

CARPET INTERIORS, ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION, THE TEXTILE FIBER PRODUCTS
IDENTIFICATION AND THE TRUTH IN LENDING ACTS

Docket C-2277. Complaint, Sept. 6, 1972—Decision, Sept. 6, 1972.

Consent order requiring a Folcroft, Pennsylvania, seller and distributor of carpeting and other merchandise, among other things to cease representing that any price for their merchandise is a special or reduced price, unless

Complaint

81 F.T.C.

such price constitutes a significant reduction from the established selling price; advertising for the purpose of obtaining leads or prospects unless the advertised products are capable of performing their advertised function and an adequate stock is maintained; disparaging or refusing to sell any product advertised; misrepresenting the quality or properties of any of their merchandise; falsely advertising, deceptively guaranteeing, and misbranding their textile fiber products; and failing to disclose to customers any disclosures required by Regulation Z of the Truth in Lending Act. Respondents are further required to include on the face of its notes a notice that if the contract is sold to a third party, the customer may be required to make payments to someone other than the seller even if the purchase contract is not fulfilled.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, the Textile Fiber Products Identification Act, the Truth in Lending Act and the implementing regulation promulgated thereunder, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Carpet Interiors, a corporation, trading and doing business as Remnant City, and Rudolph J. Pentima and Marvin Zeitz, individually and as officers of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts, the implementing regulation, and the rules and regulations promulgated under the Textile Fiber Products Identification 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. Carpet Interiors, trading and doing business as Remnant City, is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania, with its office and place of business located at 1852 Delmar Drive, in Folcroft, Commonwealth of Pennsylvania.

Respondents Rudolph J. Pentima and Marvin Zeitz are individuals and officers of said corporation. They formulate, direct and control the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Their business address is the same as that of the corporate respondent.

The respondents cooperate and act together in carrying out the acts and practices hereinafter set forth.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale, sale and distribution of carpeting and other merchandise to the public.

313

Complaint

COUNT I

Alleging violations of Section 5 of the Federal Trade Commission Act, the allegations of Paragraphs One and Two, hereof, are incorporated by reference in Count I as if fully set forth verbatim.

PAR. 3. In the course and conduct of their business, as aforesaid, respondents now cause, and for some time last past have caused, their said merchandise, when sold, to be shipped from their place of business in the Commonwealth of Pennsylvania to purchasers thereof located in various States of the United States and maintain, and at all times mentioned herein have maintained, a substantial course of trade in said merchandise 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 merchandise, the respondents have made, and are now making, numerous statements and representations in advertisements inserted in newspapers, disseminated through the mails and by means of television broadcasts and by other media with respect to the nature and limitations of their offers, the prices, quality and guarantees of their merchandise.

Typical and illustrative of such statements and representations, but not all-inclusive thereof, are the following:

Christmas Warehouse SALE
SAVE HUNDREDS

\$129

\$149

501 Nylon Continuous Filament

100% Nylon Pile

*

*

*

*

*

*

*

\$189

\$239

Dupont 501 Nylon Pile

Acrilan Cut Pile

*

*

*

*

*

*

*

\$269

\$359

Acrilan Cut Pile

Kodel Embossed Patterns

(The above-stated prices and quality designations are imprinted on photographs of carpeting which appears to be of superior grade.)

20 year guarantee

WAREHOUSE SALE—3 DAYS ONLY

NO MONEY DOWN

PAR. 5. By and through the use of the above-quoted statements and representations, and others of similar import and meaning not expressly set out herein, respondents have represented, and are now representing, directly or by implication, that:

Complaint

81 F.T.C.

1. During the period of their advertised "Christmas Warehouse SALE," or words of similar import and meaning, their advertised prices of their carpeting represent a reduction from the prices at which they have made a bona fide offer to sell, or have sold, said carpeting on a regular basis for a reasonably substantial period of time in the recent, regular course of their business.

2. Purchasers of their carpeting realize a savings of hundreds of dollars from the actual prices at which such carpeting was offered for sale, or was sold, by respondents in good faith for a reasonably substantial period of time in the recent, regular course of their business.

3. Their represented reduced prices for their carpeting are offered only during the limited period of the sale and such reduced prices will be returned to their pre-sale bona fide offering price or to some other substantially higher amount immediately after completion of the sale.

4. Their offers, as set forth in their advertisements, are bona fide offers to sell their advertised carpeting at the prices and on the terms and conditions stated.

5. Their advertised carpeting has the general appearance, texture and thickness of superior grade carpeting in common use.

6. Their carpeting is unconditionally guaranteed for a definite period of time.

PAR. 6. In truth and in fact:

1. During the period of their advertised "Christmas Warehouse SALE," or words of similar import and meaning, the advertised prices of respondents' carpeting do not represent a reduction from the prices at which respondents have made a bona fide offer to sell, or have sold, such carpeting on a regular basis for a reasonably substantial period of time in the recent, regular course of their business.

2. Purchasers of respondents' carpeting do not realize a savings of hundreds of dollars or any other significant amount from the actual prices at which such carpeting was offered for sale, or was sold, by respondents for a reasonably substantial period of time in the recent, regular course of their business.

3. Respondents' represented reduced prices are not offered for a limited period of time, but are the prices at which respondents sell, or offer to sell, their carpeting on a regular basis for a reasonably substantial period of time in the recent, regular course of their business.

4. Respondents' offers are not genuine or bona fide offers to sell their advertised carpeting at the prices and on the terms and conditions stated but are made for the purpose of obtaining leads as to persons interested in the purchase of their carpeting. After obtaining such leads through response to said advertisements, respondents' salesmen

called upon such persons, but made no effort to sell the advertised carpeting. Instead, they exhibited what they represented to be the advertised carpeting which, because of its poor appearance and condition, was usually rejected on sight by the prospective purchaser. Concurrently, higher priced carpeting of superior quality and texture was presented, which by comparison disparaged and demeaned the advertised carpeting. By these and other tactics, the purchase of the advertised carpeting was discouraged, and respondents, through their salesmen, attempted to, and frequently did, sell the higher priced carpeting.

5. Respondents' advertised carpeting does not have the general appearance, texture or thickness of superior grade carpeting in common use.

6. Respondents' carpeting is not unconditionally guaranteed in every respect without conditions or limitations for a definite period of time. Such guarantees as may be furnished in connection therewith are subject to numerous terms, conditions and limitations and fail to set forth the nature and extent of the guarantee, the identity of the guarantor and the manner in which the guarantor will perform thereunder.

Therefore, the statements and representations set forth in Paragraph Four and Paragraph Five, hereof, were, and are, false, misleading and deceptive.

PAR. 7. In the further course and conduct of their business, and in furtherance of a sales program for inducing the purchase of their carpeting and floor coverings, respondents and their salesmen or representatives have engaged in the following additional unfair, false, misleading and deceptive act and practice:

In a substantial number of instances, and in the usual course of their business, respondents sell and transfer their customers' obligations, procured by the aforesaid unfair, false, misleading and deceptive means to various financial institutions. In any subsequent legal action to collect on such obligations, these financial institutions, or other third parties, as a general rule, may cut off various personal defenses, otherwise available to the obligor, arising out of respondents' failure to perform or out of other unfair, false, misleading or deceptive acts and practices on the part of respondents.

PAR. 8. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been, and now are, in substantial competition, in commerce, with corporations, firms and individuals engaged in the sale of merchandise of the same general kind and nature as the aforesaid merchandise sold by the respondents.

Complaint

81 F.T.C.

PAR. 9. The use by the respondents of the aforesaid false, misleading and deceptive statements, representations, acts and practices, and their failure to disclose material facts, as aforesaid, has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were, and are, true and complete and into the purchase of substantial quantities of respondents' merchandise by reason of said erroneous and mistaken belief. Respondents' aforesaid acts and practices unfairly cause the purchasing public to assume debts and obligations and to make payments of money which they might otherwise not have incurred.

PAR. 10. The acts and practices of the 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.

COUNT II

Alleging violation of the Textile Fiber Products Identification Act and the implementing rules and regulations promulgated thereunder, and of the Federal Trade Commission Act, the allegations of Paragraphs One and Two hereof are incorporated by reference in Count II as if fully set forth verbatim.

PAR. 11. Respondents are now, and for some time last past have been, engaged in the introduction, delivery for introduction, sale, advertising, and offering for sale, in commerce, and in the transportation or causing to be transported in commerce, of textile fiber products including carpeting and floor covering and have sold, offered for sale, advertised, delivered, transported and caused to be transported, after shipment in commerce, textile fiber products, either in their original state or contained in other textile fiber products, as the terms "commerce" and "textile fiber product" are defined in the Textile Fiber Products Identification Act.

PAR. 12. Certain of said textile fiber products were misbranded by respondents within the intent and meaning of Section 4(a) of the Textile Fiber Products Identification Act and of the rules and regulations promulgated thereunder, in that they were falsely and deceptively advertised, or otherwise identified as to the name or amount of constituent fibers contained therein.

PAR. 13. Certain of said textile fiber products were falsely and deceptively advertised in that respondents in making disclosures or implications as to the fiber content of such textile fiber products in

written advertisements used to aid, promote, and to assist, directly or indirectly, in the sale or offering for sale of said products, failed to set forth the required information as to fiber content as specified by Section 4(c) of the Textile Fiber Products Identification Act, and in the manner and form prescribed by the rules and regulations promulgated under said Act.

PAR. 14. Among such textile fiber products, but not limited thereto, was carpeting which was falsely and deceptively advertised in *The Philadelphia Inquirer* and *The Philadelphia Bulletin*, newspapers published in the city of Philadelphia, Commonwealth of Pennsylvania, and having a wide circulation in the city of Philadelphia, Commonwealth of Pennsylvania and various other States of the United States, in that said carpeting was described by such fiber connoting terms among which, but not limited thereto, was "Acrilan," and the true generic names of the fiber contained in such carpeting was not set forth.

PAR. 15. By means of the aforesaid advertisements and others of similar import and meaning not specifically referred to herein, respondents have falsely and deceptively advertised textile fiber products in violation of the Textile Fiber Products Identification Act in that said textile fiber products were not advertised in accordance with the rules and regulations promulgated thereunder in the following respects:

1. In disclosing the fiber content information as to floor coverings containing exempted backings, fillings, or paddings, such disclosure was not made in such a manner as to indicate that such fiber content information related only to the face, pile or outer surface of the floor covering and not to the backing, filling or padding, in violation of Rule 11 of the aforesaid rules and regulations.

2. A fiber trademark was used in advertising textile fiber products, without a full disclosure of the fiber content information required by said Act, and the regulations promulgated thereunder, in at least one instance in said advertisement, in violation of Rule 41(a) of the aforesaid rules and regulations.

3. A fiber trademark was used in advertising textile fiber products, containing only one fiber and such fiber trademark did not appear, at least once in the said advertisement, in immediate proximity and conjunction with the generic name of the fiber, in plainly legible and conspicuous type, in violation of Rule 41(c) of the aforesaid rules and regulations.

PAR. 16. The acts and practices of respondents as set forth above were, and are, in violation of the Textile Fiber Products Identifica-

Complaint

81 F.T.C.

tion Act and the rules and regulations promulgated thereunder, and constituted, and now constitute, unfair and deceptive acts and practices, in commerce, and unfair methods of competition, in commerce, under the Federal Trade Commission Act.

COUNT III

Alleging violation of the Truth in Lending Act and the implementing regulation promulgated thereunder, and of the Federal Trade Commission Act, the allegations of Paragraph One and Paragraph Two, hereof, are incorporated by reference in Count III as if fully set forth verbatim.

PAR. 17. In the ordinary course and conduct of their business as aforesaid, respondents regularly extend consumer credit, as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 18. Subsequent to July 1, 1969, respondents in the ordinary course of business as aforesaid, and in connection with their credit sales, as "credit sale" is defined in Regulation Z, have caused, and are now causing, customers to execute binding retail installment contracts, hereinafter referred to as the contracts.

PAR. 19. By and through the use of said contracts, respondents:

1. Fail, in many instances, to disclose the "total downpayment" in the manner and form required by Section 226.8(c)(2) of Regulation Z.
2. Fail, in many instances, to disclose the "unpaid balance of cash price" in the manner and form required by Section 226.8(c)(3) of Regulation Z.
3. Fail, in many instances, to use the term "amount financed" to describe the amount of credit extended; and to disclose the amount of the "amount financed," as required by Section 226.8(c)(7) of Regulation Z.
4. Fail, in many instances, to use the term "finance charge" to describe the sum of all charges required by Section 226.4 of Regulation Z to be included therein; and to disclose the dollar amount of the "finance charge," as required by Section 226.8(c)(8)(i) of Regulation Z.
5. Fail, in many instances, to disclose the annual percentage rate, computed in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z.
6. Fail, in many instances, to disclose the sum of the cash price, all charges which are included in the amount financed but which are not

part of the finance charge, and the finance charge, and to describe that sum as the "deferred payment price," as required by Section 226.8 (c) (8) (ii) of Regulation Z.

7. Fail, in many instances, to use the term "total of payments" to describe the sum of the payments scheduled to repay the indebtedness; and to disclose the number, dates and amounts of payments scheduled to repay the indebtedness, as required by Section 226.8 (b) (3) of Regulation Z.

8. Fail, in many instances, to identify the method of computing any unearned portion of the finance charge in the event of prepayment of the obligation, as required by Section 226.8 (b) (7) of Regulation Z.

9. Fail, in many instances, to make all disclosures required to be made by Sections 226.8 (b) and 226.8 (c) of Regulation Z, computed in accordance with Sections 226.4 and 226.5 of Regulation Z and disclosed in the form and manner prescribed under Section 226.6 of Regulation Z, in violation of Sections 226.6 and 226.8 of Regulation Z.

PAR. 20. By and through the use of respondents' contracts, in many instances, a security interest, as "security interest" is defined in Section 226.2 (z) of Regulation Z, is or will be retained or acquired in real property which is used or expected to be used as the principal residence of the respondents' customers. Respondents' retention or acquisition of such security interest in said real property thereby entitles their credit customers to be given the right to rescind that transaction until midnight of the third business day following the consummation of the transaction or the date of delivery of all the disclosures required by Regulation Z, whichever is later.

Respondents have, in some instances, failed to give their credit customers the right to rescind until midnight of the third business day following the consummation of the transaction or the date of delivery of all disclosures, whichever is later, failed to fill in the dates so credit customers would know when the right to rescind expired, and have failed to set forth the "Effect of Rescission" in the rescission notice to their customers, as required by Sections 226.9 (a) and (b) of Regulation Z.

PAR. 21. In the ordinary course of their business as aforesaid, respondents cause to be published advertisements of their merchandise and services, as "advertisements" is defined in Regulation Z. These advertisements aid, promote or assist, directly or indirectly, extensions of consumer credit in connection with the sale of these goods and services. By and through the use of the advertisements, respondents:

State that "No Money Down," thereby implying no downpayment is required in connection with a consumer credit transaction, without also stating all of the following items in terminology prescribed under Section 226.8 of Regulation Z, as required by Section 226.10(d)(2) thereof:

- (i) the cash price;
- (ii) the number, amount and due dates or period of payments scheduled to repay the indebtedness if the credit is extended;
- (iii) the amount of the finance charge expressed as an annual percentage rate; and
- (iv) the deferred payment price.

PAR. 22. Pursuant to Section 103(q) of the Truth in Lending Act, respondents' aforesaid failures to comply with the provisions of Regulation Z, constitute violations of that Act, and, pursuant to Section 108 thereof, respondents thereby violated 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 Washington, D.C. Regional Office 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 Section 2.34(b) of its rules, the Commission issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Carpet Interiors trading and doing business as Remnant City is a corporation organized, existing, and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania with its office and place of business located at 1852 Delmar Drive, in Folcroft, Commonwealth of Pennsylvania.

Respondents Rudolph J. Pentima and Marvin Zeitz are individuals and officers of said corporation. They formulate, direct and control the acts and practices of the corporate respondent, and their business address is the same as that of the corporate respondent.

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

I

It is ordered, That respondents Carpet Interiors, a corporation, trading and doing business as Remnant City, its successors and assigns, and its officers, and Rudolph J. Pentima and Marvin Zeitz, individually and as officers of said corporation, and respondents' agents, representatives and employees directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale, sale or distribution of carpeting or any other merchandise in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Using the words "Christmas Warehouse SALE" or any other word or words of similar import or meaning to designate the price or prices of their merchandise, unless the price or prices of such merchandise being offered for sale constitutes a reduction, in an amount not so insignificant as to be meaningless, from the actual bona fide price at which such merchandise was sold or offered for sale to the public on a regular basis by respondents for a reasonably substantial period of time in the recent, regular course of their business.

2. Using the word "SAVE" or any other word or words of similar import or meaning in conjunction with a stated dollar or percentage amount of savings, unless the stated dollar or percentage amount of savings actually represents the difference between the offering price and the actual bona fide price at which such merchandise had been sold or offered for sale on a regular basis to the public by respondents for a reasonably substantial period of time in the recent, regular course of their business.

3. (a) Representing, orally or in writing, directly or by implication, that by purchasing any of said merchandise, customers are afforded savings amounting to the difference between respondents' stated price and respondents' former price unless such merchandise has been sold or offered for sale in good faith at the former price by respondents for a reasonably substantial period of time in the recent, regular course of their business.

(b) Representing, orally or in writing, directly or by implication, that by purchasing any of said merchandise, customers are afforded savings amounting to the difference between respondents' stated price and a compared price for said merchandise in respondents' trade area unless a substantial number of the principal retail outlets in the trade area regularly sell said merchandise at the compared price or some higher price.

(c) Representing, orally or in writing, directly or by implication, that by purchasing any of said merchandise, customers are afforded savings amounting to the difference between respondents' stated price and a compared value price for comparable merchandise, unless substantial sales of merchandise of like grade and quality are being made in the trade area at the compared price or a higher price and unless respondents have in good faith conducted a market survey or obtained a similar representative sample of price in their trade area which establishes the validity of said compared price and it is clearly and conspicuously disclosed that the comparison is with merchandise of like grade and quality.

4. Representing, orally or in writing, directly or by implication, that any price for their merchandise is a special or reduced price, unless such price constitutes a significant reduction from an established selling price at which such merchandise has been sold in substantial quantities by respondents in the recent, regular course of their business; or misrepresenting, in any manner, the savings available to purchasers.

5. Failing to maintain adequate records, (a) which disclose the facts upon which any savings claim, including pricing claims and similar representations of the type described in Paragraphs 1 through 4 of this order are based, and (b) from which the validity of any savings claim, including pricing claims and similar representations of the type described in Paragraphs 1 through 4 of this order can be determined.

6. Representing, orally or in writing, directly or by implication, that any offer is limited in point of time or restricted in any other manner, unless the represented limitation or restriction is actually imposed and in good faith adhered to by respondents.

7. Advertising or offering any products for sale for the purpose of obtaining leads or prospects for the sale of different products unless the advertised products are capable of adequately performing the function for which they are offered and respondents maintain an adequate and readily available stock of said products.

8. Disparaging, in any manner, or refusing to sell any product advertised.

9. Using any advertising, sales plan or procedure involving the use of false, deceptive or misleading statements or representations which are designed to obtain leads or prospects for the sale of other merchandise.

10. Representing, orally or in writing, directly or indirectly, that any products or services are offered for sale when such offer is not a bona fide offer to sell said products or services.

11. Representing, directly or by implication, through the use of photographs or in any other manner, that their inferior grade carpeting has the appearance, thickness or texture of superior grade carpeting in common use; or misrepresenting, in any manner, the appearance, thickness, texture or any other quality standard of their merchandise.

12. Representing, orally or in writing, directly or by implication, that any of their merchandise is guaranteed, unless the nature and extent of the guarantee, the identity of the guarantor and the manner in which the guarantor will perform thereunder are clearly and conspicuously disclosed; and unless respondents promptly and fully perform all of their obligations and requirements, directly or impliedly represented, under the terms of such guarantee.

13. Failing to incorporate the following statement on the face of all sales contracts, all notes or other instruments of indebtedness executed by or on behalf of respondents' customers with such conspicuousness and clarity as is likely to be read and understood by the purchaser:

NOTICE

If you are obtaining credit in connection with this purchase, you will be required to sign a promissory note, a sales contract or other instrument of indebtedness which may be purchased from the seller by a bank, finance company or any other third party. If such is the case, you will be required to make your

payments to someone other than the seller. You should be aware that if this happens you may have to pay the note, contract or other instrument of indebtedness in full to its new owner even if your purchase contract is not fulfilled.

II

It is further ordered, That respondents Carpet Interiors, a corporation, trading and doing business as Remnant City, its successors and assigns, and its officers, and Rudolph J. Pentima and Marvin Zeitz, individually and as officers of said corporation, and respondents' agents, representatives, and employees, directly or through any corporation, subsidiary, division or other device, in connection with the introduction, sale, advertising, or offering for sale, in commerce, or the transportation or causing to be transported in commerce of any textile fiber product; or in connection with the sale, offering for sale, advertising, delivery, transportation or causing to be transported, of any textile fiber product which has been advertised or offered for sale, in commerce; or in connection with the sale, offering for sale, advertising, delivery, transportation, or causing to be transported, after shipment in commerce, of any textile fiber product, whether in its original state or contained in other textile fiber products, as the terms "commerce" and "textile fiber product" are defined in the Textile Fiber Products Identification Act, do forthwith cease and desist from:

A. Misbranding textile fiber products by falsely or deceptively stamping, tagging, labeling, invoicing, advertising or otherwise identifying such products as to the name or amount of the constituent fibers contained therein.

B. Falsely and deceptively advertising textile products by:

1. Making any representations by disclosure or by implication, as to fiber content of any textile fiber product in any written advertisement which is used to aid, promote or assist, directly or indirectly, in the sale, or offering for sale, of such textile fiber product unless the same information required to be shown on the stamp, tag, label or other means of identification under Sections 4(b)(1) and (2) of the Textile Fiber Products Identification Act is contained in the said advertisement, except that the percentages of the fibers present in the textile fiber product need not be stated.

2. Failing to set forth in advertising the fiber content of floor covering containing exempted backings, fillings or paddings, that such disclosures relates only to the face, pile or outer surface of such textile fiber products and not to the exempted backings, fillings or paddings.

3. Using a fiber trademark in advertising textile fiber products without a full disclosure of the required fiber content information in at least one instance in said advertisement.

4. Using a fiber trademark in advertising textile fiber products containing only one fiber without such fiber trademark appearing at least once in the advertisement, in immediate proximity and conjunction with the generic name of the fiber, in plainly legible and conspicuous type.

III

It is further ordered, That respondents Carpet Interiors, a corporation, trading and doing business as Remnant City, its successors and assigns, and its officers, and Rudolph J. Pentima and Marvin Zeitz, individually and as officers of said corporation, and respondents' agents, representatives and employees directly or through any corporation, subsidiary, division or other device, in connection with any extension of consumer credit or any advertisement to aid, promote or assist, directly or indirectly, any extension of consumer credit, as "consumer credit" and "advertisement" are defined in Regulation Z (12 C.F.R. § 226) of the Truth in Lending Act (Pub. L. 90-321, 15 U.S.C. 1601 *et seq.*), or in connection with any advertisement to aid, promote or assist, directly or indirectly, any extension of consumer credit as "advertisement" and "consumer credit" are defined in Regulation Z, do forthwith cease and desist from:

1. Failing to disclose the "total downpayment" in the manner and form required by Section 226.8(c) (2) of Regulation Z.

2. Failing to disclose the "unpaid balance of cash price" in the manner and form required by Section 226.8(c) (3) of Regulation Z.

3. Failing to use the term "amount financed" to describe the amount of credit extended; and to disclose the amount of the "amount financed," as required by Section 226.8(c) (7) of Regulation Z.

4. Failing to use the term "finance charge" to describe the sum of all charges required by Section 226.4 of Regulation Z to be included therein; and to disclose the dollar amount of the "finance charge" as required by Section 226.8(c) (8) (i) of Regulation Z.

5. Failing to disclose the annual percentage rate, computed in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b) (2) of Regulation Z.

6. Failing to disclose the sum of the cash price, all charges which are included in the amount financed but which are not

part of the finance charge, and the finance charge, and to describe that sum as "deferred payment price" as required by Section 226.8 (c) (8) (ii) of Regulation Z.

7. Failing to use the term "total of payments" to describe the sum of the payments scheduled to repay the indebtedness; and to disclose the number, dates and amount of the sum of payments scheduled to repay the indebtedness, as required by Section 226.8 (b) (3) of Regulation Z.

8. Failing to identify the method of computing any unearned portion of the finance charge in the event of prepayment of the obligation as required by Section 226.8 (b) (7) of Regulation Z.

9. (a) Failing in any transaction in which respondents retain or acquire a security interest in real property which is used or expected to be used as the principal residence of the customer to comply with all requirements regarding the right of rescission set forth in Section 226.9 of Regulation Z.

(b) Failing to disclose, or to accurately disclose on the notice of rescission, the date on which the customer's right of rescission expires, said date being not earlier than the third business day following the date of the transaction, as required by Section 226.9 (b) of Regulation Z.

10. Representing, directly or by implication, in any advertisement, as "advertisement" is defined in Regulation Z, the amount of the downpayment required or that no downpayment is required, the amount of any installment payment, the dollar amount of any finance charge, the number of installments or the period of repayment, or that there is no charge for credit, unless all of the following items are stated in terminology prescribed under Section 226.8 of Regulation Z.

(i) the cash price;

(ii) the amount of the downpayment required or that no downpayment is required, as applicable;

(iii) the number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended;

(iv) the amount of the finance charge expressed as an annual percentage rate; and

(v) the deferred payment price.

11. Failing in any consumer credit transaction or advertising to make all disclosures determined in accordance with Sections 226.4 and 226.5 of Regulation Z at the time and in the manner, form and amount required by Sections 226.6, 226.8, 226.9 and 226.10 of Regulation Z.

It is further ordered:

a. That the respondents herein shall forthwith distribute a copy of this order to each of their respective operating divisions or departments.

b. That the respondents herein shall forthwith distribute a copy of this order to all present and future personnel of respondents engaged in the offering for sale, or sale, of any carpeting or any other merchandise offered for sale by respondents or engaged in the consummation of any extension of consumer credit or in any aspect of the preparation, creation, or placing of advertising, and that respondents secure a signed statement from all such personnel acknowledging receipt of said order from each such person.

c. That respondents herein shall notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the corporation which may affect compliance obligations arising out of this order.

d. 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.

IN THE MATTER OF

WELLCO CARPET CORP.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE FEDERAL TRADE COMMISSION AND THE FLAMMABLE FABRICS ACTS

Docket C-2278. Complaint, Sept. 8, 1972—Decision, Sept. 8, 1972.

Consent order requiring a Calhoun, Georgia, seller and manufacturer of carpets and rugs, among other things to cease manufacturing for sale, selling, importing, or distributing any product, fabric, or related material which fails to conform to an applicable standard of flammability or regulation issued or amended under the provisions of the Flammable Fabrics Act.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Flammable Fabrics Act, as amended, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Wellco Carpet Corp., a corporation, hereinafter