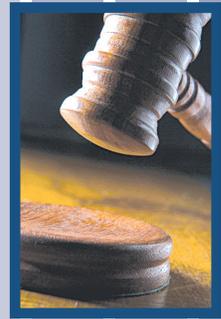


What is an AUCTION?

(Tips to Avoid Auction Scams)



consumer *brief*

WHAT IS AN AUCTION?

An auction is the process of buying and selling merchandise or services in which a consumer who is interested in a certain item will bid, and attempt to counter the offer of another consumer for the same item. Eventually, the person or party who offers the highest bid gets the merchandise or service being offered.

Commonly auctioned items include:

- Antiques
- Artwork
- Automobiles
- Collectibles
- Items from famous people
- Memorabilia.

TYPES OF AUCTIONS

There are many types of auctions, including:

- **Live Auction:** For this type of auction, consumers (or their representatives) are physically present at the location where the items are being auctioned, such as during an estate auction.
- **Online Auction:** The bidding for this type of auction takes place through Internet websites such as eBay, Bidz.com, Amazon.com and uBid.com.
- **Reserve Auction:** Generally, a reserve auction has a minimum bid or reserve price on items being auctioned. If the bidding does not reach the minimum amount established by the seller, there is no sale. However, the seller may still owe the auctioneers their fee.
- **Reverse Auction:** In this type of auction, a buyer puts up a request for a required good or service.

Sellers then place bids for the amount they are willing to be paid for the good or service, and at the end of the auction the seller with the lowest bid wins. This type of auction is typically used by companies and for government contracts.

- **Silent auction:** This type of auction is often held by nonprofit organizations, in order to raise funds for a specific cause. At silent auctions, consumers write their bids on sheets of paper, and the highest bid gets the article or service being offered.
- **Timed Auction:** At a timed auction, bidders leave absentee bids which will be executed by the auctioneer. A “timed” auction does not have a live audience. The current high bid will be made public on the item listing, but the identity of the bidder will remain unknown to other bidders and the auction house. At the end of the auction, the highest bidder will be contacted by the auctioneer as the successful buyer.

TIPS TO AVOID AUCTION SCAMS

The New Jersey Division of Consumer Affairs offers these tips to avoid becoming a victim of auction fraud:

- Research the auction house to find out whether it has been implicated in any alleged scams. Contact the New Jersey Division of Consumer Affairs to learn whether the auction house has been the subject of any consumer complaints.
- Beware of fake certificates of authenticity. Unscrupulous auctioneers sometimes use fake certificates to disguise items that are worthless or of poor quality.

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- Read the fine print on all of the signs attached to the merchandise. Stay away from any merchandise which has signs containing unclear or confusing language or terms.
- Familiarize yourself with auction terminology. See the list of important auction terms below.
- If the items have been appraised, be sure that the appraisals were performed by a person or business independent of the auction house.
- If you are bidding online, make sure you know who is paying for the shipping costs.
- Always use a credit card to pay for the transaction. You will have a better chance to recover your money if something goes wrong.

IMPORTANT AUCTION TERMINOLOGY FOR CONSUMERS

“As Is”: A seller offering an item “as is” is letting potential buyers know that it is being sold “in its present condition.” Typically, this is a sign that no return privileges will be granted and no warranty exists.

CAI (Certified Auctioneers Institute): This is the professional designation awarded to practicing auctioneers who meet the experiential, educational and ethical standards set by the Auction Marketing Institute, Inc.

Caveat Emptor: A Latin term meaning “let the buyer beware.” This term provides a warning to consumers that the buyer assumes the risk regarding the quality or condition of an item purchased, unless that item is protected by a warranty.

Commission: The fee charged to the seller by the auctioneer for providing services, usually a percentage of the gross selling price of the property or item established by contract (the listing agreement) prior to the auction.

Competing Bid: The auctioneer may be accepting bids for an item from other sources which include, but are not limited to, the following:

- Bids from an in-house audience
- Telephone or online bids
- Book bids, and/or
- Absentee bids.

Escrow: Money held in a trust by a third party until the seller delivers the merchandise to the buyer.

Lien: An adverse claim or charge against an item when that item is being used as collateral for a debt.

Lot: An item or set of items for sale in an auction. Lots are normally denoted by a “lot” number.

Market Value: The highest price an item or a property will bring in the open market.

Registered User: This is a person who has registered as a member of an online auction service. All online auction services require registration prior to buying and selling.

“Shill” Bidding: This is fraudulent bidding by the seller using an alternate registration, or an associate of the seller (shill), in order to inflate the price of an item. This type of fraudulent bidding is known as bid rigging.

Note: On eBay and in most real-life auctions, a bid on an item from anyone related to or associated with the seller in almost any way, from friends and family to business associates and roommates, is considered to be shill bidding and the bid will not be honored. Fraudulent bidding will almost certainly disqualify the seller—even if the bidder has purchased the item.

S.M.S. (Short Message Service) Alerts: Alerts sent via text message to your mobile device to inform you when another bidder has placed a bid on an item.

T.O.S. (Terms of Service): A legally binding agreement that outlines an auction site’s operating policies. All registered users must agree to a site’s terms before using the service.

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