warranties*, an FTC manual that is available from the Government Printing Office.

The information you must disclose in your warranty is explained in the remainder of this chapter. This information includes basic information about aspects of warranty coverage common to all written warranties, and specific information that is required only when your warranty contains certain optional terms and conditions.

Basic Information Required for All Warranties

Under the FTC's Disclosure Rule, there are five basic aspects of coverage that your warranty must describe. It is useful to think of these as five questions which your warranty must answer:

1. What does the warranty cover/not cover? Answering this question is quite simple when the warranty covers every type of malfunction or defect that may appear in all parts of the product. However, if not all parts or not all types of defects are covered, as in the "Counterpoint Carpet" example on page 11 you should clearly describe the scope of coverage.
2. What is the period of coverage? If coverage begins at some point in time other than the

Say what your warranty covers.

purchase date, your warranty must state the time or event that begins the coverage. In the "Counterpoint Carpet" example on page 11, warranty coverage begins when the product is installed, which may be different from when the product is purchased.

State how long your warranty lasts.

Also, you must make it clear when coverage ends if some particular event would terminate it. In the limited warranty example on page 12, coverage lasts until the first purchaser transfers the product to someone else.

3. What will you do to correct problems? This requires an explanation of the remedy you offer under the warranty. This could be repair or replacement of the product, a refund of the purchase price, or a credit toward subsequent purchases.

If necessary for clarity, you must also explain what you will not do. This requires a description of the types of expenses, if any, that you will not cover. These might include, for example, labor charges, consequential damages (the costs of repairing or replacing other property that is damaged when the warranted product fails, such as food spoilage when a refrigerator breaks down), or incidental damages (the costs a consumer incurs in order to obtain warranty service, such as towing charges, telephone charges, time lost from work, transportation costs, and the cost of renting a product temporarily to replace the warranted product).

Tell what you will or will not do.

4. How can the customer get warranty service? Your warranty must tell customers who they can go to for warranty service and how to reach those persons or companies. This means that the warranty needs to include the name and address of your company, and any person or office customers should contact. If they can call you locally or toll-free, you can give the telephone number instead of the address. If you want customers to contact your local or regional service centers first, explain how this should be done. See the examples on pages 11-13 and 18.

5. How will state law affect your customer's rights under the warranty? Your warranty must answer this question because implied warranty rights and certain other warranty rights vary from state to state. Rather than require a detailed explanation about this on a state-by-state basis, the FTC adopted the following "boilerplate" disclosure to address this issue. It must be included in every consumer product warranty:

This warranty gives you specific legal rights, and you may also have other rights which vary from state to state.

Give a step-by-step guide to getting service.

Specific Information Required When Your Warranty Contains Certain Optional Terms and Conditions

Generally, if you wish to impose on your customers any obligations other than notifying you that they need service, you must state these obligations in your warranty. Also, if you wish to establish any other conditions, limitations, or terms that you intend to enforce, you must state them in your warranty; you cannot have "hidden" requirements. An example of such a condition or limitation would be a provision voiding the warranty if the serial number on the product is defaced.

Use the FTC "boilerplate" disclosure about state law rights in your warranty.

There are also a number of other disclosures you must make in your warranty if it contains certain optional terms and conditions. These requirements are explained in the following paragraphs.

If your warranty contains a provision that restricts the duration of implied warranties, the Disclosure Rule requires you to include a statement that state law may override such

This disclosure about state law must be included in every written warranty on a consumer product.

If you wish to impose other conditions or limitations that are not covered by the five basic questions about coverage, you must state these conditions or limitations in your warranty.

Your limited warranty must include this standard disclosure if it limits the duration of implied warranties.

restrictions. This is required because some states prohibit any restrictions on implied warranties. The requirement applies only to limited warranties, because only in limited warranties can you restrict the duration of implied warranties. This is discussed on page 10. To tell consumers that state law may not permit such a restriction, the Disclosure Rule requires you to use the following language:

Some states do not allow limitations on how long an implied warranty lasts, so the above limitation may not apply to you.

If your warranty contains a provision intended to restrict or eliminate your potential liability for consequential or incidental damages, explained on page 15, you must include a statement that state law may not allow such a provision. To inform consumers that state law may not permit such a restriction, the Disclosure Rule requires that you use the following sentence:

Some states do not allow the exclusion or limitation of incidental or consequential damages, so the above limitation or exclusion may not apply to you.

If your warranty contains a provision that restricts who has rights under the warranty, you must include a statement explaining specifically who is covered. For example, if your limited warranty is valid only for the first purchaser, your warranty must state that. Note that this applies only to limited warranties. A full warranty must cover anyone who owns the product during the period of coverage, as discussed on page 10.

If your warranty contains a provision that requires your customers to use a dispute resolution mechanism before suing under the federal Magnuson-Moss Warranty Act for breach of warranty, you must include:

- a statement informing consumers that they can sue under state law without first using the mechanism, but that before suing under the Magnuson-Moss Act, they must first try to resolve the dispute through the mechanism; and
- information and materials about the dispute mechanism, including the name and address or a toll-free telephone number, or a form for filing a claim.

Of course, if you include a dispute resolution requirement in your warranty, the informal dispute resolution mechanism must comply with the FTC's Dispute Resolution Rule. This is discussed on page 8.

The example below shows how to make the required disclosures about an informal dispute resolution mechanism that you require customers to use before taking a dispute to court.

Bauhaus Mobile Homes, Inc. Limited Warranty

What This Warranty Covers

This warranty covers substantial defects in materials and workmanship in your new Bauhaus Mobile Home, including the heating, air conditioning, plumbing, and electrical systems, and all original appliances installed in your Bauhaus Mobile Home.

What This Warranty Does Not Cover This warranty does not cover any problems which result from improper transportation or set-up of the home, abuse, accidents, or acts of God, such as hurricane or floods.

Your warranty must include this standard disclosure if it excludes or limits consequential or incidental damages.

You must disclose any restrictions on who is eligible for coverage under a limited warranty.

You must disclose information about any informal dispute resolution mechanism that you require customers to use.

This warranty includes all the necessary disclosures about an informal dispute resolution mechanism that you require your customers to use

How Long The Warranty Lasts

The coverage of this warranty lasts for two years after the date of installation of your new Bauhaus Mobile Home.

How To Get Service

If something goes wrong, contact the Bauhaus dealer from whom you purchased your home. Arrange a mutually convenient time for the dealer's service representative to come to your home and, if possible, correct the problem. In most cases, your dealer will be able to correct the problem, but if he is not able to do so, you should contact Bauhaus directly in writing at the following address:

Bauhaus Mobile Homes, Inc.
Customer Relations Dept.
10101 Factory Blvd.
Manufacturing City, CA.

Bauhaus will send a representative to your home to inspect the problem and to correct it if possible. All service under this warranty will be performed at your home site.

What To Do If You Are Not Satisfied With Service

We believe you will be fully satisfied by the service you receive from your Bauhaus dealer and from Bauhaus. However, because our aim is your complete and lasting satisfaction, Bauhaus adds another feature to your warranty's protection. In the unlikely event that you feel our response to a warranty service request is not satisfactory, Bauhaus offers you an opportunity to air your complaint to an impartial dispute-handling organization. The paragraph below explains how this works.

If you believe your dealer and Bauhaus have not performed as stated in this warranty, you may submit a request for further consideration to the National Reconciliation Board of Home Owners and Producers ("NRBHOP"). You should make any such request by mailing the attached "Request for Dispute Resolution" form to NRBHOP, or by sending a letter specifically demanding such dispute resolution and identifying yourself, Bauhaus, the defect, and the remedy you seek to this address :

NRBHOP
Box 8613
Redress, OK

Upon receiving your "Request for Dispute Resolution," NRBHOP will notify Bauhaus and ask for a response to your complaint. If Bauhaus disagrees with your complaint, NRBHOP will arrange for informal dispute settlement between you and Bauhaus. See the section of your Owners Manual entitled "The NRBHOP Program" for more detailed information about how the informal dispute settlement process works.

You may not file suit against Bauhaus under the Magnuson-Moss Warranty Act until your claim has been submitted to NRBHOP for informal dispute settlement and a decision has been reached, or you have waited 40 days for a decision following your submission of a Request for Dispute Resolution, whichever comes first. However, you may be entitled to file suit under state laws without waiting.

before taking a dispute to court.

How State Law Applies

This warranty gives you specific legal rights, and you may also have other rights which vary from state to state.

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REQUIREMENT III: THE PRE-SALE AVAILABILITY RULE {16 C.F.R. PART 702}.

Written warranties must be available for customers to read before buying. As explained on page 5, this requirement applies to warranties on products costing more than \$15.

You can display warranties any way you choose, or post signs and have the warranties ready to give customers when they ask to see them.

Mail Order and Door-to-Door companies have different modes of compliance from in-store retailers.

Manufacturers must provide warranty materials to their retailers.

MAKING WARRANTIES AVAILABLE PRIOR TO SALE

The FTC's Rule on Pre-Sale Availability of Written Warranty Terms requires that written warranties on consumer products costing more than \$15 be available to consumers before they buy. The Rule has provisions that specify what retailers, including mail order, catalog, and door-to-door sellers, must do to accomplish this. The Rule also specifies what manufacturers must do so that sellers can meet their obligations under the Rule. These provisions are explained in this section.

What Retailers Must Do

If you sell directly to consumers who come to your place of business to buy, you must make written warranties available at the point of sale. You must do this with all written warranties on the products you sell warranties from manufacturers, as well as any written warranties you extend.

The Pre-Sale Availability Rule requires that sellers make warranties readily available to prospective buyers either by displaying them in close proximity to the warranted products, or by furnishing them upon request prior to sale *and* posting prominent signs to let customers know that warranties can be examined upon request. The Rule does not specify any particular method for fulfilling its requirements. For example, an appliance retailer might post a refrigerator warranty on the front of the appliance, or in the freezer compartment. Or, a retailer of small products, such as watches or electric razors, might keep the warranties readily available behind the counter, or keep them indexed in a binder near the warranted products, and post signs stating their availability. Any of these methods is acceptable.

What Mail Order Companies Must Do

If you accept orders for warranted consumer products through the mail or by telephone, your catalog or other advertising must include either the warranty or a statement telling consumers how to get a copy. This information should be near the product description or clearly noted on a separate page. If you choose the latter, you must provide a page reference to the warranty statement near the product description.

What Door-to Door Sales

Companies Must Do If you sell warranted products to consumers in their homes, or in some place other than your place of business, you must offer the customer copies of the written warranties before the sale is completed.

What Manufacturers Must Do

If you are a manufacturer and offer written warranties, you must provide retailers of your product with the warranty materials they will need to meet their requirements as described above. There are any number of ways to do this, including: providing copies of the warranty to be placed in a binder; providing warranty stickers, tags, signs, or posters; or printing the warranty on your product's packaging. As long as you have provided retailers with the warranty materials they need to comply with the rule, you are not legally responsible if they fail to make your warranties available.

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Deceptive warranty advertising is unlawful.

The FTC's Guides for the Advertising of Warranties and Guarantees {16 C.F.R. Part 239} can advise you on how to advertise your warranty.

Advertisements for products covered by the Pre-Sale Availability Rule need only state that the warranty can be seen where the product is sold. {16 C.F.R. 239.2}.

ADVERTISING WARRANTIES

The Magnuson-Moss Warranty Act does not cover the advertising of warranties. However, warranty advertising falls within the scope of the FTC Act, which generally prohibits "unfair or deceptive acts or practices in or affecting commerce." Therefore, it is a violation of the FTC Act to advertise a warranty deceptively.

To help companies understand what the law requires, the FTC has issued guidelines called the Guides for Advertising Warranties and Guarantees. To obtain a copy, see [Additional Sources of Information](#). However, the Guides do not cover every aspect of warranty advertising, and cannot substitute for consultation with your lawyer on warranty advertising matters.

The Guides cover three principal topics: how to advertise a warranty that is covered by the Pre-Sale Availability Rule; how to advertise a satisfaction guarantee; and how to advertise a lifetime guarantee or warranty.

How to Advertise Warranties Covered by the Pre-Sale Availability Rule

In general, the Guides advise that if a print or broadcast ad for a consumer product mentions a warranty, and the advertised product is covered by the Pre Sale Availability Rule (that is, the product is sold in stores for more than \$15) the ad should inform consumers that a copy of the warranty is available to read prior to sale at the place where the product is sold. Print or broadcast advertisements that mention a warranty on any consumer product that can be purchased through the mail or by telephone should inform consumers how to get a copy of the warranty.

For advertisements of consumer products costing \$15 or less, the Guides do not call for the pre-sale availability disclosure. Instead, the Guides advise that the FTC's legal decisions and policy statements are the sole sources of guidance on how to avoid unfairness or deception in advertising warranties. Consult your attorney for assistance in researching and applying the FTC's case decisions

and policy statements.

How to Advertise a Satisfaction Guarantee

The Guides advise that, regardless of the price of the product, advertising terms such as "satisfaction guaranteed" or "money back guarantee" should be used only if the advertiser is willing to provide full refunds to customers when, for any reason, they return the merchandise.

The Guides further advise that an ad mentioning a satisfaction guarantee or similar offer should inform consumers of any material conditions or limitations on the offer. For example, a restriction on the offer to a specific time period, such as 30 days, is a material condition that should be disclosed.

How to Advertise a Lifetime Warranty or Guarantee

"Lifetime" warranties or guarantees can be a source of confusion for consumers. This is because it is often difficult to tell just whose life measures the period of coverage. "Lifetime" can be used in at least three ways. For example, a warrantor of an auto muffler may intend his "lifetime" warranty's duration to be for the life of the car on which the muffler is installed. In this case, the muffler warranty would be transferable to subsequent owners of the car and would remain in effect throughout the car's useful life.

Or the warrantor of the muffler might intend a "lifetime" warranty to last as long as the original purchaser of the muffler owns the car on which the muffler is installed. Although commonly used, this is an inaccurate application of the term "lifetime."

Finally, "lifetime" can be used to describe a warranty that lasts as long as the original purchaser of the product lives. This is probably the least common usage of the term.

The Guides advise that to avoid confusing consumers about the duration of a "lifetime" warranty or guarantee, ads should tell consumers which "life" measures the warranty's duration. In that way, consumers will know which meaning of the term "lifetime" you intend.

"Satisfaction" and "Money back" guarantees constitute an offer of a full refund for any reason. {16 C.F.R. §239.3}.

Clarify what you are talking about when you advertise a "lifetime" warranty. {16 C.F.R. §239.4}.

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Section 106 of the Act deals with service contracts.

Service contracts, unlike warranties, are purchased separately from a product.

OFFERING SERVICE CONTRACTS

A service contract is an optional agreement for product service that customers sometimes buy. It provides additional protection beyond what the warranty offers on the product. Service contracts are similar to warranties in that both concern service for a product. However, there are differences between warranties and service contracts.

Warranties come with a product and are included in the purchase price. In the language of the Act, warranties are "part of the basis of the bargain." Service contracts, on the other hand, are agreements that are separate from the contract or sale of the product. They are separate either because they are made some time after the sale of the product, or because they cost the customer a fee

Section 108 (a) of the Act prohibits you from disclaiming warranties on a product if you sell a service contract on it.

beyond the purchase price of the product.

The Act includes very broad provisions governing service contracts that are explained in the following sections.

Statement of Terms and Conditions

If you offer a service contract, the Act requires you to list conspicuously all terms and conditions in simple and readily understood language. However, unlike warranties, service contracts are *not* required to be titled "full" or "limited," or to contain the special standard disclosures. In fact, using warranty disclosures in service contracts could confuse customers about whether the agreement is a warranty or a service contract.

The company that makes the service contract is responsible for ensuring that the terms and conditions are disclosed as required by law. This is not the responsibility of the seller of the service contract, unless the seller and the maker are the same company.

Disclaimer or Limitation of Implied Warranties

Sellers of consumer products who make service contracts on their products are prohibited under the Act from disclaiming or limiting implied warranties. (Remember also that sellers who extend written warranties on consumer products cannot disclaim implied warranties, regardless of whether they make service contracts on their products.) However, sellers of consumer products that merely sell service contracts as agents of service contract companies *and* do not themselves extend written warranties can disclaim implied warranties on the products they sell.

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ADDITIONAL SOURCES OF INFORMATION

For a supplement to this booklet containing texts of the Magnuson-Moss Warranty Act, the related FTC Rules, and the FTC Warranty Advertising Guides, write:

Federal Trade Commission
Consumer Response Center
Washington, D.C. 20580

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a [complaint](#) or get [free information on consumer issues](#), visit [ftc.gov](#) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. Watch a new video, [How to File a Complaint](#), at [ftc.gov/video](#) to learn more. The FTC enters consumer complaints into the [Consumer Sentinel Network](#), a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

YOUR OPPORTUNITY TO COMMENT

The National Small Business Ombudsman and 10 Regional Fairness Boards collect comments from small businesses about federal compliance and enforcement activities. Each year, the Ombudsman evaluates the conduct of these activities and rates each agency's responsiveness to small businesses. Small businesses can comment to the Ombudsman without fear of

reprisal. To comment, call toll-free 1-888-REGFAIR (1-888-734-3247) or go to www.sba.gov/ombudsman.

"Tie-In Sales" Provisions updated May 2015

December 2006

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FEDERAL TRADE COMMISSION

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- List a Number on the National Do Not Call Registry
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- File a Comment
- Report An Antitrust Violation
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