



CAR PURCHASING GUIDE



The information provided in this document is meant for the sole use of Active Duty service members, retirees, their families, and those individuals eligible for legal assistance. The information is general in nature and meant only to provide a brief overview of various legal matters. Rights and responsibilities vary widely according to the particular set of circumstances in each case. Laws can vary across states, services, and civilian jurisdictions and laws are changed from time to time. Do not rely upon the general restatements of background information presented here without discussing your specific situation with a legal professional.

This pamphlet provides general guidance about purchasing vehicles. The purchase of a vehicle can be a frustrating and expensive venture. Take the opportunity to read this guidance before you begin car shopping. If you have any questions, make an appointment with a legal assistance attorney.

Like most other consumer products, automobiles usually sell at a sharp discount from the "manufacturer's suggested retail price" or "the sticker price." Unlike most other consumer products, the automobile's actual selling price results from negotiations between you and the car dealer.

Rarely are you and the dealer on equal terms, and you should never venture into a showroom unprepared. After all, you and the dealer are at cross-purposes: You want to spend as little as possible; the dealer wants to charge as much as possible. To spend as little as possible, memorize the following three simple rules:

1. Don't fall in love with any car; it will not love you back.
2. Learn what the car cost the dealer. Work up from the invoice price, not down from the sticker. (The sticker price is the price the dealer wants to sell the car for; the invoice price is the price he bought the car for.)
3. Keep the deal simple. Do not confuse the purchase of a new car with the purchase of money to pay for it or the sale of an old car.

DON'T FALL IN LOVE

If you walk into a showroom with new car fever, burning to run off that very day with the car of your dreams, you might as well carry hundred-dollar bills in your teeth. Take time to shop for more than one car and at more than one dealership. Decide first on the type of car you want. How many seats do you need, how much cargo space do you need, are you interested in luxury, economy, or appearance? Once you decide on a style of car, research all the cars of that style. The research can be done conveniently via the Internet.

In researching performance, you need to consider such factors as acceleration (speed from 0-60 mph), braking distances, turning radius, and gas mileage. Finally, look at the history of different models. Satisfaction of previous buyers and frequency of repairs is usually part of a model's history.

LEARN THE DEALER'S COST

Before you can determine the dealer's cost, you must find out the sticker price of the base car plus whatever options you want to add. You can do some research by visiting new car lots and examining the stickers. Since cars on the lot usually have several pieces of optional equipment, you can also jot down the sticker price for one option you see listed. We suggest you order an invoice price printout from USAA



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or from Consumer Reports Auto Price Service. The salesman will want to sell the car for a couple hundred dollars under the sticker price, but you should strive to buy the car for \$250.00 - \$650.00 or 2 ½ to 3 percent above the invoice price. Stick to your price. The dealership wants and needs customers, but you can always visit other dealerships.

A few salespeople may try to thwart your comparison-shopping by refusing to give their best price unless you promise to buy then and there. "Go shop the other dealers," they may say, "and come back here last. We'll beat their best price." You should either get the dealer's best price then and there or leave. Since you didn't fall in love with the car (see Rule One), you can walk out the door without heart palpitations.

The salesperson may ask you, "What would it take to make you buy this car? Make an offer." Don't go along with that. Salespeople should know, and should be willing to tell you at what price they can sell their merchandise.

Sometimes a salesperson may offer you an attractively low price, and then ask you to wait while he or she clears the price with the front office. Make it clear that you don't like waiting and that you won't settle for a higher price. If the boss "won't buy the deal," walk out; you're being low-balled by sharpies. Likewise, walk out if the salesperson insists on packing the deal with extra costs like "dealer preparation," or with undercoating, rust proofing, or paint protection, as these items are added by the dealer and you may find them completely unnecessary and overpriced.

Once you have a price that you feel is fair, ask for it in writing and have both the salesman and the general manager sign the quote. Be certain the quote is explicit about what the price includes. Don't sign anything until you are ready to purchase the car and until you have read the entire agreement. As a general rule, only the general manager can bind the dealership to price quotations. If the general manager tells you he/she can't accept the salesperson's quoted price, walk out. It is common practice for the salesperson to give you a price the dealership has no intention of accepting and then have the general manager negotiate a higher price, taking advantage of your eagerness to buy the car. Car dealerships are very competitive, and the price markup gives them plenty of room to bargain down.

KEEP THE DEAL SIMPLE

Most new car purchases involve three distinct transactions: Buying a new car; getting rid of your old car; and arranging finance. Trying to juggle all three at the same time is confusing and costly. Concentrate first on buying the new car and keep the other two transactions separate.

Start with the assumption you'll sell your old car privately. Otherwise, the salesperson can offset a good deal on the new car with a bad deal on the old or vice versa. If you decide later you want to trade it in after all, at least you'll know how much the dealer is willing to pay.

Advertising and showing your old car involves some trouble, but you'll probably get a much better price. The Kelley Blue Book or NADA Official Used Car Guide can give you a rough indication of what your old car is worth. These books are available in libraries, banks, auto insurance offices, some bookstores, and via the Internet at www.kbb.com and www.nadaguides.com.



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You'll probably need an auto loan. Again, keep that transaction separate. Major car dealers offer low percent financing for many models. This promotional rate can save you hundreds of dollars in interest. However, the dealer knows that as well as you do and may try to add some of these dollars to the price. So nail down a good price before negotiating borrowing through the dealer. If there is no promotional financing, you'll probably do better at a bank or credit union.

The next step is to decide how long a term you will want the loan to extend: 1 year, 2 years, 4 years, or longer. The longer the term, the smaller the monthly payment and the greater the total interest to be paid. The shorter the loan period, the greater the monthly payment and the less interest paid.

When you arrange the loan, look for terms, which allow you the greatest protection from repossession upon default. Also look for terms which allow you to reduce the total interest to be paid by paying the loan off early. Finally, don't sign any purchase or loan agreement without carefully reading it. Don't be embarrassed about taking the salesperson's time. Sales and loan agreements vary. If you don't like the terms, ask for a change in the wording. Make sure the agreement includes a statement that says you can get your deposit returned if something goes wrong with the deal - for example, if the car isn't delivered by a specified date.

HOW TO FIND THE RIGHT USED CAR

If you are interested in buying a used car, here is a checklist to help you find a quality car at a good price:

1. Do a little research on repair frequency, owner satisfaction, repair cost, gas mileage, etc., for the cars that interest you. Most libraries have consumer magazines which report such test results.
2. Know the "Blue Book" value of the car before you go to look at it, and negotiate a lower price. You can determine the Blue Book value of the car you would like to purchase by going to www.kbb.com or www.nadaguides.com and entering information, such as make, model and year, about the car.
3. ALWAYS SHOP FOR USED CARS IN THE DAYLIGHT.
4. Check the car for wavy lines by looking down the side of the car. Wavy lines and off-color paint are signs that the car has been involved in an accident.
5. Check the wheel wells and below the doors for signs of rust. Give any suspected areas a thorough rap with your knuckles. If they give, they are rusted - they have been filled with body putty.
6. Check the tires for irregular wear (a sign of poor alignment) and more wear than the odometer reading indicates (a sign that the mileage has been rolled back).
7. Check the undercarriage for signs of fluid leaks, particularly under the engine block, the transmission, the gas tank, and radiator.
8. Check the rugs, floor mats, bedliner, and trunk mat for signs of leaks.
9. Check the shocks by bouncing each corner of the car. If the car bounces more than once, the car needs new shocks.



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10. Check the wear and tear on the interior to see if it is in line with the mileage on the odometer.
11. Check all the belts and hoses for cracks and fraying.
12. Check for ease of starting when the engine is cold.
13. Check all the gauges, turn signal, and lights to ensure they work.
14. Test-drive the car checking stopping distances, acceleration, check for smoke from the exhaust, and strange noises.
15. HAVE AN INDEPENDENT MECHANIC CHECK THE CAR IF YOU ARE INTERESTED IN BUYING IT AFTER COMPLETING STEPS 1-14.
16. You might also ask a dealer for a copy of the "Carfax." Carfax is a website that provides information on vehicle history and is located at www.carfax.com. If you are buying from a private owner, you can pay for and download the report yourself.
17. Get the name and telephone number of the previous owner. Verify whether the car has been in a wreck and the actual mileage. If you cannot get the name and telephone number of the previous owner, ask the salesman to find out if the vehicle has ever been involved in an accident and find out the type of accident. If the salesman does not want to answer this question, you should use caution when purchasing the vehicle.
18. Get the salesman to put the price in writing and have his general manager sign it (a salesman normally cannot bind the dealership to the price).
19. Remember that "AS IS" means no warranty. Get all warranties in writing in the sales contract because verbal warranties are worthless and unenforceable.
20. Check the title before you sign the contract. Make sure the seller owns the car.
21. Read the contract before you sign it. If there are terms in the contract you did not agree to, strike them out and have the seller initial them. If there are terms missing, write them in and have the seller initial them. **REMEMBER THE CONTRACT (BILL OF SALE) REPRESENTS THE ENTIRE DEAL NO MATTER WHAT THE SALESMAN SAYS.** If you have any questions about the contract items, have a legal assistance office or an attorney review it for you.

Following this checklist doesn't guarantee the car you purchase won't be a lemon, but it will help you weed out some of the ones that will be.

"AS IS" -- WHAT DOES IT MEAN?

"I just bought a car 'AS IS' from a dealer downtown and the transmission went out after just 100 miles. Why can't I just return the car?"



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"I just bought a used car 'AS IS' and the electrical system isn't any good. Doesn't the seller have to pay for replacing the wiring?"

"When I agreed to buy this used car from the guy next door he promised he would repair the bent frame. Now that I've signed the bill of sale he refuses. Doesn't my 'AS IS' contract protect me?"

The answer to all three questions is no. When you buy any product in "AS IS" condition, you accept the product, including all defects, as it exists at the time of the sale. "AS IS" clauses are designed to protect the seller and to put the buyer on notice that he/she will be responsible for all defects the product has when the contract is made. As a buyer, an "AS IS" clause in a contract should alert you to three things:

1. You need to be aware that by agreeing to the "AS IS" term you are agreeing the product is the kind and quality of product the seller represented even though the product may be damaged. In other words, you are buying the product as it sits, complete with any visible or hidden defects it might have.
2. The buyer in an "AS IS" sale has the right and the responsibility to inspect the product and discover its defects prior to signing the contract. Once you sign the contract, you accept all risks as to the quality of the goods.
3. The written agreement will control in a dispute. **IF THE SELLER MAKES A VERBAL PROMISE, IT DOES NOT BECOME PART OF THE CONTRACT!** The words "AS IS" in a contract negate all express or implied warranties. As a rule of thumb if the promise isn't in writing, it isn't any good.

There isn't anything wrong with buying a car or any other product "AS IS" provided you understand the seller will have no obligation to repair the product or return the purchase price if the product is defective. If the dealer places an "AS IS" clause on the car, it must be conspicuous. A conspicuous clause is one that is set off from the rest of the contract in one of the following ways: BOLD TYPE, underlining, ALL CAPITALS, or italics.

The next time you see "AS IS" in a contract remember that you should read carefully and ensure you are not signing away verbal promises or rights you want to protect. Read the contract carefully and don't sign until it reflects the promises that have been made.

LEASING A CAR

Under SCRA Lease Termination Provisions, a servicemember may be permitted to terminate certain motor vehicle lease agreements.

The lease may be terminated if the lease of the motor vehicle was made by a servicemember or his dependants for personal or business transportation, if:

- The lease is executed by or on behalf of a person who thereafter and during the term of the lease enters military service; or
- The servicemember, while in military service, executes the lease and thereafter receives military orders for a permanent change of station outside of the continental United States or to deploy with a military unit for a period of not less than 90 days.