

THE HOT PURSUIT



*TO
SUCCESSFULLY
BUY A QUALITY
USED CAR*

By the VT Attorney General's
Consumer Assistance Program

This guide was created to help you with your first motor vehicle transaction and to increase awareness about the car buying process. Hopefully, with the help of this guide, your car purchasing experience will be a well informed one. This guide provides links and resources throughout to aide in your search for a car as well as to help you understand the details of car buying transactions.

AUTO HISTORY

Resources:

NMVITIS - VehicleHistory.gov

Car Fax - CarFax.com

Auto Check - AutoCheck.com

DO

⇒ Check the vehicle history report using the car's VIN number.

WHY

⇒ It might show prior accidents, the number of prior owners, or if the car was previously a rental car.

⇒ You can request a copy from the dealer, or you can purchase on yourself through a number of different websites.

CAUTION

! NOT ALL ACCIDENTS OR DAMAGES ARE INCLUDED ON THESE REPORTS!

! EVEN IF THE REPORT IS "CLEAN," TAKE ADDITIONAL STEPS TO CHECK OUT THE CAR!

REPAIR TRENDS

Resources:

National Highway and Traffic Safety - NHTSA.gov

Search Online - Check forums, ratings and reviews, car parts sites.

Ask around - Ask friends and relatives.

DO

⇒ Research common issues with the vehicle and common prices of car parts.

WHY

⇒ Research any possible recalls on the vehicle.

⇒ So that you can anticipate the cost of repairs overtime.

⇒ Some vehicles are cheaper to maintain than others due to variables such as price of car parts and the commonality of mechanical issues.

MAKE & MODEL

With countless possibilities of auto manufacturers, vehicle types, styles, and features to choose from, how will you pick just one car that is right for you?

★ Have a specific car in mind *before* setting foot on a dealer lot. Thorough preparation will prevent you from purchasing a car you don't want.

★ **CAUTION:** Dealers may offer to sell you a similar car. - But if you did not research it, you won't be as prepared!

Learn about vehicles, rankings and awards at CarAndDriver.com

COST VS PRICE

How does the book value of the car compare to the advertised price?

The book value describes how much the car is worth. The value may depend on vehicle condition, as well as how it is being sold:
Dealer Retail/
Private Party/
Trade-in.

⇒ Knowing the general price of the vehicle will help you negotiate the sale.

⇒ **CAUTION: IF THE BOOK VALUE INFORMATION IS WITHHELD DURING THE SALE, THE CAR PRICE COULD EXCEED THE BOOK VALUE!**



PAYMENT

It costs money to buy a vehicle. It is important to know how you will pay for it. Typical options are either paying in cash or getting a loan to finance the car.

| CASH | FINANCE |
|---|--|
| COSTS LESS IN THE LONG RUN | COSTS MORE OVER TIME DUE TO INTEREST AND THE LENGTH OF THE LOAN. |
| YOU CAN ONLY AFFORD WHAT YOU CAN PAY FOR AT THE TIME OF THE SALE. | YOU MAY QUALIFY FOR A LOAN THAT WILL COVER THE COST OF A PRICIER CAR |

FINANCING

Resources:

Financing and Interest Rate Calculators-
Look online on banking websites

Edmunds - Edmunds.com/calculators/
simplified-pricing.html

DO

⇒ Check with banks/credit unions on current interest rates and ask about the loan terms for which you qualify.

⇒ Make sure you know the total cost of your purchase on credit (the amount financed, finance charge, minus your down payment) *before* agreeing to finance.

WHY

⇒ Many sources of financing are available either through the dealer or the consumer's bank. Consumers should choose the option that is best for them.

⇒ In sales negotiations, a selling point used may be to outline the projected payment per month, rather than total amount owed at the end of the loan. This could mean a larger overall total than anticipated.

⇒ Financing agreements can be adapted by lowering the monthly payment by increasing the number of years to pay off the loan.

EXAMPLE: A six-year loan will cost you less on a monthly basis than a five-year loan, but will cost more over time.

⇒ A finance agreement/retail installment contract is legally binding!

Financing Caution Flags



If you miss a payment your vehicle could be repossessed (taken away from you) without notice.



Missing payments will impact your credit report, which will make it difficult to obtain credit or get a loan in the future.



Financing through a dealer may not be your best option! Though dealers often check with many different banks, because dealers can receive incentives or perks to do this, you may end up paying more than if you obtained your own financing.



Never sign a finance application or agreement that is not filled out completely! Write in “N/A” if an item is not applicable to ensure that a fraudulent form cannot be completed with your signature attached.



Watch out for “yo-yo” financing where the dealer promises financing on certain terms, which aren’t approved by a lender and later requires that you agree to different and more costly terms in order to keep the vehicle.



Make sure the deal is as agreed upon before signing any of the paperwork.



Make sure financing is ultimately in your best interests and that it is something you will be able to afford every month; even when there is an unexpected emergency.



If your income is irregular, consider another option.

SALES CONTRACT SPECIFICS

This section will outline the make, model, and some details about your car.

This is the cost of your vehicle before any add-ons or additional charges. This price along with any dealer fees should equal the advertised price of the vehicle.

Information about the company that is financing the vehicle. This company will own the car until you pay off the loan.

For those financing a vehicle. GAP can cover the difference between what is owed on the vehicle and the vehicle's value. This can be handy in the event of an accident or job loss.

Vermont Car Dealership Sales Contract/ Purchase Agreement

BUYER: _____ SALES REP: _____

CO-BUYER: _____ DATE: _____ INVOICE NO: _____

| YEAR | MAKE | MODEL | BODY | CYL | COLOR | MILES |
|---|------|-----------|-----------|--------------|-------|-------|
| | | | | | | |
| VIN | | SALES REP | SALES MGR | STOCK NUMBER | | |
| | | | | | | |
| LIENHOLDER: | | | | | | |
| SALE PRICE OF VEHICLE _____ | | | | | | |
| GAP INSURANCE _____ | | | | | | |
| EXTENDED SERVICE PLAN _____ | | | | | | |
| LENDING FEE _____ | | | | | | |
| DOCUMENTATION FEE _____ | | | | | | |
| SALES TAX _____ | | | | | | |
| REGISTRATION FEES _____ | | | | | | |
| LESS TRADE _____ | | | | | | |
| TRADE PAYOFF _____ | | | | | | |
| DOWN PAYMENT CASH/CHECK/MO/CARD _____ | | | | | | |
| TOTAL SALE PRICE _____ | | | | | | |
| BALANCE DUE FROM LIENHOLDER _____ | | | | | | |
| BALANCE DUE AT TIME OF DELIVER CASH/CHECK/MO/CARD _____ | | | | | | |
| SIGNATURE X _____ | | | | | | |
| SIGNATURE X _____ | | | | | | |
| TOTAL NET TRADES: _____ | | | | | | |

If an extended warranty is sold with the car, the price will be listed here.

A fee that can be charged by the dealer for the general costs associated with the sale. **This fee must be included in the advertised vehicle price, not added to it.**

This is the amount of Vermont sales tax you owe for this transaction.

Fees charged by the DMV for registering your vehicle.

This is the value of your trade-in vehicle.

This is the total charge that you are responsible for. This includes all add-ons, fees, and taxes.

This is the amount that was owed on the trade in vehicle. The difference between the trade in value and this will be rolled into or decreased from your new loan.

If you are trading in a vehicle, the details will be listed here.

This is the amount of cash you are paying at the time of the sale. The larger the down payment the less you will need to finance.

TEST DRIVE

Resources:

Edmunds - [Edmunds.com](https://www.edmunds.com)

Friends/Family- Bring support that can offer a helpful second opinion.

DO

- ⇒ Take the car for a long ride over different terrain and on roads that allow for varied speeds (interstate, downtown, traffic, parking, dirt roads, etc.).
- ⇒ Check the handling and acceleration of the car.
- ⇒ Listen for noises that may alert you to mechanical issues (rattles/squeaks/engine noise).
- ⇒ Make sure the car has all the features you want.

WHY

- ⇒ A simple drive can tell you a lot about a car.
- ⇒ Determine if the car a good fit for you:
 - Is it easy to get in/out of?
 - Does it have enough legroom?
 - Is it comfortable?
 - Does it have good visibility?
 - Does it accelerate to your liking?
 - Does it ride well?
 - Is there enough cargo space?

CAUTION

! DO NOT MAKE A DECISION TO BUY A CAR BASED ON A TEST DRIVE ALONE! HAVE IT LOOKED AT BY A MECHANIC YOU KNOW AND TRUST!

MECHANICAL INSPECTION

Take any prospective vehicle to a trusted mechanic for a detailed mechanical inspection.

- ⇒ Repairs can cost thousands!!!
- ⇒ Mechanics can usually spot possible repairs.
- ⇒ Getting a car checked out before purchase can save you a lot of time and money in the long-run.

A mechanical inspection is so much more than a standard Vermont State Inspection.

CAUTION: Most mechanics charge for a mechanical inspection, so inquire about price beforehand.

Always require a mechanical inspection from an outside service center, even if the car has a valid inspection sticker.



Finding A Mechanic

If you don't already have a mechanic you trust, there are some things you can do to find one.

- ⇒ Is the mechanic ASE Certified through the National Institute of Automotive Service Excellence? Though this certification is not required in VT, it is a step mechanics can take to show their level of skill.
- ⇒ Check with the Consumer Assistance Program and the Better Business Bureau to see if complaints have been filed.

BUYER'S GUIDE

Resources:

Federal Trade Commission – FTC.gov

Dealers who violate the Federal Used Car Rule may be subject to penalties of up to \$41,484 per violation in Federal Trade Commission enforcement actions.

DO

⇒ Make sure this is posted and that you receive it. This document it is required by Federal law to disclose the vehicle warranty information.

WHY

⇒ This document clarifies whether or not the vehicle is being sold with any warranties.

⇒ In Vermont the “AS-IS” disclaimer voids the implied warranty of fitness. Sellers may take the position that the disclaimer voids all implied warranties.



CAUTION



! UNDERSTAND WHAT THE WARRANTY IS AND WHAT AS-IS MEANS.

! VERMONT DOES NOT HAVE A STATUTORY REQUIREMENT THAT ALLOWS A 3-DAY RIGHT TO RETURN A VEHICLE/CANCEL THE PURCHASE.

! WITH AN AS-IS SALE, IF THE CAR BREAKS AFTER THE SALE, IT'S POSSIBLE THAT THE DEALER MAY NOT OFFER TO FIX IT.

WARRANTY

Resources:

Federal Trade Commission-
<https://www.consumer.ftc.gov/articles/0054-auto-service-contracts-and-warranties>

DO

⇒ Check the car's Buyer's Guide before purchase to find out if the vehicle has warranty coverage or if a warranty is being sold with the vehicle.

⇒ You should understand the possible warranties:

Unexpired Manufacturer's Warranty- Sold with every new vehicle, this warranty expires after the manufacturer-specified mileage or time period has passed. Newer used vehicles may still have this warranty when resold, but to make sure, you should check with the manufacturer directly.

Dealer Warranty- A dealership may offer a full or limited warranty on a vehicle. These are usually for a specified time period or mileage and vary with every car. Look carefully at the details of this warranty.

Service Contract/"Extended Warranty"- This will cover the cost of any repairs specified in the contract. It is usually sold by the dealer at the time of the sale, but is issued by a third-party vendor.

CAUTION

! "AS-IS" means the vehicle is sold without an express warranty and the dealer makes no specific warranty coverage claims.

! If the vehicle includes warranty coverage purchased through a dealer, the implied warranty that covered-systems will operate as fit for use and purpose applies.

Buyer's Guide

Resources:

Federal Trade Commission-
<https://www.ftc.gov/tips-advice/business-center/guidance/dealers-guide-used-car-rule#warranty>

This box will be checked if the vehicle is being sold "AS IS".

This box will be checked if the vehicle is being sold with a dealer warranty

This section will contain the specifics as to the vehicle warranty

This section will be completed if there are non-dealer warranties available for the vehicle.

This box will be checked if a service contract is purchased.

BUYERS GUIDE

IMPORTANT: Spoken promises are difficult to enforce. Ask the dealer to put all promises in writing. Keep this form.

VEHICLE MAKE _____ MODEL _____ YEAR _____ VEHICLE IDENTIFICATION NUMBER (VIN) _____

WARRANTIES FOR THIS VEHICLE:

AS IS - NO DEALER WARRANTY
THE DEALER DOES NOT PROVIDE A WARRANTY FOR ANY REPAIRS AFTER SALE.

DEALER WARRANTY

FULL WARRANTY.

LIMITED WARRANTY. The dealer will pay _____% of the labor and _____% of the parts for the covered systems that fail during the warranty period. Ask the dealer for a copy of the warranty, and for any documents that explain warranty coverage, exclusions, and the dealer's repair obligations. *Implied warranties* under your state's laws may give you additional rights.

SYSTEMS COVERED: _____ **DURATION:** _____

NON-DEALER WARRANTIES FOR THIS VEHICLE:

MANUFACTURER'S WARRANTY STILL APPLIES. The manufacturer's original warranty has not expired on some components of the vehicle.

MANUFACTURER'S USED VEHICLE WARRANTY APPLIES.

OTHER USED VEHICLE WARRANTY APPLIES.

Ask the dealer for a copy of the warranty document and an explanation of warranty coverage, exclusions, and repair obligations.

SERVICE CONTRACT. A service contract on this vehicle is available for an extra charge. Ask for details about coverage, deductible, price, and exclusions. If you buy a service contract within 90 days of your purchase of this vehicle, *implied warranties* under your state's laws may give you additional rights.

ASK THE DEALER IF YOUR MECHANIC CAN INSPECT THE VEHICLE ON OR OFF THE LOT.

OBTAIN A VEHICLE HISTORY REPORT AND CHECK FOR OPEN SAFETY RECALLS. For information on how to obtain a vehicle history report, visit ftc.gov/usedcars. To check for open safety recalls, visit safercar.gov. You will need the vehicle identification number (VIN) shown above to make the best use of the resources on these sites.

SEE OTHER SIDE for important additional information, including a list of major defects that may occur in used motor vehicles.

Si el concesionario gestiona la venta en español, pídale una copia de la Guía del Comprador en español.

ADD-ONS

Resources:

Research Online - Search additional services/ insurance you may be interested in adding to the sale.

DO

⇒ Be knowledgeable about the different types of add-ons, like GAP Insurance, service contracts, and other special offers by the dealer.

⇒ Be sure to shop around before purchasing any add-on that you are thinking of buying with your car.

WHY

⇒ These items cost a lot of money, may not be needed, and are often spontaneous purchases.

ADVERTISEMENTS & REPRESENTATIONS

Before signing any paperwork, make sure the terms of the sale are in accordance with any advertisements and spoken promises made by the dealer.

⇒ There is a LOT of paperwork involved when buying a car, which makes it easy for agreed upon terms to be lost throughout the process. Take lots of notes.

⇒ Spoken promises tend to be difficult to prove.

CAUTION: IF YOU BRING IN AN AD FOR A CERTAIN PRICE, BRING SEVERAL COPIES IN CASE THE AD GETS LOST. IF THE DEALER CLAIMS THEY SOLD THE CAR ALREADY, YOU HAVE THE RIGHT TO SEE PROOF OF THE SALE.

KEY TERMS DEFINED

- ⇒ Better Business Bureau – An independent consumer advocacy group that processes business complaints and generates business ratings from their complaint history.
- ⇒ Credit Report – A report that details your past payment history and open credit accounts. Whenever you miss a payment, it will be reflected in this report, which directly impacts your Credit Score.
- ⇒ Interest – The fee lenders charge you to borrow money, which is determined by an annual percentage rate. A higher interest rate means the car will cost you more in the long-run.
- ⇒ Implied Warranty – An assurance that consumer products will work for their intended use, or will work for a particular purpose, if one is identified.
- ⇒ Retail Installment Contract – A document outlining terms of the financing /loan that is a legally binding contract.
- ⇒ VIN Number – Vehicle Identification Number. Every vehicle has a unique VIN number which can be used to identify it.
- ⇒ VT State Inspection – Every registered vehicle in Vermont must undergo an annual safety inspection by a licensed service station. This inspection only targets safety issues and may miss many pertinent mechanical issues.

Please note this is a guide only and does not provide any legal advice.
This guide was developed in 2013 as part of a CAP supervised internship project.

Vermont Attorney General's Consumer Assistance Program

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