

# Doron F. Eghbali Business Law

## How Should You Read Fine Prints of a Contract?

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We have all seen contracts with fine prints. They are very difficult to understand and yet we feel obligated to sign them because we need to get the credit card, lease the car or download a product. In such circumstances, we usually do not have any bargaining power. This is the kind of take it or leave it contract. Let us see, if we could to, some extent, shield ourselves against such business practices.

### **1. READ AND UNDERSTAND THE ESSENTIAL TERMS**

In every contract, it behooves us to understand the terms and conditions most important to our deal. Generally, we need to understand:

#### **A. Payment Structure**

- How much will you have to pay eventually?
- How much is your interest and whether that is fixed or variable? Then if variable, when and how does it change and by how much?
- How many days of Grace Period do you have?
- How much is your minimum payment?
- How much, if any, collateral is required?
- How early could you pay off the loan or get out of the contract, and if there are any penalties for doing so?
- How does the default process work? What happens if you default and if there is any way for you to mitigate the damage?

#### **B. Collection Costs and Expenses**

You need to know:

- Who pays for legal fees?
- Who is responsible for such costs?
- Who could be sued, is it you personally or just your business?

### **2. AVOID AMBIGUOUS LANGUAGE**

You should avoid or at least understand ambiguous language that could mean different things. Here is a list of phrases you should carefully understand and even avoid:

- Up to
- As Low As

These phrases could mean different things to different people in different circumstances. For instance, 0% financing for 12 months could turn into 26% financing if you miss one of your payments or your credit score changes. This could still happen, even in light of the new laws that went into effect in February.

### **3. AVOID SIGNING A CONTRACT UNTIL YOU UNDERSTAND IT**

The most important point to always keep in mind is that you should never sign any kind of contract until you understand your rights and obligations. Undoubtedly, knowing what we are getting into makes it easier for us to get out.

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