

of this order upon them, file with the Commission a report in writing, signed by such respondents setting forth in detail the manner and form of their compliance with the order to cease and desist.

IN THE MATTER OF

H. R. RIEGER COMPANY, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION ACT

Docket C-1482. Complaint, Jan. 27, 1969—Decision, Jan. 27, 1969

Consent order requiring a Frazer, Pa., seller of custom built residential houses to cease using bait tactics, misrepresenting unfinished houses as complete, making deceptive guarantees, and neglecting to disclose all terms and conditions to owners of unimproved lots.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that H. R. Rieger Company, Inc., a corporation, and Harry R. Rieger, individually and as an officer of said corporation, hereinafter referred to as respondents, have violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent H. R. Rieger Company, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Pennsylvania, with its office and principal place of business located at 380 Lancaster Pike, in the town of Frazer, State of Pennsylvania.

Respondent Harry R. Rieger is an officer of the corporate respondent. He formulates directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His address is the same as that of the corporate respondent.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale, sale, con-

struction and distribution of custom built residential houses to the public.

PAR. 3. In the course and conduct of their business, respondents now cause, and for some time last past have caused, their said products, when sold, to be shipped from their place of business in the State of Pennsylvania to purchasers thereof located in various other States of the United States, and maintain, and at all times mentioned herein have maintained a substantial course of trade in said products in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their products, respondents have made numerous statements and representations in newspaper advertisements and in the oral representations made by their representatives, agents or employees with respect to the nature of their offer, the terms and conditions of sale, financing requirements, degree of completion, and other characteristics of their products.

Typical and illustrative of the statements and representations in said advertising but not all inclusive thereof, are the following:

LOT OWNERS!
WE'VE BUILT HOMES
FOR OVER 40 YEARS

You'll Be
Satisfied, Too!

EACH ONE
CARRIED A
GUARANTEE

Complete ready to move in!	The Manor NO MONEY DOWN!	from \$89 per mo.
RANCHERS—SPLITS—TWO STORY—CAPE COD		
FROM \$9990 TO \$20,000—50 PLANS & STYLES		
LOT OWNERS		
Ranchers—Splits—Two Story		
\$9990 to \$20,000		
The Down Easter Complete on Your Lot		\$74 Monthly No Down Payment!

PAR. 5. By and through the use of the aforesaid pictures, statements and representations, and others of similar import and meaning, but not specifically set out herein, separately and in connection with oral statements and representations by their representatives, agents and employees to customers and prospective customers, respondents represent, and have represented, directly or by implication, that:

Complaint

75 F.T.C.

1. The offer set forth in such advertisements is a genuine and bona fide offer to sell houses of the kind illustrated and described at the prices and on the terms and conditions therein stated.

2. Houses of the kind illustrated and described are offered for sale at the advertised monthly payments.

3. A complete, custom-built house of the kind illustrated and described is offered for sale at the prices stated.

4. Respondents offer a house of the kind illustrated and described and respondents' other houses at the prices and on the terms and conditions stated to the owner of an unimproved lot or parcel of real estate upon which said house is to be built.

5. Respondents' houses are unconditionally guaranteed for a period of one year.

PAR. 6. In truth and in fact:

1. Said offer is not a genuine or bona fide offer to sell houses of the kind illustrated and described in said advertisements and at the prices and on the terms and conditions stated.

Said offer is made for the purpose of obtaining leads as to persons interested in the purchase of respondents' products. After obtaining such leads, respondents' representatives negotiate with such purchasers in the offices or places of business of respondents, and at such times and places make no effort to sell the illustrated houses at the prices and on the terms and conditions stated but induce such purchasers to purchase their houses at additional cost for the extra items and features.

2. Houses of the kind illustrated and described are not offered for sale at the advertised monthly payments. Said monthly payments are available only for and in connection with the purchase of certain models of homes which sell at a substantially lower price than the house illustrated in said advertisements.

3. A complete, custom-built house of the kind illustrated and described is not offered for sale at the prices stated. The illustrated and described house which is offered for sale does not include all of the various items normally included in a complete home, such as interior painting. Such items are obtained at extra cost to the purchaser thereof, which fact respondents fail to reveal.

4. Respondents do not offer a house of the kind illustrated and described and respondents' other houses at the prices and on the terms and conditions stated to the owner of an unimproved lot or parcel of real estate upon which the houses are to be built. Respondents require that said lot or real estate parcel be im-

proved in certain respects or otherwise meet certain requirements imposed by respondents before it can be used to meet respondents' requirements for purchasing and financing said houses.

5. Respondents' houses are not unconditionally guaranteed for a period of one year. Such guarantee is subject to numerous terms, conditions and limitations and fails to set forth the nature and extent of the guarantee and the manner in which the guarantor will perform thereunder.

Therefore, the statements and representations as set forth in Paragraphs Four and Five hereof, were and are unfair practices and are false, misleading and deceptive.

PAR. 7. In the conduct of their business and at all times mentioned herein, respondents have been in substantial competition, in commerce, with corporations, firms and individuals in the sale of products of the same general kind and nature as those sold by the respondents.

PAR. 8. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said representations were and are true and into the purchase of substantial quantities of respondents' products by reason of said erroneous and mistaken belief.

PAR. 9. The aforesaid acts and practices of respondents, as herein alleged, were and are all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute, unfair methods of competition in commerce and unfair and deceptive acts and practices in commerce in violation of Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Bureau of Deceptive Practices proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an

admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in § 2.34(b) of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent H. R. Rieger Company, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Pennsylvania, with its office and principal place of business located at 380 Lancaster Pike, Frazer, Pennsylvania.

Respondent Harry R. Rieger is an officer of said corporation and his address is the same as that of said corporation.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

It is ordered, That respondents H. R. Rieger Company, Inc., a corporation, and its officers, and Harry R. Rieger, individually and as an officer of said corporation, and respondents' agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, offering for sale, sale or distribution or construction of houses, or other structures, or products, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Using, in any manner, a sales plan, scheme or device wherein false, misleading or deceptive statements or representations are made in order to obtain leads or prospects for the sale of houses or other products.

2. Making representations purporting to offer houses or

other products for sale when the purpose of the representation is not to sell the offered house or other product but to obtain leads or prospects for the sale of other houses or other products.

3. Representing, directly or by implication, that any houses or other products are offered for sale when such offer is not a bona fide offer to sell such houses or other products.

4. Representing, directly or by implication, that houses or other products are offered for sale for certain prices or on stated terms: *Provided, however*, That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that such house or other product may be purchased at the represented price, terms or conditions.

5. Illustrating or describing a higher priced home in conjunction with the price of a lower priced home.

6. Failing to quote and to disclose in advertising and promotional material the price of an illustrated or described home with equal size and conspicuousness as the price quoted for any other home.

7. Representing, directly or by implication, that respondents' houses are complete, or finished to any degree of completeness: *Provided, however*, That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that the house is completed or finished to the extent or degree represented.

8. Quoting prices, terms or conditions in advertising which does not include all of the features of the house or other products illustrated or described.

9. Representing, directly or by implication, that respondents' offers are made available to owners of lots or parcels of real estate without clearly and conspicuously revealing any requirements, conditions or limitations applicable to said property such as but not limited to, value, location, size or improvements.

10. Representing, directly or by implication, that any of respondents' products are guaranteed unless the nature, extent and duration of the guarantee, the identity of the guarantor and the manner in which the guarantor will perform thereunder are clearly and conspicuously disclosed in immediate conjunction therewith.

11. Failing to deliver a copy of this order to cease and

Complaint

75 F.T.C.

desist to all present and future salesmen or other persons engaged in the sale of respondents' products or services, and failing to secure from each such salesman or other person a signed statement acknowledging receipt of said order.

12. Failing, after the acceptance of the initial report of compliance, to submit a report to the Commission, once every year during the next three years, describing all complaints respecting unauthorized representations, all complaints received from customers respecting representations by salesmen which are claimed to be deceptive, the acts uncovered by respondents in their investigation thereof and the action taken by respondents with respect to each such complaint.

It is further ordered, That the respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

It is further ordered, That the respondents herein shall, within sixty (60) days after service upon them of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.
