

PFL Academy

Teacher Guide: Chapter 61 — Contract Evaluation and Consumer Protection

OVERVIEW

TIME	MATERIALS	PREREQUISITES
45-50 Minutes	Student Activity Packet	L-60: Understanding Financial Contracts

LESSON FLOW

5 min THE CHALLENGE

- Read Taylor's apartment lease scenario aloud or have students read silently.
- Discussion: "Has anyone felt pressured to sign something quickly? What happened?"
- Emphasize: pressure to sign immediately is itself a red flag.

10 min CORE CONCEPTS

- Review the 5 key terms. Emphasize "mandatory arbitration" as a common rights-limiting clause.
- Read the Background paragraph together.
- Quick check: Ask for examples of automatic renewal traps (gym, streaming, subscriptions).

25-30 min APPLY IT

- **Part A (10 min):** Individual or pairs. Have students defend their classifications—is it "concerning" or a "red flag"?
- **Part B (10 min):** True Cost Calculation. Ensure students add ALL fees. Common error: forgetting device payment isn't "free."
- **Part C (5-10 min):** Consumer rights application. Discuss Marcus scenario—what makes advertising "deceptive"?

10 min CHECK YOUR UNDERSTANDING

- Complete in class or assign as homework.
- Review Q3 (Calculation) and Q4 (cooling-off period) to assess practical knowledge.

DIFFERENTIATION

Support

- Pre-teach vocabulary (arbitration, liability) with real examples.
- Walk through Part B calculation on the board together.
- Provide a "red flag phrases" reference list.
- Pair struggling students for Part A analysis.

Extension

- Find a real contract (phone, streaming) and identify 5 concerning clauses.
- Research your state's specific tenant protection laws.
- Write a negotiation script for one problematic clause.

ANSWER KEY

Part A: Contract Clause Analysis

- 1. RED FLAG.** \$500 fee on \$40/month membership is excessive (12.5 months of dues). 60-day mailed notice requirement creates cancellation barriers. Auto-renewal traps consumers.
- 2. CONCERNING/RED FLAG.** One-sided modification rights with no consumer ability to reject changes. Company can raise prices or reduce service; consumer's only option is canceling (often with fees).
- 3. ACCEPTABLE.** 24-hour notice is standard and often legally required. Emergency exception is reasonable. This balances landlord's legitimate needs with tenant privacy.

Part B: True Cost Calculation

True Monthly Cost:

$$\$39.99 + \$35.00 + \$1.46 + \$3.50 + \$2.75 = \$82.70/\text{month}$$

24-Month Total:

$$\$82.70 \times 24 = \$1,984.80$$

$$\text{vs. Advertised } "\$39.99/\text{month}" \times 24 = \$959.76$$

$$\text{Extra Charged: } \$1,984.80 - \$959.76 = \$1,025.04$$

- 4.** Total 24-month cost: **\$1,984.80** | Extra charged: **\$1,025.04**
- 5.** 12 months \times \$82.70 = \$992.40 + \$350 ETF = **\$1,342.40** total cost to exit early.

Part C: Consumer Rights Application

- 6.** Deceptive advertising/FTC Act violation. "Cancel anytime" contradicts \$200 fee. Marcus should: (1) File complaint with state Attorney General, (2) Dispute with bank/credit card, (3) Request documentation of advertising claim, (4) Check if state has gym membership protection laws.

Accept responses that identify the deception and propose reasonable action steps.

Check Your Understanding

- 1.** B (Mandatory arbitration clause)
- 2.** "As-is" disclaims all warranties—buyer accepts all risk for defects. Red flag because you have no recourse if product fails. May be acceptable for: clearly used items at significantly reduced prices where risk is understood and priced in.
- 3.** $\$12.99 + \$5.99 + \$2.00 = \$20.98/\text{month} \times 12 = \textbf{\$251.76 per year}$ (vs. advertised \$155.88)
- 4.** Federal 3-day cooling-off period for door-to-door sales. Jordan can cancel within 3 business days regardless of "all sales final" clause. Must provide written cancellation notice.
- 5.** *Accept thoughtful responses identifying specific contract, relevant clauses (termination, fees, modification rights), negotiation priorities, and clear walk-away conditions.*

COMMON MISCONCEPTIONS

Misconception	Clarification
"If I signed it, I'm stuck with it."	Some contract terms are unenforceable (unconscionable terms, violations of consumer protection laws). Cooling-off periods exist for certain sales. Courts can void unfair clauses.

"Contract terms aren't negotiable."	Many terms are negotiable, especially for significant agreements (leases, employment, major purchases). Companies present terms as "standard" but often have flexibility.
"Arbitration is the same as going to court."	Arbitration limits discovery, appeals, and often favors companies who are repeat users. Class action waivers prevent collective action on small claims.