

## USED CAR BUYING GUIDE

*The information contained in this Guide is intended to be generic and is not intended to be a comprehensive guide to the laws and requirements of any particular state, country or organization. Persons seeking more detailed information about a particular law should contact the applicable governmental authority or seek the advice of an attorney.*

While there are distinct advantages to purchasing a used car instead of a new car (for instance, you avoid new car depreciation and you have access to model history), there are also potential pitfalls that accompany a decision to buy a used car. This Guide is offered to help you avoid those pitfalls.



### USED CAR BUYING 101

- **Check out the dealer before you deal.** Check the Web sites of your local Better Business Bureau and your state or local dealer licensing authorities (state motor vehicle or transportation departments and/or local occupational licensing offices) for complaint or disciplinary information on the dealerships you intend to shop. Ask friends and co-workers to share their experiences.
- **Educate yourself about the vehicle you want.** Most consumers are aware of the availability of pricing and valuation information on the Internet, and it is important to be well-educated on pricing before you shop. However, it is also important to educate yourself about the **condition** of the vehicle you want to buy. If you know the make and model you are looking for, find out if there are any known issues or problems with that particular vehicle; you will want to be on the lookout for them during your test drives. Ask at your local bookstore or library about publications that provide this information through ratings for used cars. Go the National Highway Traffic Safety Administration Web site ([www.NHTSA.gov](http://www.NHTSA.gov)) to check for defect complaints and recalls for the year, make and model vehicle you are considering buying.
- **Be a comparison shopper.** Do all of your comparison shopping **before** you sign any contract. Don't be pressured to sign *anything* until you are satisfied with your choice. Don't sign a contract because, "there are 10 more customers who are serious about this car and promised they would be back within the hour!" You will not be able to get out of the contract. If you are told that signing will simply "hold" the vehicle for you

while you decide, don't believe it. If you discover a better deal somewhere else after you've signed a contract, it is too late. Remember, generally, **you can't return a motor vehicle once the paperwork has been signed.** Generally, there is no cancellation, right of rescission or 3-day cooling off period once you sign the contract.

- *Found a vehicle you're interested in? Take it for an extended test drive.* Be sure that the test incorporates different types of driving conditions (in town, highway) as opposed to a trip around the block. You won't know if the vehicle shakes at 60 mph or struggles up a hill unless you've taken it there yourself. Test the operation of the radio/sound system before you drive, and drive with the radio/sound system off. Be sure to operate all of the components (e.g. air conditioning, heating, seats, hood & trunk latches, windows, locks, all doors & hatches, navigation system, etc.).
- *Before you decide to buy, have a trustworthy mechanic or body shop technician check the vehicle for problems.* If it really does "run like a charm," a second opinion from an independent mechanic shouldn't be a problem. If you want to check to see if the vehicle was in a previous accident, consider taking the vehicle for inspection to a body shop, particularly one that specializes in the repair of the make or model you are considering buying.
- *Review the sale contract and make sure you UNDERSTAND all its terms.* If you do not understand any of the contract items, ASK the salesperson to explain the items to your satisfaction **before** you sign the contract.
- *Review the contract and make sure you AGREE with all its terms.* If you are told "oh, don't worry about that," insist that the disagreeable provision be crossed out or removed. Otherwise, walk out.
- *Make sure the vehicle you want to buy has a completed FTC Buyer's Guide.* Federal law requires that a Federal Trade Commission (FTC) Buyer's Guide be displayed on the window, dash or other conspicuous location. If you buy the vehicle, the dealer must give you a copy of the Guide.
- *Is the vehicle being sold "AS IS"?* "As is" means the vehicle is not covered by **any** warranty and you will be responsible for repairs. Be sure **all** of the promises made to you by the seller are in writing. Oral promises may not be enforceable.
- *Is the vehicle being sold still under the manufacturer's warranty?* If the vehicle is represented as being covered by the remainder of the manufacturer's warranty, read the warranty before you buy the vehicle to make sure it covers you as the next owner. The warranty coverage period usually applies to years and mileage, whichever occurs first. Check the odometer, and ask the dealer to confirm the vehicle's in-service date (which is usually the date the vehicle was delivered to the first retail buyer or was put into use by the dealer as a demonstrator or company car).

- Are you purchasing a service contract or extended warranty from the dealer? These contracts are often expensive, but may offer only limited coverage. Before you buy it, get a copy of the policy and make sure you understand the length of coverage (particularly beyond the manufacturer's warranty if it still applies); what is covered; and, more importantly, what is not covered. In many states, these contracts are considered insurance and the companies providing the coverage may be regulated by a state agency. You may be able to check out the company providing the coverage by contacting your state regulatory agency. You should research this and check out the company if a resource is available in your state. If you buy a service contract, make sure the dealer gives you a copy of the entire contract. Follow up with the policy administrator to confirm the policy has been paid for and activated.

## FINANCING FACTORS

- Plan your financing. You have the option of obtaining financing through the dealership or from your own financial institution. The decision is yours, but you should make the decision **before** you start shopping.
- If you use your own financial institution:
  - Get pre-qualified for your auto loan. Knowledge is power. If you begin the process of buying a car armed with the knowledge of what you can afford, you won't end up with a deal you can't afford.
  - Don't sign any "back-up" agreements or applications at the dealership. If you've pre-qualified at your own financial institution, a "back-up" is unnecessary. If you haven't pre-qualified, you run the risk of the "back-up" being processed, and affecting your ability to obtain another loan.
- If you decide to obtain financing through the dealership:
  - Remember that any deal you make will be subject to financing approval. The dealer is not loaning you money; rather, the dealer is acting on behalf of the finance company or bank that will be the lender. Don't sign anything obligating you to purchase unless it is clearly made contingent on the financing being approved by the lender.
  - Never sign a blank loan or credit application. Make sure the information on the application is accurate, and that you are given a copy of the application to be submitted.
  - Don't sign a financing/loan agreement until you have carefully reviewed its terms. Make sure that the entire cost of the vehicle, as well as the frequency and amount of your payments, are clearly disclosed.

- *Don't let a low monthly payment dictate your buying decision.* Look at the Annual Percentage Rate (APR) and the number of payments you will make over the life of the loan. See how much the finance charge adds to the total sales price of the vehicle. If the APR is high and the life of the loan is long, the vehicle's value is likely to depreciate faster than the equity you will build. Trading the vehicle when you are "upside down" will not solve the problem. The negative equity will be added to the price of the next vehicle you want to buy. Try to avoid this vicious cycle by shopping wisely for your loan.
- *Are you purchasing GAP coverage from the dealer?* If your vehicle is totaled in an accident or stolen and you owe more on the loan than the amount your insurance company will pay, a GAP policy is supposed to pay the lender the difference. Before you buy GAP coverage, carefully read the policy for any deductible amounts or limitations on how much it will pay. If you buy it, make sure the dealer gives you a copy of the policy, and follow-up with the policy administrator to confirm the policy has been paid for and activated.
- *Be sure you know the cost of insurance.* You are responsible for insuring the vehicle. The dealer is not obligated to cancel the contract because you can't afford to pay for insurance.
- *Are you being asked to sign a "Bailment Agreement"?* Carefully read the Agreement. A bailment agreement is often used when the buyer is allowed to drive the vehicle off the lot, even though the sale is not yet final, and typically makes the buyer responsible for the vehicle, requiring return of the vehicle and payment of costs if the financing is not approved. (This arrangement is also called "spot delivery.") Carefully review all the costs that you will have to pay the dealer for use of the car if the deal falls through. If the charges seem unreasonable to you (e.g., *so many dollars per day and/or cents per mile*), negotiate them down before you drive off with the vehicle. **Do not give the dealer your trade-in vehicle** if you sign a bailment agreement, until the dealer confirms that financing has been approved for the vehicle you are buying.

## TRADE-IN VEHICLES

If you plan to trade in your existing vehicle to buy the next one, you should first determine whether you might make more by selling the vehicle privately yourself and applying the cash toward your purchase. Utilizing the resources in the first bullet below to determine your trade-in's value and what similar vehicles are selling for in your area should help. If you decide to trade in your vehicle rather than sell it yourself, then review the tips below:

- *Do you know the retail value of your trade-in vehicle?* Don't buy a vehicle based upon a guaranteed or high amount the dealer says it will pay for your trade-in. Go online and see what your trade-in vehicle is selling for in your location with comparable miles and features. Edmunds, Kelley and NADA are good sources to

find this information. If the dealer is offering you more than your trade-in is worth, it will likely add that difference to the sales price of the vehicle you are buying.

- *Is your trade-in vehicle listed on the contract?* Make sure your trade-in vehicle and the trade-in allowance are clearly and accurately indicated on the sales and finance agreements for the vehicle you are buying.
- *Are you trading in a vehicle that you still owe money on?* Make sure the sales agreement indicates that the amount owed on the trade-in will be paid off; otherwise, you could be left paying for a car you no longer have. Once you've left the lot, don't assume that the dealer has immediately paid off the loan. Follow-up with your former lender to confirm the loan has been paid off.

## **“BUYER BEWARE” ~ A FEW MORE THINGS TO CHECK**

- *Is the dealer charging you a “doc fee”?* Doc fees, administrative fees, processing fees, closing costs, or other similarly described fees which are often pre-printed on the buyer's order or sales agreement are not government charges and are negotiable. If the dealer says it must charge the same fee to all consumers, ask the dealer to reduce the vehicle sales price by the amount of the fee.
- *Look for “binding arbitration” clauses.* Read the terms of any binding or mandatory arbitration clause in your sales or finance agreement before you sign it. Ask the dealer to void that clause if you do not agree with its terms.
- *Check the odometer statement.* Make sure the mileage on the statement you receive matches the mileage on the odometer of the vehicle you are buying. If the vehicle is ten or more years old, the dealer is not required to give you an odometer statement. If one is given, don't assume the mileage is correct if the word “EXEMPT” is on the statement.
- *Has the vehicle passed all tests required by your state or locality?* Your state or local government may require that a used vehicle pass a safety test before a dealer can sell it. Typically, the vehicle will have an inspection sticker displayed inside the car. If so, check to ensure the sticker is valid and has been assigned to the vehicle to which it is affixed. You can verify this by comparing the make, model, year and vehicle identification number (VIN: a 17-digit alpha-numeric identifier found on the dashboard, door sticker and/or engine of the vehicle). Likewise, your state or county may require that used vehicles of a certain age pass an emissions test; otherwise, the dealer cannot sell the vehicle. If so, ask the dealer to provide you with a copy of the latest emissions test indicating the vehicle passed and the date it passed. Be sure the test results belong to the car you're considering buying.
- *Where is the vehicle's title?* Check to make sure the dealer has the title to the vehicle or at least can provide you with paperwork showing who has the title.

- Maintain the paper trail. Make sure every document you sign, the dealer also signs. Be sure to get a copy of all signed documents. If there is a disagreement down the road, those documents are going to be the best evidence of the parties' intentions.

## PEACH OR LEMON?

- Is the vehicle Certified Pre-Owned? “Certified” Pre-owned cars or trucks are typically late model vehicles with clean histories and relatively low miles that have been put through manufacturer-dictated 100+ point inspections prior to resale. They are usually warranted by the manufacturer for an extended coverage period, represented as best quality (or words to that effect) and priced higher than other same year and model vehicles. As such, they may be well worth the “peace of mind” they provide. Before you buy, ask the dealer for a printout of the vehicle’s repair history, a copy of the pre-sale inspection report, a copy of the warranty and a vehicle history report.
- Does the vehicle have a title brand or previous damage? Vehicles carrying title brands such as “SALVAGED,” “REBUILT,” “RECONSTRUCTED,” “TOTALLED” or “FLOOD CAR” may be worth a fraction of the book value for the same vehicle that does not have such a title brand. In some states, the resale of certain branded vehicles is prohibited. If your state requires the dealer to have possession of the title before it can sell the vehicle, ask to see the title to check if it is branded. Be sure to verify the title belongs to the car you’re considering buying by comparing the make, model, year and VIN. Some states require dealers to disclose if the vehicle has ever been branded as salvaged, rebuilt, reconstructed, totaled or flooded prior to the sale. Even if your state does not have such a requirement, you should ask the dealer if the vehicle has ever been in an accident or water damaged. If the answer is to your satisfaction, get it in writing and make it part of the agreement.
- Is the dealer offering you a vehicle history report? Don’t assume that a clean Carfax or AutoCheck report means the vehicle has a clean history. Title brands, odometer discrepancies, lemon law buybacks, or accidents may not show up in the report for weeks, months or even years after the incident. That information will significantly reduce your vehicle’s value when you try to sell or trade it. If the dealer offers you a clean report, write the words “VEHICLE HAS CLEAN HISTORY” directly on the report, and ask the dealer to sign and date it. If after the sale you discover otherwise, that written representation may be helpful for any recourse you might have against the dealer.
- Check the vehicle’s history out yourself. Before you buy the vehicle, see if the dealer is willing to provide you with a Carfax or AutoCheck report and obtain any other reports yourself to compare. For a nominal cost, you can run the vehicle’s VIN (Vehicle Identification Number), through the National Motor Vehicle Title Information System (NMVTIS) at [www.nmvtis.gov](http://www.nmvtis.gov) . The NMVTIS, Carfax and AutoCheck reports contain information provided by different sources, such that one report might

include important information (e.g., frame damage, previous rental vehicle, etc.) not found in the others.

- *Did the manufacturer buy back the vehicle from the prior owner?* Not all vehicles bought back by manufacturers as a result of lemon law actions or alleged defects will have branded titles. Consequently, a vehicle history report might not show a title brand, but may indicate the vehicle was previously retitled to the manufacturer or sold at auction as a manufacturer buyback vehicle or fleet vehicle. If so, ask the dealer for the documents which explain or verify that information. Some states provide information regarding “lemon” buy-backs. You should check with your state motor vehicle or consumer protection agency or attorney general’s office to find out if such information is available.
- *Is a buyback disclosure form included in the materials the dealer is asking you to sign?* Carefully read any disclosure statement indicating the vehicle was bought back by the manufacturer as a result of a lemon law settlement, decision or other reason before you buy the vehicle. If the statement is presented to you **after** the sale is final, do not sign it.

GOOD LUCK WITH YOUR USED CAR PURCHASE AND HAPPY MOTORING!!!

