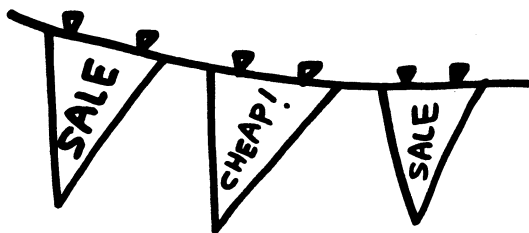


# THE BLUE CAR

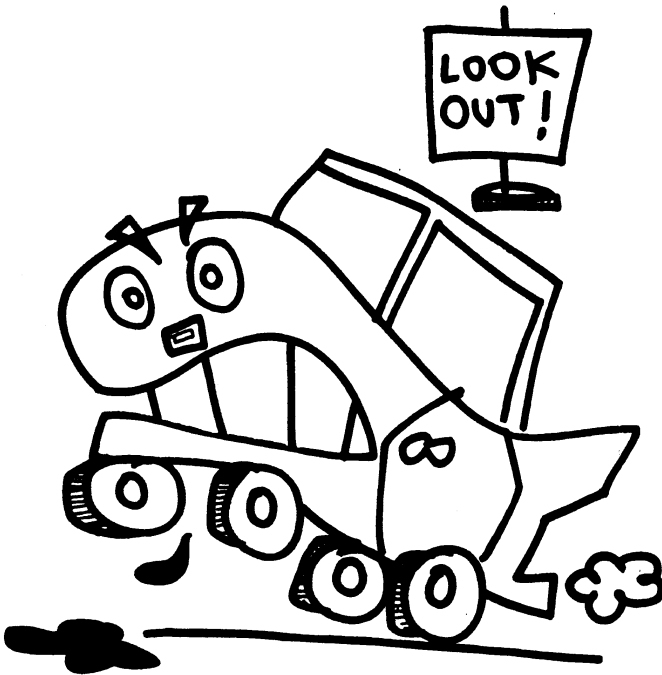
HI! WELCOME TO  
SLICK MOTORS!



I NOTICED YOU EYEING THIS BLUE BEAUTY HERE.  
IT'S A CLASSIC: ORIGINAL PARTS, LOW-MILEAGE,  
ONE OWNER—AND SHE ONLY DROVE IT ONCE A  
WEEK, TO AND FROM CHURCH. WHAT'D'YA SAY?

DON'T LISTEN TO HIM. MY LAST OWNER WAS A PSYCHO WHO USED TO LIKE DOING DONUTS ON THE FREEWAY. I DRINK A QUART OF OIL A DAY, MY REAR BUMPER SAGS, MY STARTER'S FINISHED, AND IT TAKES ME ABOUT SIX MONTHS TO GO FROM ZERO TO SIXTY. BASICALLY, I'M A WRECK.

WHAT—YOU'RE STILL WILLING TO BUY ME? SWEET! LET ME GIVE YOU SOME POINTERS FIRST SO YOU DON'T GET RIPPED OFF BY SLICK.



# **CONTRACTS**

When you turn 18 the law begins treating you like an adult in many ways:

- you can vote;
- you can sue someone and be sued;
- you can get married or join the military without your parents' consent;
- you can be prosecuted as an adult if you commit a crime; and
- you can enter into contracts.

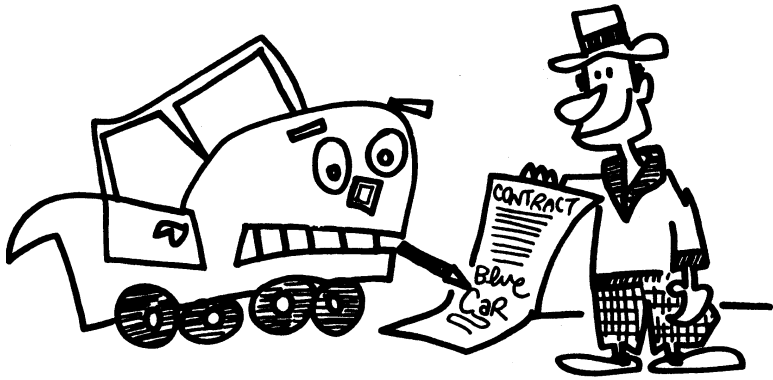
Yeah, that's right—you can buy me!

***A “contract” is an agreement between two or more people from which each gets a benefit. Think of it like a promise, where you agree to do something for someone in exchange for their promise to do something for you.***

***A contract can be spoken or in writing.***

## THE GOOD NEWS...

You can also get the insurance you are required to have, borrow money, rent an apartment, buy property, and enter into a million other kinds of agreements.



## THE BAD NEWS...

A contract requires you to hold up your end of the bargain. If you don't keep your promise, you can be sued in Civil Court.

If you're sued and you lose, the Court can force you to keep your promise. It can also force you to pay the other side **damages** (what they lost because you broke your promise) plus interest.

That's why it's important for you to understand a contract before you make any promises.

## HELPFUL HINTS...

Here are some hints that will help you avoid being taken advantage of:

- written contracts are better than spoken contracts (putting your agreement down on paper helps to prevent misunderstandings);
- always read contracts completely before you sign them;
- don't sign if there is anything in the contract you don't understand;
- never sign a contract with blank spaces—either fill them in or cross them out;
- make certain that the contract contains all the promises made by the other party; and
- keep a signed copy of every contract you agree to.

Now that you know what a contract is, you're ready to **negotiate**.

## THE ART OF NEGOTIATION

When you make a contract, you want to get the best deal possible—but so does the other side. The terms of the contract are determined when the parties negotiate.

The guy trying to sell me is a master in the art of negotiation. Slick could get a rabid pit bull to give up a bone! If you want to buy me at a fair price, you'll need to be a skilled negotiator.

The keys to being a successful negotiator are:

- **Do your homework,** and
- **Be patient.**



**DO YOUR  
HOMEWORK!**



The more you prepare before negotiating, the better deal you will make! By doing your homework and getting the facts before you negotiate, you'll be able to save money and avoid being ripped off.

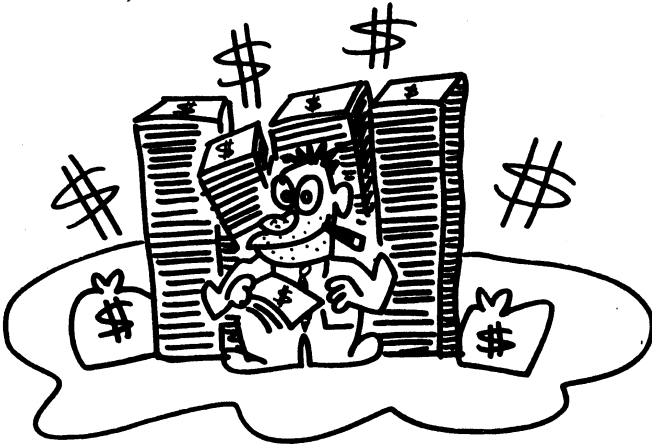
Believe me, Slick is always well prepared. He's got a ton of information: how much I cost; how much other cars like me usually sell for; what repairs I need or will need; and how much he needs to charge to make a profit.

Slick will also try to get as much information from you as possible. He'll ask you how long you've been looking for a car; how much money you're willing to spend; how interested you are in a particular car. He's not asking you these questions to make conversation—he's asking so he'll have an advantage over you when you negotiate.

To fight back, arm yourself with as much information as possible!

# FIRST, GET INFORMATION ON PRICE...

- check the Kelley Blue Book ([www.kbb.com](http://www.kbb.com)) for the retail price
- compare the prices offered by several different dealers
- look at car ads in newspapers and magazines
- check consumer magazines for the repair histories of different models
  - How often does a particular model break down?
  - How much does it cost to maintain and repair a particular model?
  - What is the mileage per gallon of gas?
- you can also check out car magazines, the internet, and the Better Business Bureau.



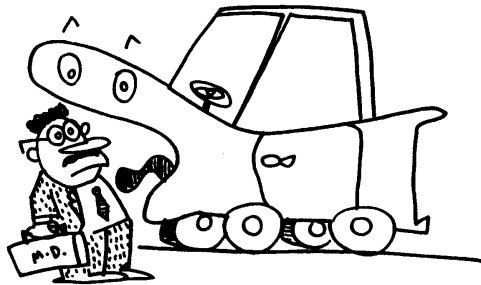
## **BUT REMEMBER, PRICE ISN'T THE ONLY ISSUE!**

You can also save money by comparing deals on:

- warranties—will the dealer agree to pay for repairs if the car breaks down after the sale?
- service contracts
- interest rates on car loans to buy the car
- insurance rates

If you don't like the interest rate your dealer offers, check the loan rates offered at banks, credit unions, and finance companies.

**ALSO,  
INSPECT  
THE CAR!**



***When you find the car of your dreams, make sure it isn't a nightmare:***

- look for any prior damage (check under the floor mats; inspect for prior bodywork)
- find out the repair history
- go for a test drive

**Remember: *Always* take a used car to a mechanic you trust for an independent inspection!**

## BE PATIENT!

Don't be in a hurry when you're negotiating a contract! The more anxious you are, the more likely you're going to be taken advantage of.

And don't let the dealer intimidate you! As the buyer, *you* have the power—you can buy from many different sources! **If you don't like the deal, walk away!**



## THE BOTTOM LINE:

- Before you negotiate, do your homework!
- Be patient—don't let anyone coerce or force you into a deal!
- Once you reach an agreement, put it in writing!
- Make sure you read and understand everything in the contract before you sign!

# EXERCISES

## 1. Write a sample contract for the sale of a car.

- If you're the seller of the car, what do you want the contract to cover?
- If you're the buyer, what points are important for you to put in the contract?
- Does the contract cover what will happen if things go wrong?

## 2. Divide the group into teams of buyers and sellers

- The sellers should know how much they spent for the car
- The buyers should know how much they can afford to spend
- What kind of deal can the two sides reach?
- Did one side win and one side lose? Or did both sides win?



# CONSUMER LAW

YOU DID IT! YOU BOUGHT ME! I'M ALL YOURS!  
UNFORTUNATELY, AS WE'RE DRIVING OFF THE  
LOT, I BREAK DOWN COMPLETELY, DUMPING  
PARTS ALL OVER THE ROAD. MY ENGINE  
SPUTTERS, MY TIRES POP, I'M DRIPPING OIL LIKE  
A KID WITH A RUNNY NOSE. LET'S FACE IT—I'M A  
PILE OF JUNK.



### What can you do?

There are laws determining what rights and obligations you have as a **consumer** (the buyer). Those laws change depending on what's being bought and sold, and also depending on what the relationship is between the buyer and the seller.

# BUYERS AND SELLERS

Generally, the price you pay for a product covers the cost of raw materials, machinery and tools to make the product, labor (paying the employees who make and sell the product), and a profit for the seller.

There are two other important costs that are sometimes forgotten:

- the **cost of information** (time and effort spent learning about a product); and
- the **cost of the risk** of using a product.

It takes time and effort to learn about a product (including how to use it safely; what's a fair price; and how to maintain it properly). In addition, there may be a risk of injury or financial loss due to the use of an unsafe or defective product.

As a society, we decide who bears these costs—the buyer or the seller.

## **“LET THE BUYER BEWARE”**

Generally, society places the burden of information and risk on the consumer (the buyer): **“Let the Buyer Beware.”**

However, there are some circumstances in which the burden is shifted from consumers (buyers) to sellers:

- **warranties**
- **consumer protection laws**
- **personal injury laws**
- **civil lawsuits**
- **certain criminal laws**
- **certain administrative laws**



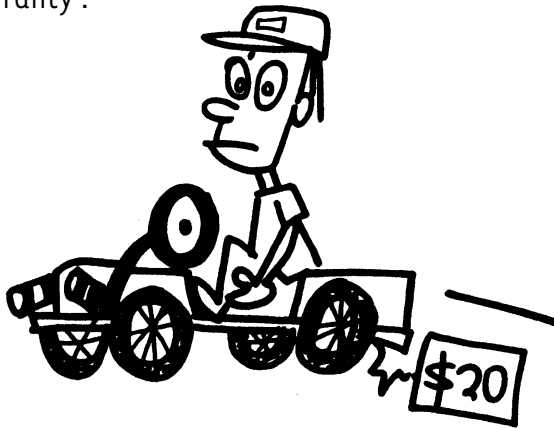
# WARRANTIES

Consumers can shift the responsibility for risk to the seller by *contract*. For example, the buyer may negotiate for a warranty—a promise by the seller that if the product breaks, the seller will pay to have it repaired or replaced. This is called an “**Express Warranty.**”

An “**Implied Warranty**” exists when the burden is placed on the seller by the *law*. For example, in every consumer transaction, the law has created an implied warranty that the item sold is suitable for its intended purpose.

That means that when you buy a pen, there is an implied promise from the seller that the pen will actually write. If it doesn't write, the seller must replace the pen or give you your money back.

Warning: when an item is sold “As Is” there may be no warranty .



# CONSUMER PROTECTION LAWS

There are other laws that shift the responsibility for information or risk to the seller in certain circumstances. These laws are usually established when society feels that the consumer needs *special protection*.

For example, when you buy a new car, a dealer is legally required to provide you with important information (such as the manufacturer's suggested retail price and the estimated gas mileage of the model). This law shifts responsibility for information from the buyer to the seller.

There are also laws that make sellers responsible for the risks in using certain products. For example, California's "Lemon Law" requires sellers to give you a refund or a replacement if your new car breaks down too often within a certain time after your purchase.

Special consumer protection laws also exist to protect apartment renters, home-buyers, investors in stocks and bonds, persons buying prescription drugs, and many others whom society determines need special help in obtaining information or in avoiding risk.

## PERSONAL INJURY LAWS

If you are harmed because of someone else's negligence or intentional wrongdoing, you may sue that person for damages in Civil Court. Likewise, if you're responsible for causing such harm, *you can be sued*. These types of lawsuits are called "**torts**," and they cover injuries to your person, property, and reputation.

Consumers injured due to defective or badly designed or manufactured products also may sue for damages in Civil Court. A jury then decides whether the danger posed by the product was foreseeable (something you could know) and whether it was a danger that could have been avoided.

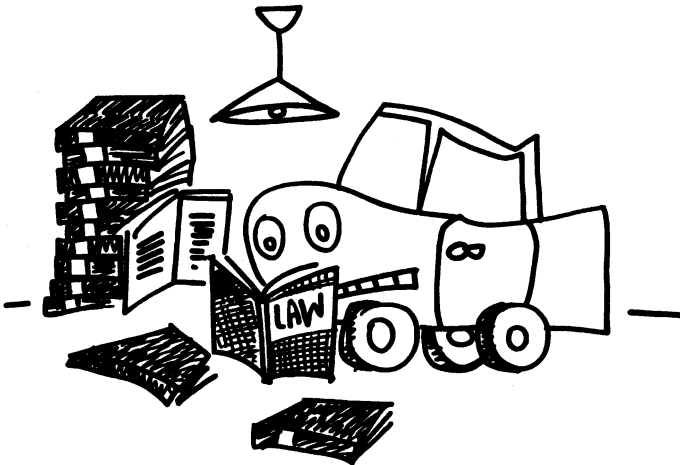
If the manufacturer of a defective product is found responsible for causing an injury, the jury may award damages to the injured person. **This shifts the cost of the risk of using the product from the consumer to the seller.**

# CIVIL SUITS AND SMALL CLAIMS COURT

Consumers (buyers) can sue in Civil Court for damages if a seller violates a contract, refuses to honor a warranty, or commits a fraud.

If your damages are \$7,500 or less, you can sue in **Small Claims Court**. No lawyers are allowed; instead, the parties to the dispute represent themselves. To file a case in Small Claims Court, you need to fill out a form, which you can pick up in the office of the Court Clerk. The cases are heard quickly (usually within 40 days after filing) and the cost of filing is low.

For cases involving greater damages, it is usually very helpful to talk with an attorney.



# CRIMINAL LAW

If buyers are victims of fraud or theft, they may sue for damages in Civil Court *and* ask to have the offending party prosecuted in Criminal Court.

When a person is convicted of a crime, the Judge may require that he or she pay restitution (compensation) to the victim, including any money taken by fraud or theft.

# TIME LIMITS ON CIVIL AND CRIMINAL CASES

It's important to know that for almost all cases there is a time limit for filing. If you don't file a civil case in time, you won't be allowed to collect any damages. Likewise, if the District Attorney fails to file a criminal case in time, the guilty party cannot be prosecuted. The time limit varies depending on the type of case. For example:

- a **tort case** (a wrongful act that results in injury to another person or property) must be filed within one year from the date of the injury or from when the injury was discovered
- a **breach of contract** case must be filed within two years from the day the contract was broken (or four years, if the contract was in writing)

The message: *don't delay when you need to enforce your rights!*

# ADMINISTRATIVE LAW

The federal and state governments also protect buyers through the work of regulatory agencies, which create standards for the operation of certain businesses and the sale of certain products. These agencies include:

- the Food and Drug Administration (FDA)
- the Securities and Exchange Commission (SEC)
- the Department of Health
- the Federal Trade Commission (FTC)

and many, many others.



## THE BOTTOM LINE...

The best way to protect yourself as a consumer is to learn everything you can about what you are going to buy. Get information—

- research products before you buy!
- ask questions of the seller!
- always read your contracts carefully!

# EXERCISES

## 1. Under what circumstances should we protect Consumers?

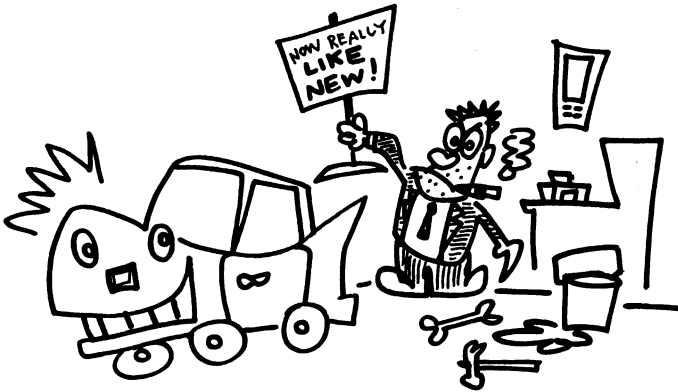
- Car buyers?
- Apartment renters?
- Wall Street investors?
- People who go to psychics?

## 2. Who pays the cost?

- Who pays if there is more government regulation? Who benefits?
- Who pays if the risk is shifted from buyers to sellers? Who benefits?
- Are other consumers helped or harmed?
- Is society helped or harmed?

# **AUTOMOBILE INSURANCE**

***Congratulations!*** When you bought me, you were smart enough to negotiate for an express warranty, so that when Slick refused to honor it, you were able to sue him for breach of contract in Small Claims Court! And you won!



With the money you received as damages, you were able to fix me up like new! Now I'm completely fixed and ready to roll off the lot—except for one thing...

**Automobile Insurance!** In California, all drivers are required to have liability car insurance and carry proof of insurance in the car.

# WHAT IS AUTOMOBILE INSURANCE?

It is a CONTRACT between you (the insured) and the Carrier (the insurance company). You both make certain promises:

You promise to:

- make regular payments (“Premiums“)
- report accidents and losses promptly

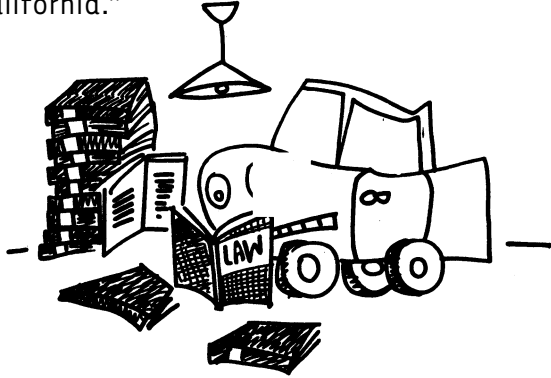
Your Carrier promises to:

- pay for covered losses (with certain limits and exclusions)
- defend you if you are sued

Note: the Carrier will *not* sue on your behalf for a personal injury to you or your passengers.

## TRUE OR FALSE?

“You must have liability insurance to drive a car lawfully in California.”



## IT'S TRUE!

In California, you **MUST** be covered by a liability policy with specified minimum limits (the “Financial Responsibility Law”).

- students may be covered under their parents' policy until they're 22.
- generally, policies also cover guests as “Occasional Drivers” (though members of the household are never covered under the “Occasional Driver” provision)

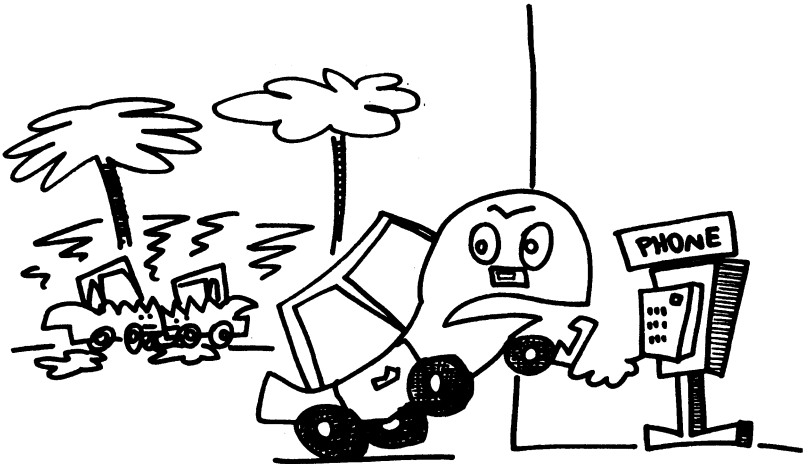
One exception: instead of obtaining insurance coverage, you can comply with the Financial Responsibility Law by posting a bond with the state equal to the minimum coverage limit.

# WHY ARE DRIVERS REQUIRED TO HAVE INSURANCE?

Automobiles can cause *lots* of damage—to property and to people. The State wants to make certain that every driver in California can pay for the damage they cause if they're involved in an accident.

In addition, if you borrow money to buy a car, your lender will require you to have insurance. Why? To make sure you can pay back the loan if your car is damaged or stolen.

**People also buy insurance for personal financial protection.**



## **DUTY TO PROVIDE INFORMATION**

If you have a reportable accident, you *must* provide policy information to the other driver and to the Department of Motor Vehicles [DMV].

An accident is reportable if there is:

- \$750 or more in damage to the property of any one person
- OR
- there is *any* bodily injury (no matter how slight)

You must notify the Department of Motor Vehicles (DMV) of all reportable accidents *within 10 days*.

In addition to your driver's license, you must also be able to show proof of insurance coverage to the other driver **AT THE TIME OF THE ACCIDENT**.

If you have a reportable accident and you fail to file a report with the DMV:

- **YOUR LICENSE COULD BE SUSPENDED** for up to one year!

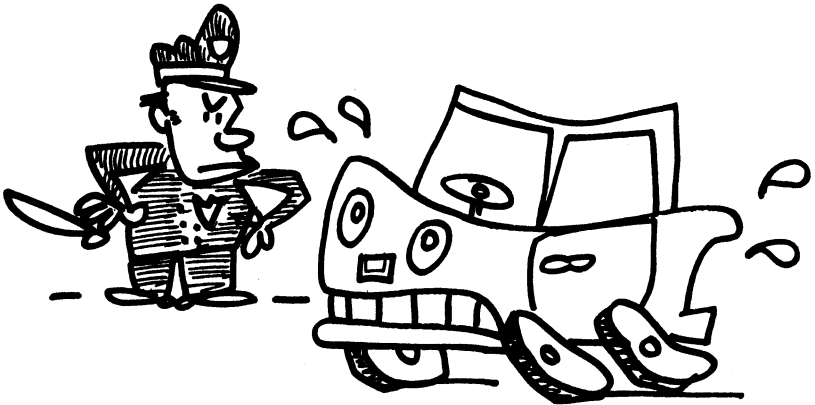
# OBLIGATION TO ASSIST

You may also have an obligation to stop and assist others involved in the accident!

When there is an accident:

- You must exchange information with the other driver (that's why you're required to carry proof of insurance when you drive)
- If someone is injured, you must provide assistance

If you fail to stop, it may be considered **“Hit and Run”** and you could be criminally prosecuted!



# WHAT KIND OF INSURANCE SHOULD YOU GET?

There are **SIX basic types of insurance**:

- Two are **REQUIRED BY LAW**
  - Personal Injury Liability (PI)
  - Property Damage Liability (PO)
- Two are **REQUIRED BY LENDERS**
  - Collision
  - Comprehensive
- Two are **OPTIONAL**
  - Uninsured Motorists Coverage
  - Medical Payments Coverage

# INSURANCE REQUIRED BY LAW

## PERSONAL INJURY LIABILITY (PI)

This type of policy insures against liability for personal injuries that you cause

- California law requires that all drivers carry a minimum amount of PI coverage: “15/30”
- “15/30” means that the insurance company will pay *up to* \$15,000 to each person injured in an accident, but will pay *no more than* a total of \$30,000 to all persons injured in the same accident

If you cause injury that is greater than of your policy limits, *you must pay the difference yourself!*



In addition to Personal Injury (PI) coverage, the law requires that you carry:

### **PROPERTY DAMAGE LIABILITY (PD)**

This type of policy insures against damage that you cause to property *owned by others* (another vehicle, a mailbox, a building, etc.)

- California law requires that all drivers carry a minimum of \$5,000 in PD coverage
- Your PD limit is usually tied to your PI Coverage (for example “15/30/5” means you have coverage of up to \$5,000 for property damage in addition to the \$15,000/\$30,000 limits on injuries to other persons)

As with PI Liability, **you must pay any amount not covered by your PD insurance if the damage is your fault!**

### **ISSUES:**

1. Are the minimum amounts required by law enough?
  - Do they protect other drivers?
  - Do they protect property owners?
2. Is it fair that by requiring all drivers to carry insurance, some people are unable to drive?

# **INSURANCE REQUIRED BY LENDERS**

When you borrow money to buy a car, your lender will require you to get additional insurance not required by law.

## **COLLISION INSURANCE**

This policy covers damage to your car regardless of who caused the accident

- Coverage is limited to the Actual Cash Value of your car (“ACV”)
  - If the cost of repairs exceeds your “ACV” limit, your insurance company may choose to scrap the car
- You receive the “ACV” *minus* your “Deductible”
  - if the other driver is at fault, he or she (and *not* your insurance company) is responsible for reimbursing you for your deductible

Lenders will also require you to get...

## **COMPREHENSIVE PHYSICAL DAMAGE COVERAGE**

This provision covers damage to your car caused by specified perils other than a collision (examples: fire, theft, flood, explosion, earthquake, and vandalism).

- These provisions frequently exclude certain losses from coverage (for example, a CD player attached to the car is covered; a removable CD player is not).
- As with Collision Insurance, Comprehensive coverage is limited to “Actual Cash Value” (ACV) minus your Deductible.



*The higher the deductible, the lower the cost of insurance. You may choose to save on your premium by agreeing to pay a higher deductible (and assuming more of the financial risk in case of damage to your car).*

# OPTIONAL INSURANCE COVERAGE

## UNINSURED MOTORISTS COVERAGE

This policy will pay PI/PD damages to you or your passengers when your vehicle is in an accident caused by an uninsured motorist.

- Is it fair that I have to buy insurance to protect myself against people who break the law by driving without insurance?
  - It's not fair—but it is prudent, if you can afford it (the coverage is relatively inexpensive).
- All Carriers are required to offer this coverage, but you're NOT required to buy it.

*A large percentage of accidents are caused by uninsured, often unlicensed drivers. This statistic should decline as insurance enforcement increases (such as requiring motorists to show proof of insurance before they can register their cars).*



You also have the option to get...



## **MEDICAL PAYMENT COVERAGE**

This provision will pay the medical expenses for you and any passengers injured while riding in your car. Generally, payment is made without regard to who caused the accident.

- If you already have medical insurance, you may not need this coverage for yourself
- If an accident is your fault, your PI coverage should (but may not) cover injuries to all, including passengers riding in your car

***Note: This type of coverage is sometimes included in the insurance company's standard policy; if you choose to exclude it, the cost of the policy may go down.***

# HOW MUCH DOES INSURANCE COST?

Over many years, insurance companies have compiled statistics on automobile accidents to look at what factors affect the frequency and cost of accidents. Based on these factors, insurance companies try to determine the probability that a particular driver will be in an accident, and the likely cost of the damages.

In the same way, some types of cars are stolen more often than others. By reviewing car theft statistics, insurance companies try to determine the probability that a particular car will be stolen.

Insurance companies use these rating factors to set the price they charge *each individual customer*. If their statistics indicate a higher probability that you'll be involved in an accident than other drivers, you'll be charged more for coverage.



Your premium will be based on these Ratings Factors:

### **RATING THE DRIVER**

- How much **driving experience** do you have?
- What is your **age**? (Statistically, teenage drivers are more likely to be involved in an accident than older drivers)
- Are you **married**?
- They may also set rates based on **where you live**, or whether you are **a man or a woman**

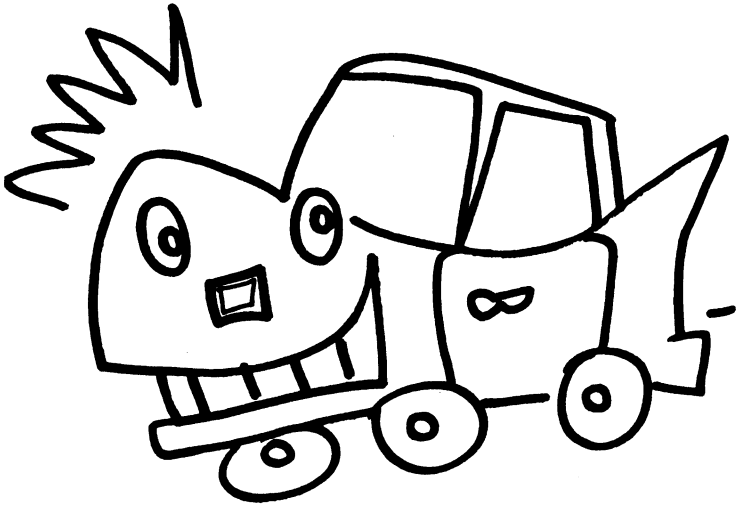
### **RATING THE TYPE OF VEHICLE**

- How **expensive** is your car? (It costs more to fix a BMW than a Ford; some types of cars are stolen more often than others)
- How **powerful** is your car? (People who drive powerful cars are statistically more likely to get into accidents)
- How “**sporty**” is your car? (People who drive sports cars are statistically more likely to get into accidents)

***Insurance companies may offer discounts to people they consider to be good risks:***

- **Non-smokers**
- **Good students** (those with a B average or better during the prior school year)
- Drivers who took a **Driver Training** course
- Drivers who have been **accident-free for 3 years**

These discounts vary from carrier to carrier. As with all contracts, it pays to shop around!

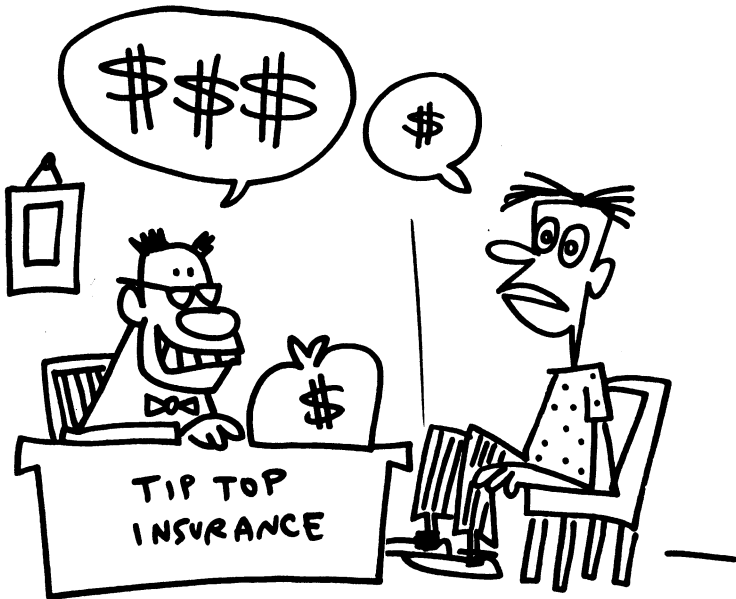


# **FAIRNESS**

## **Is it fair for insurance companies to charge different prices to different drivers?**

- Should a safe teenage driver be charged more than an adult just because teenagers in general tend to be unsafe?
- If everyone were charged the same price for insurance, wouldn't safe drivers be paying more than their fair share?
- Are statistics the fairest way for insurance companies to set prices based on the risks they assume?
- What factors do you think are fair for insurance companies to consider in setting prices? What factors are unfair?

## WHERE DO I GET INSURANCE?



There are many companies offering automobile insurance, and they differ in the rates they charge, the services they provide, and the customers they prefer to insure.

You should compare insurance companies on both their cost of coverage *and* the level of service they offer. You not only want a low price for your insurance coverage; you also want a company that will treat you fairly if you're in an accident and you need their services.

*Consumer Reports Magazine* publishes an annual issue on automobile insurance which is a useful guide to rating the various companies on price, service, and fairness.

## **DIFFERENT INSURANCE COMPANIES HAVE DIFFERENT UNDERWRITING POLICIES**

To keep their prices down, some companies choose to cover only low-risk drivers; they will not offer policies to high-risk drivers such as teenagers. Other companies specialize in covering high-risk drivers.

If possible, consider getting yourself added onto your family's policy:

- By “spreading the risk” among several drivers in your family, the company may be willing to offer a lower overall rate



## HELPFUL HINTS:

### 1. Shop for insurance BEFORE you buy the car!

Because some models are more frequently stolen or involved in accidents, or suffer more damage in a typical collision, they may cost significantly more to insure than other models.

By obtaining insurance quotes BEFORE you buy a car, you may save money in insurance premiums.

### 2. You can also usually save money on your insurance by paying your total premium in advance, instead of in monthly installments.

### 3. Remember—an insurance policy is a contract.

As with all contracts, you should read it completely and understand it before you sign!



# INSURANCE WORKSHEETS

These are sample insurance quotes from an insurance company, one for a male and one for a female.

**Driver:** John Doe (Male, age 18)

**History:** No accidents or violations in 2 years of driving

**Driving:** Daily 40 miles round trip to work

**Vehicle:** Chevrolet Impala, 2 door; with a fair market value of \$6,000

<b>RATES: MALONE OFFSHORE INSURANCE</b>		
Coverage (Six Month Policy Term)		Selected Optional Cost
1. PI/PD Liability		
15/30/5 at	\$907	
50/100/25 at	\$1347	
100/300/50 at	\$1623	
2. Collision - Actual Cash Value Less:		
\$100 deductible at	\$304	
\$500 deductible at	\$225	
3. Comprehensive - Actual Cash Value Less:		
\$50 deductible at	\$89	
\$100 deductible at	\$80	
\$250 deductible at	\$67	
4. Uninsured Motorists:		
15/30 at	\$89	
100/300 at	\$218	
5. Medical Payments		
\$1,000 at	\$104	
Subtotal:		_____
Less Discounts:		
Good Student	10%	
Non-smoker	5%	
Semi-Annual Premium Total:		_____

## AN INTERESTING ISSUE ...

Are the rates for male and female drivers the same?  
 Why would the rates be different? Is it fair?

**Driver:** Jane Doe (Female, age 18)  
**History:** No accidents or violations in 2 years of driving  
**Driving:** Daily 40 miles round trip to work  
**Vehicle:** Chevrolet Impala, 2 door; with a fair market value of \$6,000

<b>RATES: MALONE OFFSHORE INSURANCE</b>		
Coverage (Six Month Policy Term)		Selected Optional Cost
1. PI/PD Liability		
15/30/5 at	\$785	
50/100/25 at	\$1165	
100/300/50 at	\$1403	
2. Collision - Actual Cash Value Less:		
\$100 deductible at	\$263	
\$500 deductible at	\$195	
3. Comprehensive - Actual Cash Value Less:		
\$50 deductible at	\$77	
\$100 deductible at	\$69	
\$250 deductible at	\$58	
4. Uninsured Motorists:		
15/30 at	\$89	
100/300 at	\$218	
5. Medical Payments		
\$1,000 at	\$90	
	Subtotal:	-----
	Less Discounts:	
	Good Student      10%	
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# **CRIMINAL LAW**

All Set! You bought me, fixed me up, and insured me. Now we're ready to hit the highway!

Of course, you've got to be careful—there are a lot of potential dips and potholes out there, and I'm not just talking about the road. I mean your legal rights and obligations as a driver.

Every time you drive, the law can impact you in three different ways:

- **Civil Law:** If you cause harm to someone or their property, you can be sued to **compensate** them for their injuries and losses.
- **Administrative Law:** The Government oversees and *regulates* (controls) particular activities; if you fail to follow government regulations, you can lose your ability to engage in the activity.
- **Criminal Law:** If you violate the rules of society, the Government can seek to *punish* you.

Each of these areas of the law (Civil, Administrative, and Criminal) operates independently, and *all three may have an impact on you at one time.*

For example, if you were driving recklessly and caused an accident, you could:

- be sued in Civil Court by the other person in the accident for **compensation** for any injury and any damage to his or her car (**CIVIL LAW**);
- lose your ability to drive by having your license revoked or suspended by the Department of Motor Vehicles, the administrative agency that **regulates** drivers and cars in California (**ADMINISTRATIVE LAW**); and
- be arrested and charged with a crime, with the state seeking to have you **punished** for violating the law against reckless driving (**CRIMINAL LAW**).

All three have serious consequences, but only one may result in your being jailed: **Criminal Law**.

# HOW DOES THE CRIMINAL JUSTICE SYSTEM OPERATE?

Criminal cases are brought by the Government to deter and punish acts and behaviors that society believes are wrong.

Criminal cases can be brought by the **Federal** Government or the **State** Government; in some instances, charges can be brought by *both* (for example, the bombing of the Federal Building in Oklahoma was prosecuted by the Federal Government *and* the State of Oklahoma).

Criminal offenses are divided into three categories:

- **Infractions:** These are the least serious crimes, punishable by no more than a *fine*
- **Misdemeanors:** These crimes are punishable by a fine and/or jail for *less than one year*
- **Felonies:** These are the most serious crimes punishable by a fine and/or imprisonment for *over one year* (the term of imprisonment varies by crime; the most serious felonies are punishable by life in prison or death)

## STEP 1: THE INVESTIGATION

Typically, a criminal case begins when a victim makes a report to the investigating agency with jurisdiction over the crime. Jurisdiction is based on where the crime took place, or the type of crime that was committed.

There are constitutional limits on the ways the State can investigate crimes. For example, the Fourth Amendment generally prohibits police from conducting searches and seizures without prior written permission from a Judge (a warrant). If a search or seizure is conducted illegally, the State may not be allowed to use any of the discovered evidence to prosecute the person who was the victim of the illegal search or seizure. This is called the “**Exclusionary Rule.**”



## STEP 2: THE ARREST



An arrest can be made when the investigating agency has “**probable cause.**” Probable cause is a reasonable belief based on facts known personally to the police or through a reliable source that an individual has committed a crime.

The Constitution provides that all persons who are arrested must be given the opportunity to post a reasonable “bail.” Bail is money or property put up by a defendant and held by the Court as security to assure that the defendant keeps his or her promise to return for trial. If the defendant fails to return as promised, the money or property being held is forfeited to the Court. Judges determine what amount of bail is reasonable to make certain a defendant shows up in court.

## STEP 3: THE PROSECUTION

Once the investigation is complete, the evidence is presented to the prosecuting agency. For California cases, the matter is presented to the **District Attorney** in the County where the crime took place. The District Attorney is the lawyer who represents the Government in criminal cases, and who is responsible for filing most criminal cases.

The decision of whether to bring charges may also be made by the “**Grand Jury**,” a group of citizens that sit as a jury for a full year. In California, the District Attorney has the option of presenting a criminal case to the Grand Jury for it to decide whether to bring charges.

Note that victims of crimes do *not* decide whether to “press charges;” rather, the District Attorney or the Grand Jury makes that decision.

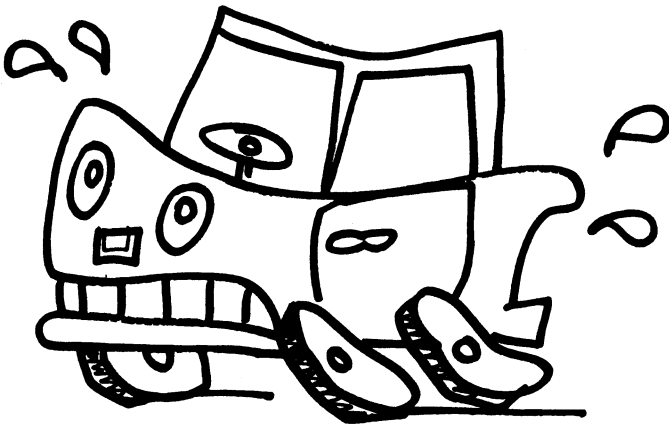


## STEP 4: THE ARRAIGNMENT

If criminal charges are filed, the defendant is brought to Court and is “**arraigned.**” At the arraignment, a judge informs the defendant of the charges, sets bail, and tells the defendant about his or her key Constitutional rights including the right to be represented by an attorney. The defendant then enters a plea of “Guilty” or “Not Guilty.”

## STEP 5: THE PRELIMINARY HEARING

In felony cases, if the defendant pleads “not guilty,” he or she is entitled to a “**Preliminary Hearing,**” an independent review of the charges by a Judge. If the Judge agrees that it is reasonable to believe that a crime occurred and that the defendant committed the crime, the defendant will be held over for **trial.**



## **STEP 6: PRE-TRIAL MOTIONS**

If the defendant contends that evidence was obtained in violation of the Constitution (such as due to an illegal search or seizure, or an unlawful arrest) he or she may bring a motion to exclude the evidence (using the “**Exclusionary Rule**”).

If the motion is granted, the prosecutor must determine if there is enough remaining evidence to proceed to trial; if not, the charges will be dropped and the case will be dismissed.

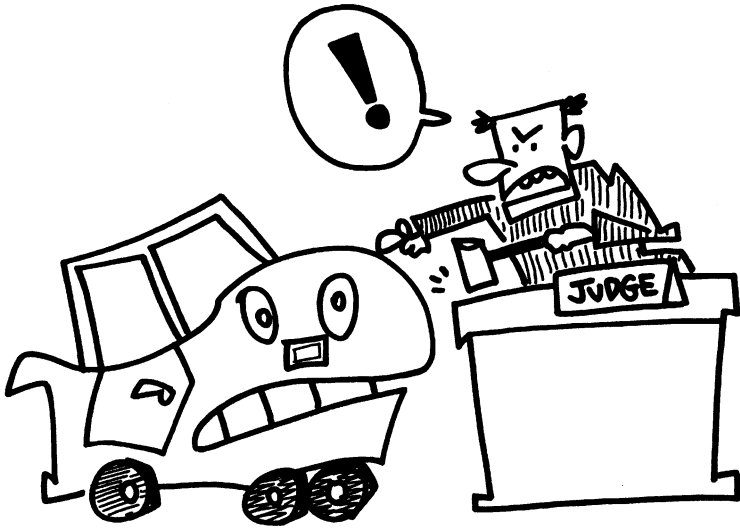
## **STEP 7: PLEA BARGAINING**

In many cases, the defense and the prosecution will negotiate a “**plea bargain**,” a contract in which the defendant agrees to plead guilty to a specified charge in exchange for a particular punishment.

### **Issues:**

- When does it make sense for a defendant to agree to a plea bargain?
- When does it make sense for the prosecution to agree to a plea bargain?
- Who gains when a plea bargain is reached? Who loses?

## STEP 8: THE TRIAL



Every person charged with a crime is entitled to a **Jury Trial**. A jury consists of twelve people selected from the community to hear the evidence presented by both sides. The defense and the prosecution may ask the judge to remove prospective jurors they feel may be prejudiced against their side. No prospective juror can be excused based on race, sex, or ethnic background.

Once a jury is selected, both the defense and the prosecution may make an **opening statement** to the jury. The opening statement is *not* an argument; rather, it is an opportunity for both sides to present their version of the facts to help the jurors better follow the evidence as it is presented.

## THE JUDGE

While jurors are responsible for determining the facts of the case, the Judge is responsible for applying the appropriate law. The Judge oversees the trial to make certain it is conducted fairly and in compliance with the Constitution. The Judge also decides what evidence is admissible (or can be presented) and may compel the production of evidence and witnesses. If a defendant is convicted, the Judge determines the appropriate punishment.

## PRESENTING EVIDENCE

The prosecution presents its case first. Witnesses are called to testify and documents and other items may be put into evidence.

Either side may force a witness to appear in Court by issuing a **subpoena**, which is an order from the judge for the witness to appear and testify. A witness who ignores a subpoena may be arrested and forced to testify.

The party who calls a witness begins the questioning with the “**direct examination**.” Thereafter, the other side may challenge the testimony in “**cross-examination**.” This way of presenting testimony is thought to best find the truth.

## THE DEFENSE

After the prosecution presents its case, the defense may call witnesses and introduce documents and items into evidence. **The defense is not required to present any evidence**—the burden of proof is on the prosecution, and the defense may simply choose to argue that the jury should find the defendant not guilty because the prosecution failed to meet its burden.

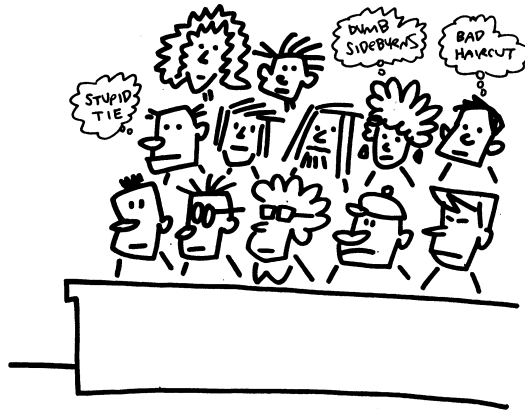
Likewise, **the defendant is not required to testify**; the Constitution gives all defendants the right to remain silent. However, if a defendant chooses to testify, he or she must face cross-examination, as do all other witnesses.

If the defense presents any evidence, the prosecution is then given a chance to present “**rebuttal**” evidence, after which the defense may present its own rebuttal evidence.



## FINAL ARGUMENT

After all the evidence is in, the attorneys present their “**Final Argument**” to the jury, in which they argue whether the evidence is strong enough to prove the case **beyond a reasonable doubt**. The prosecution goes first, then the defense responds, countering the prosecution’s case and discussing its own evidence, if any was presented. Last, the prosecution is given an opportunity to respond to the defense’s argument.



## JURY DELIBERATION

After the final argument is completed, the Judge instructs the jury as to the law to be applied to the case, and the jury is sent off to **deliberate** (decide the case) in private. In California, *all twelve jurors must agree that the charges were proved beyond a reasonable doubt before a defendant can be convicted.*

# PROTECTING THE ACCUSED

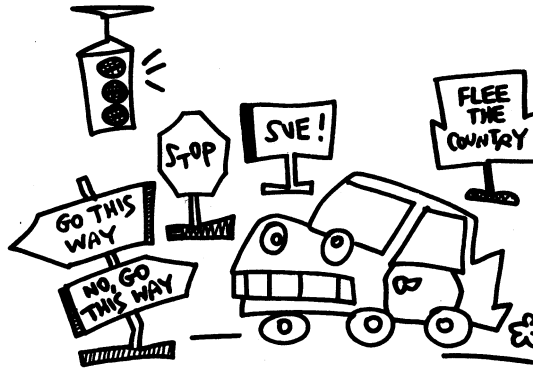
At the time the Constitution was written, there was a great fear of giving the Government too much power over individuals, especially when the **liberty** of an individual was threatened.

As a result, several protections were built into the criminal justice system to protect individuals from unfair or wrongful treatment by the Government:

- Persons charged with a crime are entitled to a **trial** by a “**jury of their peers**” (other individuals from their community)
- No conviction can occur unless the state proves its case against the individual “**beyond a reasonable doubt**”
  - In Civil Cases the standard is lower (cases must be proved by a “preponderance of the evidence”)
- Individuals charged with crimes are entitled to be **represented by a lawyer**, even if they’re too poor to hire one for themselves
- If the Government illegally obtains evidence or statements from a defendant, it may be prevented from using the evidence/statements in court (“**The Exclusionary Rule**”)

These are just some of the protections designed to protect individuals charged with crimes.

# CONCLUSION



WHOA! JUST BUYING AND DRIVING ME REQUIRES THAT YOU KNOW ABOUT:

- Contract law
- Consumer law
- Insurance law
- Civil law
- Administrative law
- Criminal law

AND I'M JUST A USED CAR!

Now you can see that the law has an impact on just about everything you do. You need to consider the legal implications of all your choices and decisions. The more informed you are, the better choices you'll make.

# CONTACTS

The following **Government Agencies** are established to assist consumers:

**Federal Trade Commission**

10877 Wilshire Blvd., Suite 700 Los Angeles, CA 90024  
(310)824-4300  
web site: [www.ftc.gov/ftc/consumer.htm](http://www.ftc.gov/ftc/consumer.htm)

**California Department of Consumer Affairs**

400 R Street, Suite 3000  
Sacramento, CA 95814  
Hotline: (800)952-5210  
web site: [www.dca.ca.gov](http://www.dca.ca.gov)

**Los Angeles County Department of Consumer Affairs**

500 West Temple Street, Room B-96  
Los Angeles, CA 90012  
Hotline: (213)974-1452  
web site: [www.consumer-affairs.co.la.ca.us](http://www.consumer-affairs.co.la.ca.us)

**California Department of Insurance Consumer Hotline:**

(213)897-8921  
web site [www.insurance.ca.gov](http://www.insurance.ca.gov)

**California Bureau of Automotive Repair**

for complaints regarding auto repair service  
Consumer Hotline: (800)952-5210  
web side: [www.smogcheck.ca.gov](http://www.smogcheck.ca.gov)

These organizations also assist consumers:

**Consumer Action**

specializes in credit and finance issues

Hotline: (213)624-8327

web site: [www.consumer-action.org](http://www.consumer-action.org)

**Smart Law**

offers general information on finding business, consumer, criminal, family, financial, labor, property and personal injury law  
(213)243-1500

**The Beverly Hills Bar Association  
Lawyer Referral Service**

offers assistance in finding a lawyer  
(310)553-4022

web site: [www.bhba.org/lawyerref.htm](http://www.bhba.org/lawyerref.htm)

**Small Claims Court Advisors**

offers information on filing a complaint in Small Claims Court  
(213)974-9759

website: [www.lasuperiorcourt.org/smallclaims](http://www.lasuperiorcourt.org/smallclaims)

If you have a consumer question or complaint, don't hesitate to call for help!

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Note: This pamphlet may not accurately represent the present state of the law (since the law is always changing), and it is *not* intended as a substitute for the advice of an attorney. **Legal advice should only come from an attorney of your choice who can take into consideration all the facts relevant to your particular situation.**

# **THE BLUE CAR PROJECT**

was conceived by Louis M. Brown (1909–1997)  
and Kathryn A. Ballsun  
and is a Community Outreach Activity of the

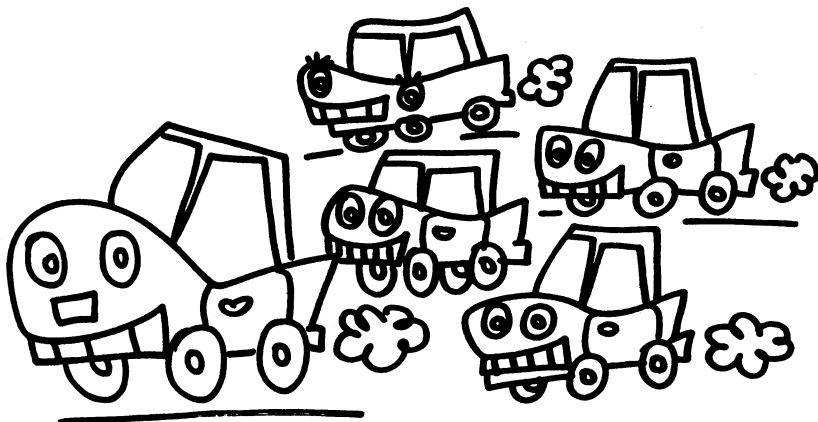
## **BEVERLY HILLS BAR ASSOCIATION**

P.O. Box 7277

Beverly Hills, CA 90212-7277

(310)553-6644

[www.bhba.org](http://www.bhba.org)



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Art by Tom Gammill







