

# THE ULTIMATE USED CAR BUYING GUIDE

INSIDER TIPS AND STRATEGIES FOR SUCCESSFUL USED CAR SHOPPING



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## FOREWORD

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When Auto City got started in 2009, we decided early on that we wanted to do things differently from many of the other used car dealerships. We adopted innovative practices like up-front pricing to take haggling out of the equation and letting the customer set the pace of the whole process. Our early customers loved not feeling the pressure of trying to negotiate a lower price, and we've stuck to that approach ever since. We went even further by offering free vehicle history reports on every single car on our lot, a three-day "no questions asked" money-back guarantee, and a robust network of auto loan lenders to help customers find the best financing options possible.

Since our doors first opened, Auto City has bought and sold thousands of vehicles in the process of serving thousands of customers. When it comes to the used car business, we have literally seen it all. We've seen the common mistakes people make when shopping for used cars. We've heard the various questions people tend to have. We've spent years helping people avoid the mistakes and answering their questions to help find the right used car for them. We started this project by polling our Auto City team to find out all the challenges and opportunities they face in working with customers on a day-to-day-basis. And now we want to share our collected wisdom with *you*. Why are we willing to do this? The answer is simple: We want consumers everywhere to feel confident about their ability to engage in the used car shopping process on their own terms.

After reading this guide, you'll be an *expert* at buying used cars. The information you learn will equip you to quickly determine which used car dealers in your area are the best, and which ones should be avoided. As you share that information with your social networks and write reviews online about your used car buying experiences, then together we'll be improving the overall used car market one dealership at a time.

We're also confident that after you're fully armed with all the information and expertise about how to buy a used car, you'll be able to wholly appreciate how the Auto City way is simply better.

Happy reading!

Denis Gusakov, General Manager, Auto City

Sherman Morrison, Writer and Editor



## INTRODUCTION: WHY BUY USED?



Does everyone who needs a car want a brand new car? Of course! But can everyone *afford* a brand new car? Obviously not, or there wouldn't be much of a used car market. And here's the thing – the used car market is way bigger than the new car market – not in terms of dollars but in terms of number of sales. In 2015, 38.3 million used cars were sold ([source](#)), as opposed to 17.4 million new cars ([source](#)), which makes the used car market more than twice the size of the new car market!

Part of why buying used cars is so popular is the *depreciation* factor. When you purchase a brand new car for \$20,000, the moment you drive it off the lot it depreciates 10% on average, which means now it's only worth \$18,000. That also means your car is now worth less than what you still owe on your car loan, assuming you financed it. It continues to depreciate more over the course of the first year of ownership, usually by another 10%, which means after 12 months the car is worth only \$16,000, and you still have negative equity since you've only made a dozen payments on your loan. And then the car continues to depreciate by anywhere from 15-25% a year for another four years, which means it's pretty common for a new car to be worth less than 40% of what you paid for it new after owning it for five years.

This is why buying a nearly new (or slightly used) car can make a lot of sense. You let the person who bought the car brand new take the biggest hit of depreciation in the first few years, giving you a nearly new car at a much lower price, and you get to enjoy a number of other benefits, such as the car being in good condition, still retaining some of the original warranty, better financing rates, and so on.

Some of the biggest challenges you face when shopping for a used car include the following:

- Knowing how to start.
- Deciding where to shop.
- Identifying reputable sellers.
- Understanding used car prices.
- Identifying good deals.
- Figuring out financing.

*The Ultimate Used Car Buying Guide* tackles these and many other challenges head on with insider tips and strategies so you can be successful when shopping for a used car.

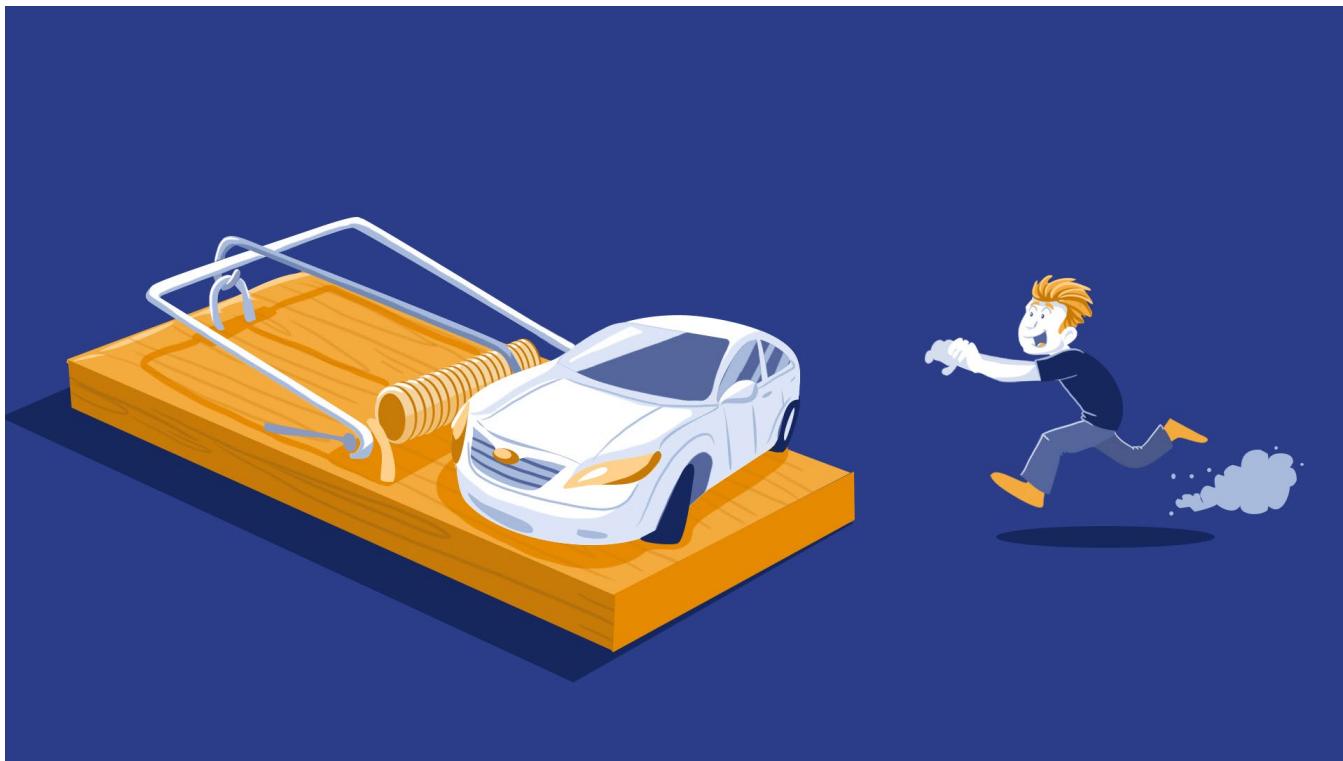
## PART 1

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# BEFORE YOU START SHOPPING FOR A USED CAR



## AVOID THESE COMMON USED CAR SHOPPING MISTAKES



A big part of successful shopping for a used car is getting in the right frame of mind. Begin by ensuring you avoid making what we've seen to be the following ten mistakes most often made by used car buyers:

1

**Not knowing what you can afford.** Take the time to sit down and really take a realistic look at your financial situation. How much can you put towards a down payment? What would be a comfortable monthly payment? What's your credit score like? This is all information you want to know *before* you start car shopping. Don't make the mistake of falling in love with a car only to realize later you just can't afford it. Shop within your means!

2

**Not knowing what you want.** There's a tricky balance you need to find between narrowing down the options so you aren't overwhelmed and being so specific that you can't find what you want. Think about what kind of vehicle will meet your needs to come up with a short-list of possibilities that would work for you.

3

**Failing to check a dealer's reputation.** There are lots of car dealerships out there, and nearly all of them carry used cars. Do yourself a favor and check the reputations of dealers in your area using such sites as Yelp®, Google®, and DealerRater®. Don't waste your time going to dealerships with consistently poor reviews.

**4**

**Letting your heart rule your head.** Try to be rational, logical, and thorough in your search for a used car. If you don't take *emotion* out of the used car buying process, you might end up with a car that you love, but that doesn't meet your needs.

**5**

**Indecision.** When you do come across that sweet deal on a vehicle that would be perfect for you, jump on it! There are plenty of other buyers also looking for a sweet deal on that same car, and if you walk away from it because you want to think about it, the car might be gone by the time you decide.

**6**

**Failing to do your homework.** You need to have some idea about what fair prices are for what you think you want or need. Spend some time getting familiar with prices for the kinds of cars you want by using sites like *Kelley Blue Book*®, *NADA Guides*®, and *Edmunds*®. They all do a good job in giving a range of what people are paying in your area.

**7**

**Not test driving a car.** Who would actually buy a car without test-driving it? Believe it or not, it happens all the time. Don't do it! Get in the car and drive it. It will tell you a lot about whether or not it's the right vehicle for you.

**8**

**Being a perfectionist.** Everyone shopping for a used car wants to get an amazing deal on an immaculately maintained vehicle with low mileage with a full set of service records. Just keep in mind that a used car will probably not be perfect.

**9**

**Only buying private-sale-by-owner cars.** Some people are adamant about only looking at cars for private sale by the owner, but this eliminates a *lot* of great possibilities. In fact, you're missing out on *most* of the used cars for sale because dealerships have the lion's share of inventory available. Many reputable dealerships also offer other helpful products and services such as help with financing, service contracts, gap insurance, theft protection, and more.

**10**

**Failing to ask for a vehicle report.** Vehicle reports are an essential part of the used car shopping process. They contain valuable information about a car, including whether or not it had been in a major accident, has flood damage, or carries a salvage title. A quality used car dealership should make these available for free, but be prepared to order one for yourself if you need to.

These ten mistakes are the ones we've seen people make over and over again. By avoiding them from the start, you'll have a much better chance at having a great used car shopping experience.

## AVOID THESE USED CAR SCAMS



It would be nice to think that people never get scammed when purchasing a used car, but it does happen. Below are some the most serious and common scams that happen out there, and how to protect yourself.

**Curbstoning** is when someone is posing as a private party selling a used car. The car may be advertised online or just sitting out along the curb or in a parking lot with a “for sale” sign on it. The scam here is that the person selling the car *is not the actual owner*. Why do people do this? In some cases, it could be a dealer who knows the car is a lemon but still wants to sell it to an unsuspecting customer. Lemon laws typically only apply to cars sold at dealerships, not those sold by private parties. So the dealer poses as your average private seller to pass the lemon off to you. But individuals can also be curbstoners. In this case, a person wants to be able to sell lots of cars without going through the legal paperwork and expense of becoming a licensed dealer. So they just pretend they own each car they sell when they really don’t. And it usually means they’re selling cars that have serious problems. Protect yourself by carefully examining the title of the car to make sure it’s clean, get a vehicle history report, and match up the name on the title to the seller’s identification.

**Odometer Fraud** means the mileage shown on the odometer has been tampered with to show fewer miles, which allows sellers to charge a higher price. A vehicle history report will show the car’s recorded mileage at different times throughout its life, so if you see at some point that the mileage goes down instead of up, it could mean odometer fraud. Tampering with an odometer is a felony offense.

**Title Washing** When an insurance company considers a car a total loss because of serious damage that makes repairing it too expensive relative to the car's value, it will end up with a "branded" title (such as salvage, rebuilt, irreparable, junk, and so on). The problem is that each state has its own ways of naming different brands that can go on a title. When the laws and definitions about describing a car's condition differ substantially from one state to another, the brand of one state might just drop off entirely in another state, which is why some unscrupulous sellers will purchase a vehicle with a branded title for very little money, then they will repair it, take it to a different state, and have a new title issued that comes out "clean" because the state has different laws and definitions and doesn't recognize the title's previous brand. It has essentially been "washed" clean of its negative brand. Protect yourself by only shopping at reputable dealers and getting a vehicle history report, which will show any brand the title had earlier in its life.

**Airbag Fraud** is a serious scam as it puts people in real danger. Replacing airbags after an accident is very costly, usually in the \$1,000-\$3,000 range, so unethical sellers trying to make a fast buck certainly don't want to put all that money into replacing the airbags. They might just have the airbag covers repaired and/or replaced without putting any actual airbags back in the system. Unethical mechanics might even order the replacement airbags, but then not perform the repair but instead return the airbags for a full refund, but still charge the customer the cost of the full repair, pocketing a hefty sum. Have a mechanic verify that the airbag system is intact and functioning.

**Vehicle Cloning** When people really want to hide a vehicle's history, they may go so far as to put a different vehicle identification number (VIN) on it. They're either trying to cover up the fact that the car has serious problems that haven't been properly addressed or, as is more often the case, they are trying to conceal the fact that it's a stolen car. Protect yourself by making sure the VIN on the title matches the VIN on the car itself (on the dash, inside the driver's door, and even on the frame if it's stamped there).

While these kinds of scams do happen out there, you can protect yourself by being an informed customer who knows what to look for when shopping for used cars.



## DEALERSHIPS VERSUS PRIVATE PARTY



Decide whether you're going to look for vehicles being sold by private owners or at used car dealerships, or a mix of both. If you use the Internet to help your search, you'll definitely experience that mix. Sites such as AutoTrader®, TrueCar®, Edmunds®, Kelley Blue Book®, Cars.com®, and many others are available, and you can spend many hours browsing them because there's so much to look at. There are also local classifieds and Craigslist® for many more options. It can feel very overwhelming!

The only significant advantage of buying a used car from a private seller is being able to get a lower price than you would pay at a dealership. Private sellers are just looking to get a decent price for a car they want to get rid of while many dealerships are trying to turn a significant profit on each vehicle they sell, which is why the prices are usually higher at dealerships.

There are lots of disadvantages when you shop for used cars with private sellers. Unless you personally know the seller, you're going to be dealing with a bunch of complete strangers. You won't know how trustworthy they are or how they treated the car. If you buy from a private seller and you're not satisfied with your purchase, there's not much of anything you can do about it. If there's something really wrong with the car, all you could do is try to take the seller to court. What a hassle that would be, right? And if you need to finance the purchase, you're on your own to shop around for a car loan, which can be very time consuming.

If you can find good used car dealerships you trust, the advantages of shopping at them are significant. They have lots of inventory, which means you spend a lot less running around to view cars here and there and everywhere offered by private sellers. You can check out dealerships online in advance to see what they're like. And you can check their reputation by reading online customer reviews. You can't do any of that with a private seller.

## NEW TRENDS IN USED CAR BUYING



There was a time in the not-too-distant past when shopping for a used car was almost always a long, drawn-out process that involved much traveling around to look at lots of different cars, dealing with high-pressure sales tactics from dealers, and then going through the bizarre and stressful ritual of haggling to arrive at a final price that might or might not be a good deal. A lot of people tend to assume that the used car buying process is still like that. Well, the truth is that there are dealerships out there that still do things that way. But there are so many new trends in used car buying that there is absolutely no reason to settle for the ways of the past.

Back in the days before there was a little thing called the Internet, many used car dealers didn't feel the need to be completely transparent with customers. To really compare prices, you had to drive around to all the different lots. You could make phone calls, but you really have to see a vehicle to be able to compare it to others. In other words, it took a lot of hard work to actually get a feel for what was out there and how it was priced. And some dealers felt they could play fast and loose with prices knowing that most customers wouldn't bother to do all that hard work to find out if its prices were inflated.

But then the Internet came along and changed all that. Now customers can go online and easily compare cars and prices between different dealers. And most used car dealerships put up at least a dozen photos of each car, which means you can actually get a decent feel for what kind of shape it's in. Besides the obvious point of saving consumers a lot of time in terms of learning what's out there for inventory, the even more exciting thing the Internet has done is how it has forced dealers to be more transparent.

One way this has played out in the used car industry is that more and more dealerships are realizing it's in their best interest to give their cars competitive up-front prices so they will sell quickly and avoid wasting time with negotiating and haggling. This is called a *firm pricing model*. For many people, the idea of negotiating the price of a used car makes them feel tense, nervous, even stressed out. They may feel they don't know enough about the process, or it just might not be part of their personality to haggle. Sure, there are those people who actually *like* to haggle, but there are many more who don't like it. So why sell cars in a way that automatically turns off a huge group of potential customers?

Smart used car dealers have realized that it doesn't make sense to sell cars in a way that puts consumers *against* salespeople. Doing it that way makes the whole process feel greedy, negative, and competitive, which is why so many car shoppers find it distasteful. Wouldn't it be better to sell cars in a way that gets customers and salespeople working *together* to find the right car? When a salesperson doesn't have to worry about the whole negotiation process, it takes away a lot of the pressure, giving them the headspace they need to really hone in on customer needs. And shouldn't that be the focus of the car shopping experience? After all, this is one of the most important purchases anyone makes, so the process should be one that works well for both parties as opposed to one that causes a lot of stress and wastes a lot of time.

Speaking of time, another reason firm pricing works so well is that it forces the dealership to give each car on their lot a really competitive price up-front so they can get the car sold quicker. Rather than spending a lot of time trying to negotiate the highest price possible on each vehicle with every potential buyer, dealers price the vehicles to move quickly, thereby increasing the volume of vehicles sold rather than maximizing the price of each vehicle. This makes the entire process much more of a win-win for both customers and dealers.

A firm pricing model also makes the entire process much fairer, when you think about it. Because the price is not up for grabs, dealers can focus in on treating all customers with same level of respect everyone deserves. Haggling can bring out the worst in people, and it's just better not to go there at all.

The trend towards greater transparency also leads more and more dealerships to make history reports available online, so you can easily find out if there are any major red flags on vehicle. And of course you can also find out about the reputation of any dealership by reading customer reviews.

If you're really into the online scene, you can literally shop and purchase a vehicle completely online. Most people, however, still want to physically see and touch, not to mention test drive, a vehicle before buying it.

Welcome to the new way of shopping for a used car, where more dealerships are becoming increasingly customer-centric, being more transparent, and working *with* you to find the vehicle that's right for you.

## HOW TO RESEARCH DEALERSHIPS



Find out if anyone in your social networks has purchased a vehicle from a used car dealership and ask them about their experience. Here are the kinds of questions you should ask:

- Did the dealership let the customer take the lead or try to show them particular vehicles?
- Were the salespeople friendly and helpful or were they aggressive and pushy?
- Did the dealership offer free vehicle history reports on all its cars?
- Did they have to waste time haggling and negotiating the price?
- Did the dealership help find the best financing?
- What kind of warranty was offered with the vehicle?
- Was there any kind of money-back guarantee?

Any time you get multiple people you know praising a dealership, it is a very good sign and means you should pay them a visit. Likewise, if multiple people have had bad experiences at a particular dealership, don't waste your time going there.

Customer reviews of real experiences shopping at used car dealerships are another source of valuable information you can check before making any visits. The three most common sources for such reviews include DealerRater®, Yelp®, and Google®.

As with most review sites, you'll see a rating for each dealership, which represents the average of all customer ratings for that dealership. While this might give you a very quick snapshot

of a dealership, it's really not the most useful information you can get from review sites. You want to actually read a bunch of customer reviews, both good and bad, to find out what's really happening at a dealership. Every business is going to receive at least a few negative reviews, and that shouldn't necessarily scare you away. Read the negative reviews to find out what those customers didn't like. They might be things that don't even concern you or apply to you at all, but at least you'll know ahead of time.

When a dealer has hundreds of great reviews and very few bad ones, it's worth finding out more. The bad reviews might all be linked to a particular salesperson that is no longer even working there. Or the bad reviews might have been from several years ago and the dealership has made improvements since then. Keep in mind that businesses do change over time - sometimes for better and sometimes for worse!

When customer reviews include feedback about particular salespeople, pay close attention to those. If you see a particular name coming up over and over again for being a great person to deal with, contact that employee and hopefully you'll have the same great experience as well.

It's surprising how often people skip looking into a dealer's reputation. It's such a simple step, and you really can learn a lot just with a little reputation research online. You do it for restaurants, so why not used car dealerships? And after you've made your own used car purchase, make sure you take the time to review your experience on one of the sites mentioned above to help other people find the best places to buy used cars.

## WHAT DOES A *GOOD DEAL* REALLY MEAN?



Everyone wants to get a great deal when they buy a used car, but what does that really mean? There are a lot of different factors to consider. Many people will say it's the price of a car that defines whether or not it's a good deal, but if you stop and think about it, there's much more to it than just the price.

Take any two cars with the exact same price and most people will find one to be a better deal than the other, even though the price is the same. Maybe it's the brand, or the options, or the color, or the condition, but the plain fact of the matter is that one is going to deliver more *value* than the other.

What you're after as a consumer is *value*. And while *price* is part of the equation, so is *quality*. *Value* is the place where *quality* and *price* meet. All those potential reasons cited above for choosing one car over another of the same price are pieces of the quality part of the value equation. Often it comes down to which vehicle meets more of your own personal preferences, but there are other things to think about when it comes to quality.

When comparing vehicles, you can look at which ones tend to have higher overall maintenance and repair costs. And which ones were thoroughly reconditioned with attention to detail? That's more about the dealership than the car itself. A great used car dealership will make sure that every vehicle on the lot has been meticulously inspected and brought up to top-notch working order. By focusing on cars that are in good shape to begin with and that tend to cost less in maintenance over time, you'll save a ton of money in the long run. If all you focus on is price, you'll end up with the cheapest car, but if you have to spend an arm and a

leg every few months to keep it on the road, what seemed like the cheapest car may end up being the most expensive car.

A piece of advice we share frequently throughout this guide is this: If a deal seems to good to be true, then it probably is! Consider *both* price *and* quality to get what you're really looking for in a used car, which is *value*.



## DEMYSTIFYING USED CAR PRICES



How do you know if the price on a used car you're looking at is a decent price? Perhaps the more interesting question is this: How in the world do dealers come up with their prices to begin with? It's not something that gets talked about a lot, so let's dive in and demystify used car prices.

Used cars as a product are a commodity, and that means they are subject to the laws of supply and demand just like any other commodity. In the used car industry, one of the basic building blocks of pricing is the auto auction. Most of the inventory at used car dealerships is purchased at dealer-only auctions. Some people have the misconception that these auto auctions are somehow bad. Not true! Like any source of used cars, auctions have a wide array of vehicles to sell, some of which are great and some of which are not. The best used car dealerships put a lot of time and energy into examining the offerings at these auctions and selecting only the very best vehicles to bring onto their lot for reconditioning and selling. So the prices at the auto auctions form one foundational piece of a used car's price, and it's one that can fluctuate wildly depending on what people want. When demand spikes for a particular kind of used car, then the prices of those cars at the auctions go up, as must the prices the dealership eventually charges customers for that car.

But there's more that goes into a used car's price than just what the dealer pays for it at an auction. The dealer also has to figure in a lot of other costs in taking on a vehicle – transporting it to the lot, making any needed repairs, and performing a thorough reconditioning are items related to the car itself. Then there are a number of other factors that must be included – the

costs of staffing and managing dealership, the advertising, and so on. Finally, the dealer then also has to make a profit on the car or risk going out of business! So the formula is essentially this: Auction price + overhead + profit = price. While the overhead and profit goals are often relatively fixed and don't change much, it's that price paid at the auction which can and does change constantly over time.

Now, when you go onto sites like *Edmunds*<sup>®</sup> or *Kelley Blue Book*<sup>®</sup>, they will give you different prices of what you can expect to pay for a used car based on information they accumulate from various sources, including what similar cars have sold for in your area. These are called "book values" and while they're very useful as a guideline, they are only that - a guideline. In California, banks often turn to *Kelley Blue Book*<sup>®</sup> for guidance when they're making car loans, so it's a pretty common resource. How quickly those sites can reflect what's happening at any given moment in the used car market is anyone's guess, but they are looking at the auctions as well, which is why they do serve as decent starting points. But when demand for a particularly popular car spikes, it's not uncommon for them to start selling above those book values.

If you're searching for cars online and it seems like there aren't very many cars being sold in your area of the type that interest you, expand your search criteria to a larger region (say, 500 miles) so you can get a better idea of what the available inventory is selling for. That way you'll at least get a rough idea if the prices in your area are in line with the pricing of your region.

But remember that your search for the used car that's right for you is about more than just price. You want to know that the car was well maintained and serviced regularly, that it has a clean title, and so forth. Of course everyone wants their used car to have as few miles on it as possible, but that also jacks up the price since that's what everyone wants. A used car with more than average miles on it that has been superbly maintained may be just perfect, and come with a lower price tag.

And remember, if the price of a used car looks just too good to be true, then it probably is exactly that! In those cases, pay particular attention to the title to make sure it's not a salvage vehicle.



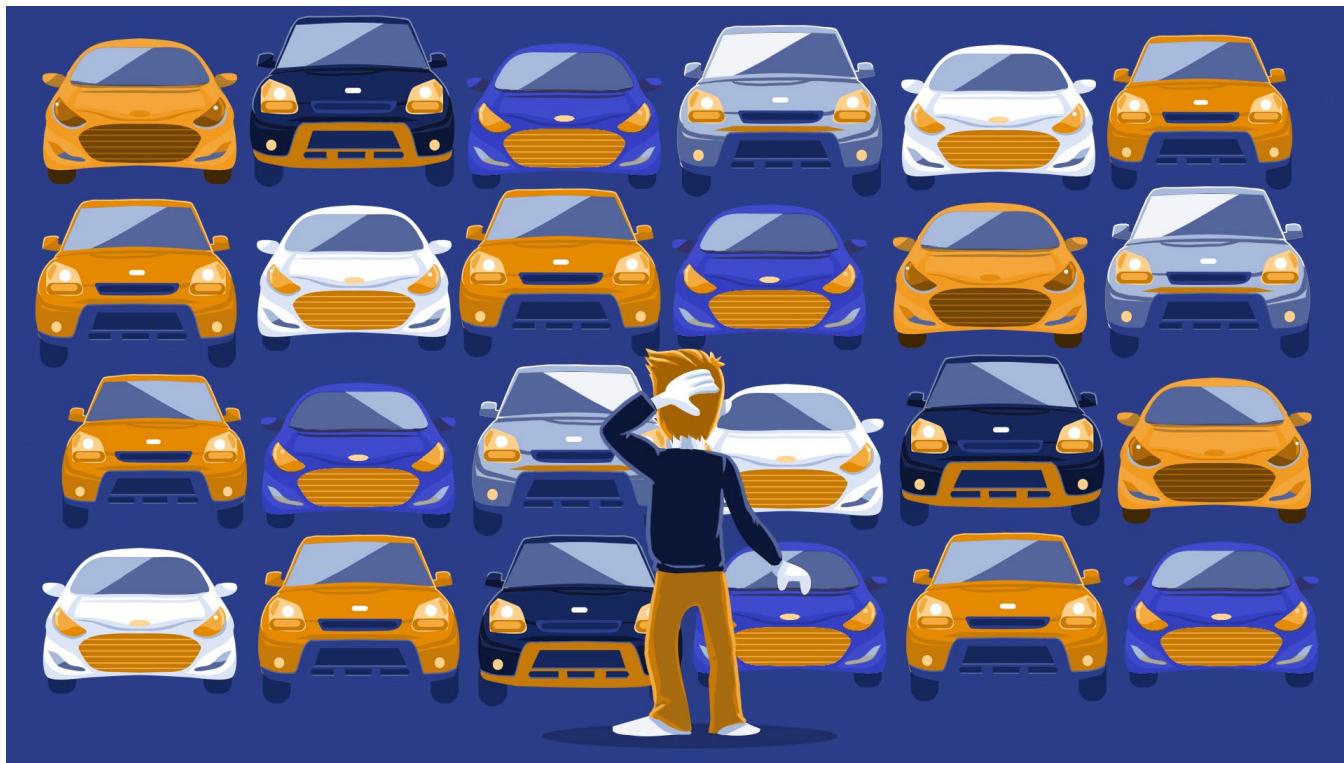
## PART 2

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# HOW TO SHOP FOR A USED CAR



## HOW TO FIND CARS



In the brave new digital world of the 21st century, it's only natural to start your used car shopping online. But that can also feel like searching for a needle in an infinitely huge haystack. Step away from the Internet for a moment, take a deep breath, and keep reading.

First, figure out if you're searching for a *car* or a *dealer*. What's the difference? If you know what you want, you can just start searching for the car itself. For example, if you know you're interested in a particular category of cars, such as *small SUVs* or *mid-sized sedans* or something along those lines, most of the sites that offer lots of listings of used cars for sales (Autotrader®, Truecar®, Cargurus®, Cars.com®, Edmunds®, Carfax® Used Car Listings, Craigslist®, etc.) can automatically help you narrow down your search to those categories, as well as what's available within a certain number of miles of the zip code in which you live.

If you have this narrowed down to the make and model, even better. Most sites will allow you to set filters with those parameters, so you'll quickly be able to narrow down your search to what interests you most. If you followed the advice in Part 1 of this guide, you've been to sites like Kelley Blue Book® and Edmunds® to get a feel for what these used cars are selling for in your area, which helps you identify which online listings might actually be really good deals.

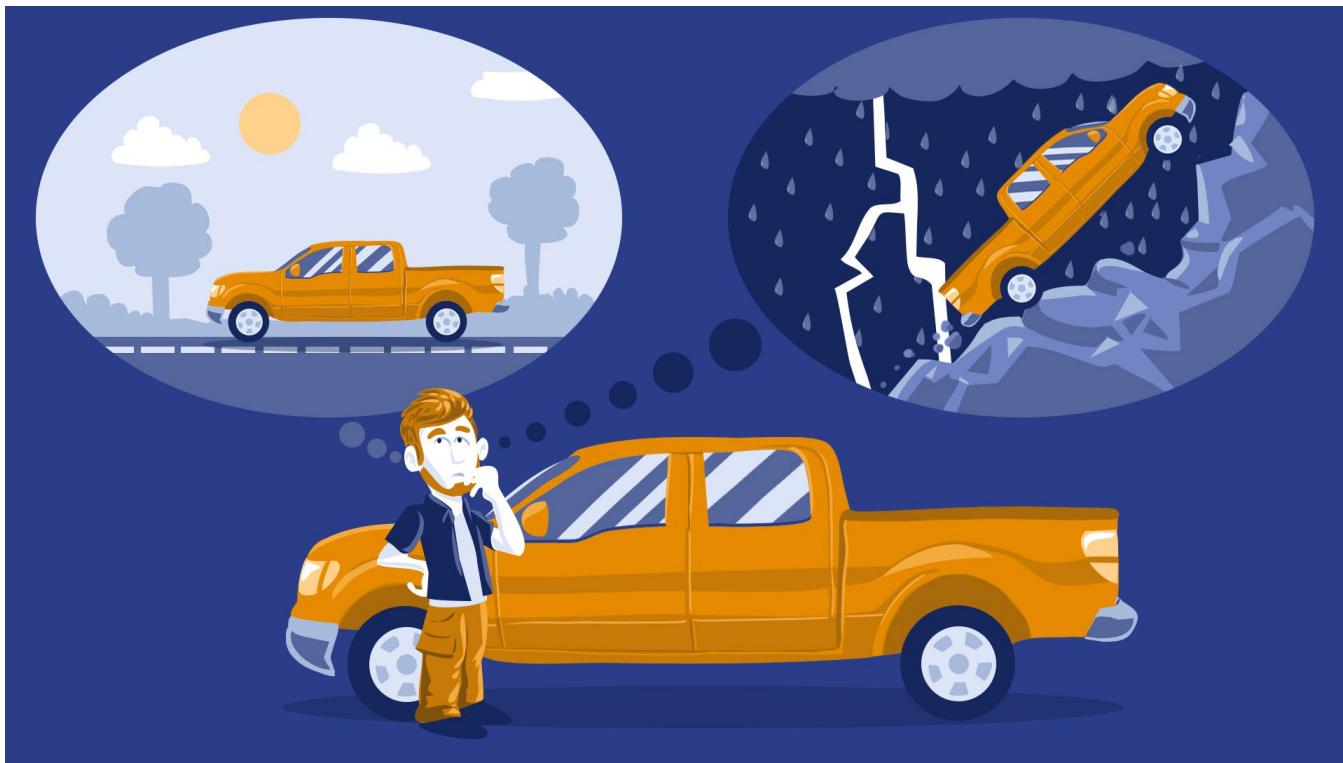
Don't be freaked out if you see the exact same car listed on several different sites – dealers want to advertise their inventory as widely as possible. Also remind yourself that any eye-popping deals might cars with problems that will cause you massive headaches down the road. For any listing that interests you, see if there's a vehicle history report available for free (you'll learn how to read one later in this part of the guide). If there isn't, think twice about

pursuing it. You want to be able to tell quickly and easily if the car has been in a serious accident. If you're including cars for sale by private parties, consider buying a temporary subscription to a vehicle history report service such as CARFAX® or AutoCheck® so you can easily look up the VINs of cars that interest you.

If you don't really have a good idea of what you want, it might be better to first search for a dealership or two. The biggest and best used car dealerships are going to have lots of inventory on their lot, and you can work with a sales rep who will help you figure out what you want, and you can try any number of kinds of different vehicles in the process. The key to this approach, of course, is finding dealerships you can trust, and you already know how to do this from reading Part 1 of this guide. Look for those that offer haggle-free pricing, free vehicle history reports, a money-back guarantee, warranties with each vehicle, and help lining up good financing. And if you come across a good deal, don't wait to act on it – the best deals never last long!



## SHOULD YOU CONSIDER PRIOR RENTAL CARS?



Each and every year, thousands of cars are removed from rental fleets and shifted into the used car market. They're literally everywhere, although when you're on a used car lot it's not always immediately apparent if the vehicle was once a rental. Do rental cars make for good used cars? The best answer is this: Often yes, but not always.

Rental companies need to keep their cars in good working order to keep their customers satisfied. This means, at least for the most part, that rental cars have been well maintained. In fact, rental companies are often a lot stricter about sticking to recommended maintenance schedules than many regular drivers. They also tend to not hang onto them for very long, which means they often have fairly low miles (often in the 25,000-30,000 range). It's also important to note that the many rentals are used for driving longer distances, so the chances are good that the miles on it are highway miles as opposed to stop-and-go city traffic. Highway miles result in less wear and tear on a vehicle. You may even find that there's still a good deal of the factory warranty left on the car, which is additional peace of mind for you.

The only significant drawback to purchasing a used rental car is that you simply have no way of knowing for sure *how* it was driven by potentially dozens if not hundreds of customers. Some may have driven it gently and with respect, while others may have driven it aggressively or in other ways that caused abnormally early wear on the vehicle.

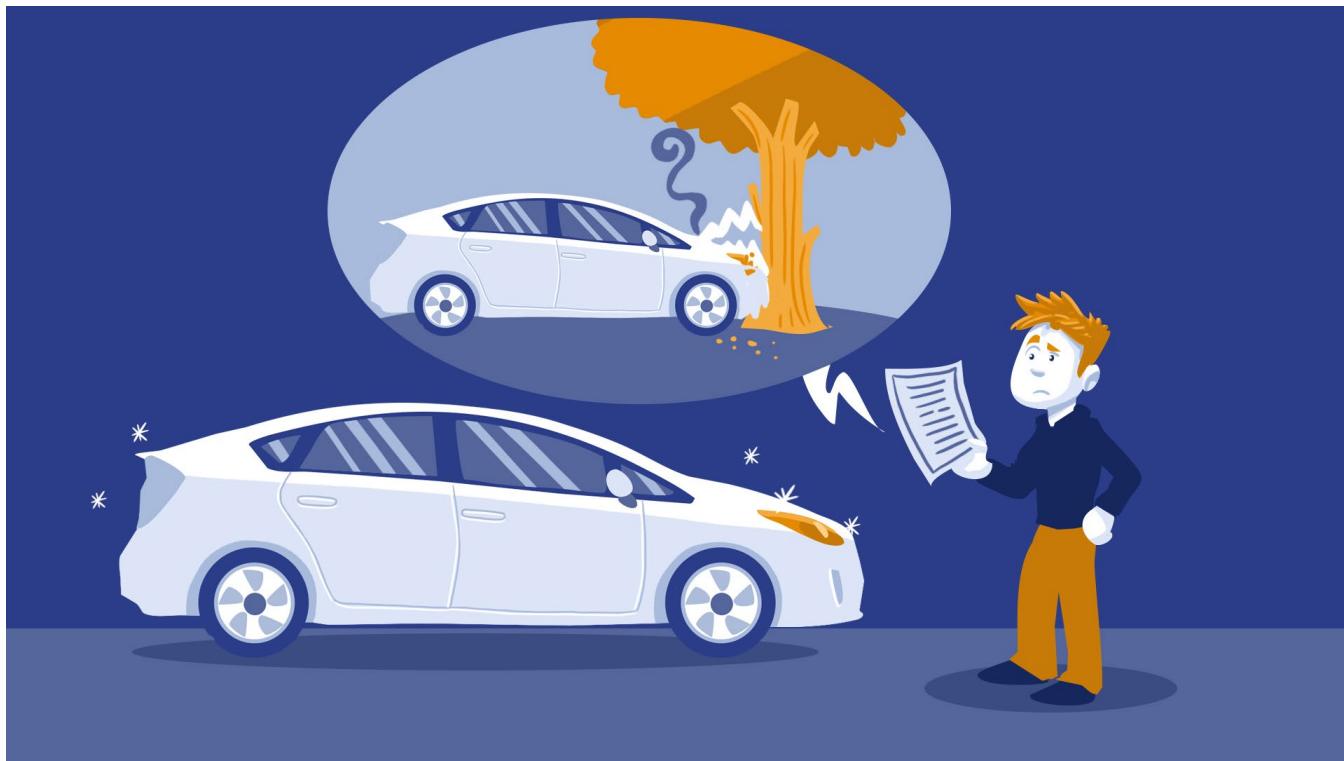
The best way to make an accurate, fair judgment about a used car is by taking it to a trusted mechanic and having them give it a thorough inspection. Many people are willing to pay around a \$150 for this because they want the peace of mind that they're buying a solid used

car with no major issues. Some car history reports will list a car's status as a prior rental. CARFAX® is one that does.

To answer the question of whether or not you should consider prior rental cars, we think the answer is a YES, as long as you take steps to ensure it's in good working order.



## AVOIDING CARS WITH BRANDED TITLES



Let's say you're shopping for a used car online. You notice a listing that is just what you're looking for, and it catches your attention because the price is at least \$1,000 cheaper than the others you've been looking at, maybe even \$2,000 less. This is when you need to look very carefully at the listing and a vehicle history report to see if it has a salvage title, also called a *branded title*. Every state has its own designations for different kinds of salvage titles. Some of the words to look out for include the following:

- Salvage
- Junk or Non-Repairable
- Rebuilt or Reconstructed
- Fire
- Flood or Water
- Hail
- Lemon
- Theft Recovery
- Vandalism
- Odometer Rollback
- Manufacturer Buyback

While the prices of these vehicles are very tempting, they also often end up causing you more headaches and hassles than you want to deal with. And if you ever go to sell it again, you're not going to get very much money for it, if you're even able to sell it all. You certainly won't be able to trade it in to any dealership.

### COLLISION

A car's title is branded because the cost of repairing it exceeds a certain percentage threshold of the car's fair market value before the accident, typically in the 75-90% range. Note that if a car wasn't worth very much to begin with, it can take surprisingly little damage for the insurance company to declare it a *total loss*. The DMV in the state will issue a *salvage certificate* for the vehicle, meaning it cannot be driven, sold, or registered in its current state.

What happens then is that the car is sold off, typically through an auction. Some dealerships or repair shops will snatch these vehicles up and repair them back to working order. If the vehicle meets a basic safety inspection, then the state's DMV will issue a new *branded title* that has some kind of notation about the vehicle having been salvaged or rebuilt because of the damage it received.

Here's the thing – a car that has been totaled and then repaired does have to meet a basic safety inspection, but the operative word here is *basic*. It does not mean the car is really worthy of purchase. Here are some reasons to avoid a salvage or rebuilt title vehicle:

- There's no guarantee that *all* the repairs needed were done. And you don't really know if the repairs completed were high-quality work.
- Crumple zones designed into a vehicle's frame structure are single-use features. So unless those zones have been replaced with new/used parts, they're not going to perform the way they're supposed to, which puts you in danger.
- The electrical wires in the car may have sustained damage that isn't readily apparent to whoever makes repairs to the vehicle. Hidden wires that have been chaffed or frayed by the accident and not found and replaced can cause car fires.
- Alignment issues are pretty common because it's really difficult to get a damaged frame totally straight again. And it doesn't take much to cause suspension and alignment problems.
- Air bags are expensive to replace, making them the single-most likely safety item to be skipped when a totaled vehicle is repaired. Not good!

Those are the most obvious reasons to avoid buying a car that has a branded title from having been in a major collision. Save yourself the hassle and don't be tempted by used cars with salvage titles.

## FLOOD AND WATER DAMAGE

Every year, many thousands of cars wind up with water and flood damage from hurricanes, floods, cyclones, tropical storms, and so on. Remember the hurricane season of 2005? It included Hurricane Katrina, Hurricane Rita and Hurricane Wilma, which collectively damaged more than 600,000 vehicles ([source](#)). More recently, Superstorm Sandy soaked at least 250,000 vehicles ([source](#)). What happens to all those cars?

About half of those cars will end up being dismantled for parts and scrapped. But the other half make their way into the used car market, and can cause major headaches to the people who can't resist their cheap price tags. Here's why you should avoid flood-damaged vehicles:

- If saltwater was involved, salt can end up in the car's electrical system and there's no telling what kind of problems that will cause down the road. This is cause for concern because computers control just about everything in cars nowadays, from the entertainment system to your gas pedal to all the power windows, locks, and so on.
- However well the car may have been dried out, chances are good that before it was dry mold started to grow in different parts of the car, including deep inside the upholstery and heating/cooling system. Mold carries all kinds of health risks you'd be better off avoiding.
- Any residual water remaining in the car will cause it to start rusting from the inside out.

You already know from Part 1 of this guide that branded titles can be "washed" clean, which is why it's good to know how to spot a flood-damaged car on your own. Here's what to look for:

- Carpeting or upholstery that seems discolored, is mismatched, or is loose-fitting (if hastily replaced)
- Electrical malfunctioning – dashboard lights that don't work, other interior lights, radio, heating/AC, power outlets, wipers, and so on.
- Airbag and ABS systems that won't function properly (make sure the dashboard indicators show them as functional – if the dashboard indicators are working!).
- See if any of the wires you can access under the dashboard are brittle.
- Even if you can't see it, mildew will leave the vehicle with a musty smell.
- Check under the seats and down in the trunk for any silt, mud, or rust. Also check the trunk for any visible water lines.
- See if any of the seat bolts are rusty, or if there is rust inside the door track.
- Condensation inside speedometer glass or other gauges.

Of course, the easiest way to avoid winding up with a flood-damaged car is to shop for used cars at reputable dealerships that would never put such vehicles on their lots to begin with.

## OTHER TYPES OF BRANDDED TITLES

Below are a number of other kinds of branded titles you should know about:

**Odometer rollback.** Used cars with fewer miles sell for more than those with higher miles, which leads some unscrupulous sellers to tamper with the odometer in order to show less mileage. Make sure the mileage on the title and the vehicle match up. You can also look for signs of tampering with the dashboard (in order to access the odometer) and make a general assessment if visible wear and tear seems to fit a vehicle with that mileage.

**Hail damage.** A car can receive many small dents and paint chipping in a hailstorm. If the car wasn't worth a lot to begin with, removing all those dents and repainting could exceed the threshold of its fair market value, which means the insurance company will total it. Look for signs of shoddy paint work to avoid a hail damaged car because some months down the road the paint job will probably start to warp and peel.

**Theft recovery.** When a car is stolen, after a certain time the insurance company will pay it off. If the vehicle is eventually recovered, typically with many parts missing, the car will be sold off to someone who might replace the missing parts and get a salvage title for the car. Again, the big question mark is whether or not everything was repaired correctly and to high standards.

**Junk or Non-Repairable.** When the damage is severe enough, the state gives it a "junk" title, which means it's not allowed to ever be driven again. It can only be sold for parts or scrap. Theoretically, you should never find this on a title when shopping for used cars that are meant for driving, but it does happen occasionally.

**Lemon.** Many states have lemon laws that protect consumers from vehicles that have excessive mechanical problems. To receive the lemon title brand, the problems with the car typically have to be something fairly serious (related to safety or that make the car essentially inoperable), but not always. A vehicle history report will reveal if the car has ever been designated as a lemon. Lemon laws vary by state, but generally speaking a car can be designated as a lemon for the following reasons: 1) It's out of service for some number of days (usually 30) in its first year and remains defective; 2) The car is serviced a set number of times for the same problem (usually three or four) but still remains defective; or 3) the car experiences a set number of catastrophic defects (fewer than what's in #2) and remains defective.

**Manufacturer buyback.** Manufacturers end up buying back some of the new vehicles they sell. In some cases they buy back a car because it had a serious defect. In other cases it might have been relatively minor but the customer insisted on the manufacturer doing the buyback. As with all branded titles, it's just hard to know if any problems were adequately addressed.

Salvage title vehicles should be avoided because you simply don't know if the damage done was properly repaired or what further problems will show up down the road. In some states it can be very difficult to get a salvage title vehicle registered and insured. And it's nearly impossible to resell them for anything worthwhile.

If you want to avoid buying a car with a branded title, the first thing you should do is check the history report on any vehicle before you spend time evaluating the vehicle in person. A history report will show the title history of the car over its entire life, which means even if a branded title has been "washed" clean, you should be able see if it ever had a branded title.

## QUESTIONS TO ASK BY PHONE BEFORE VISITING DEALERSHIP



Let's say you're gearing up to purchase a used car and you've been spending time surfing the Internet to see what's out there. And then you see it: The car you've been looking for, whatever that may be. The photos look great, you love the color, the year is perfect, and the price seems decent. You pick up the phone to call the dealership and...now what? Here is a list of questions to ask:

**Is the car still available?** Because you're interested in a particular car, the first thing you want to know is if it is still available. Even though you saw the car on the dealership's website, it doesn't mean it's actually on the lot. If the sales rep says that the car sold days ago, that is a big red flag because it means the dealership is not very conscientious in managing their online inventory.

**Is the price listed on the website still accurate?** If the car is still available, you should then verify that the price you saw listed on the website is still accurate.

**Does it have...?** If you have specific questions about features and options, ask about those.

**Can you send me a vehicle history report?** Say you're very interested in the vehicle but you'd like to see a vehicle history report on the car before visiting the dealership. If the salesperson is reluctant to email you a vehicle history report, consider that another red flag. They should provide it willingly and free of charge.

**Does the vehicle come with a warranty?** This varies widely from dealership to dealership and vehicle to vehicle, so it's good to find this out up front.

**Can you help with financing?** Many used car dealerships can help you find financing if you need to take out a car loan. If they have a robust network of lenders, they will all be competing for your business, which increases your chances of getting better loan terms.

If everything looks and sounds good, go ahead and make an appointment to see the vehicle in person and test-drive it as well. You may be well on your way to a new ride!



## TIPS FOR MAKING PRIVATE PARTY APPOINTMENTS



If you're shopping for a used car through the *for sale by private owner* route and you come across a vehicle that really does interest you, you'll want to get a history report from CARFAX®, AutoCheck®, or one of the other report providers. If the seller's ad doesn't have one available, order it up yourself. You'll need the vehicle identification number (VIN) to do this, and one-off reports do cost money, but it's totally worth it to avoid buying a car that's been through one or more serious accidents.

If the photos of the car online give you decent idea of what condition the car is in, you can find out what this car is worth using websites like *Edmunds*® and *Kelley Blue Book*®. Then it's up to you to decide if you think the asking price is fair or if you should be prepared to try and negotiate a lower price. If you're searching on Craigslist®, you should be able to find at least a few similar cars in your region so you can compare the prices and see if this one is in line with the others. Also run a check on the VIN at **SaferCar.gov** to see if there are any open recalls that haven't been completed.

With all that information (and print it off so you have it handy), call up the seller. First and foremost you want to find out as much information as possible by asking lots of questions, including the following:

- Why are you selling this car? What did you like and not like about it?
- Has it ever been in any accidents that you know of?

- Has the vehicle been smogged? In California, annual smog inspection/certification is the responsibility of the seller, no exceptions.
- When and what was the last service performed on the vehicle?
- Does the vehicle need any repairs that you know of?
- Is the vehicle paid off or not? If not, it needs to be paid off first in order to sell it.
- Do you have the title to the vehicle and is it in your name? If not, don't go any further!

If there were only one or two photos of the car online, ask the seller to take several more detailed photos and send them to you. In this day and age, that's really easy to do and any motivated seller should be more than happy to oblige.

By doing a little legwork and making sure you ask the questions listed above, you'll save yourself a lot of time when considering used cars for private sale by owners.

## HOW TO READ A VEHICLE HISTORY REPORT

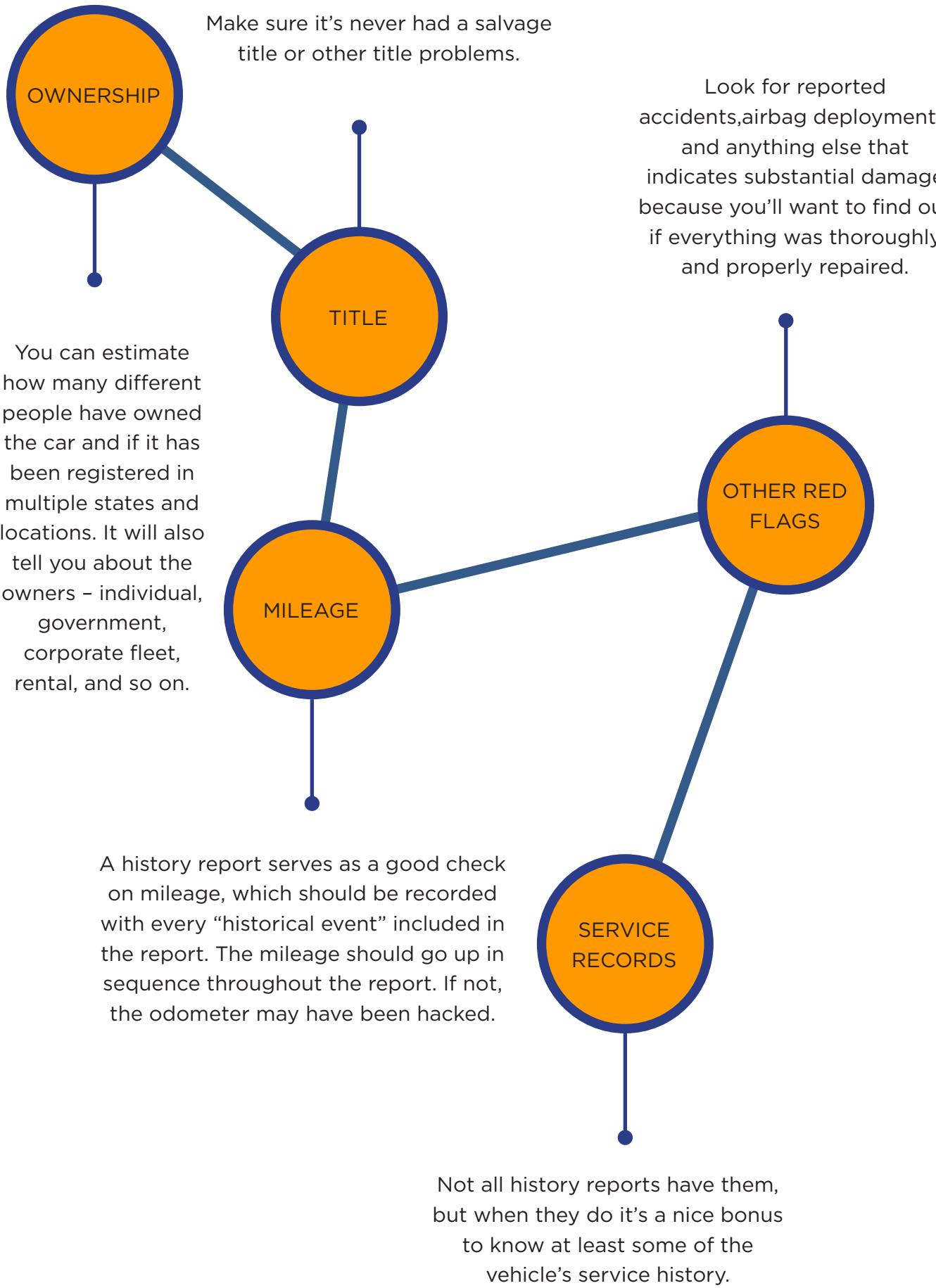


When you're shopping for a used car, it's always a good idea to carefully examine a vehicle history report for any car that interests you. There are various options out there, with two of the most popular being CARFAX® (the company that pioneered the concept back in 1986, sending its history reports via fax machine) and AutoCheck®.

In both cases, consumers can pay for various levels of access, including purchasing a single history report, multiple reports, or unlimited reports. But here's the thing: If you're shopping at used car dealerships, a good dealership should offer vehicle history reports for free on every one of its cars.

Vehicle history reports are important because they can offer you important insights about a car's past in terms of ownership, title, and sometimes even maintenance records. It will show each time the car was registered and where. It can also reveal if the car's title is or ever was *branded*, meaning that at some point an insurance company considered it a total loss and gave it a salvage title, whether from a bad accident, flood damage, or something else. You might also see if the car was in an accident that wasn't bad enough to total the car, in which case you'd want to verify that everything was repaired properly.

Please understand that vehicle history reports are not always 100% reliable. There are such things as *false positives*, which means the report makes the car look clean when in fact there actually were major damages or accidents that somehow didn't make it onto the report. Although such instances are relatively rare, you should still consider a vehicle history report as one source of information. When reading a vehicle history report, keep the following in mind:



In most vehicle history reports, any information that is negative about the car will typically be highlighted so it stands out. And again, keep in mind that the history report is only as good as what was reported into the databases from which the report draws its information, which means there can be mistakes and omissions. There are also shops that don't report their information up into the relevant databases.

Pay especially close attention to the most recent parts of the vehicle's history. If you see multiple changes in ownership or multiple auction sales in the last year or two, this could be an indicator that something is seriously wrong with car.

If the vehicle report shows the car has been in one or more accidents, does that mean you should automatically pass over it? Well, that depends. In some cases, the vehicle history report may provide enough information for you to determine that it was very minor and you feel fine about proceeding to check the car out in person. In other cases, however, the history report may not give any further information. All you know is that the vehicle was in some kind of accident. You don't know what kind of accident or how severe it may have been, and you certainly don't know anything about what kind of repairs were done.

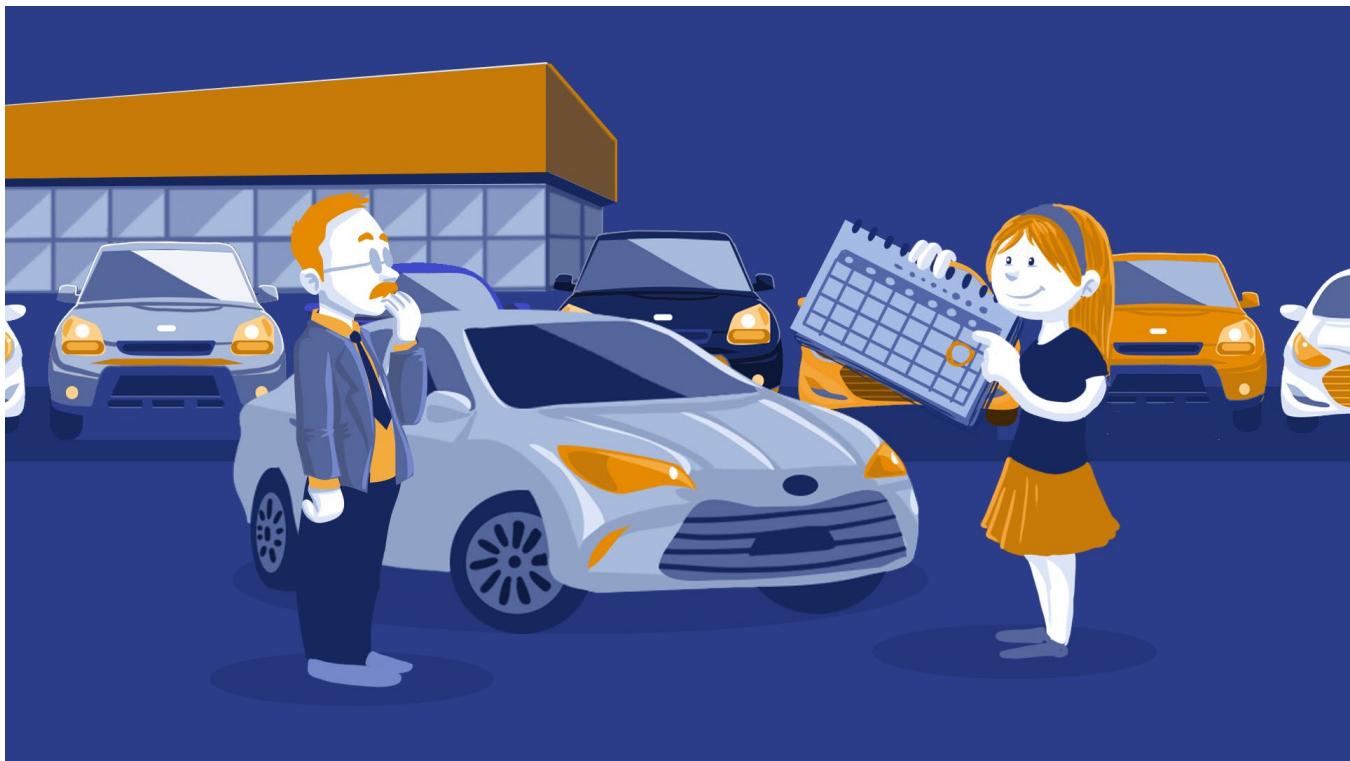
If you're still interested in the car, it may be worth doing a bit of legwork to see if you can find out more about the accident on the report. Talk to the seller to see if they know anything about the accident or can find out - and then decide whether or not you're going to trust that information!

Go back to the history report for information about the vehicle's title to make sure it's never been branded. If the car does have a branded title, it's probably better to stay away from it unless you know enough or want to hire a trusted mechanic to determine if the repairs were done to high standards. Be aware, though, that if the damage was serious, there could still be hidden problems that don't show up until weeks or months later.

Even if the title is "clean" you should still have a trusted mechanic check the car over thoroughly to see if they can tell what kind of accident it was in and give an opinion on whether it was properly repaired.

Vehicle history reports are one of the best ways to help increase your chances of getting a used car that's in good working order and not hiding major problems. Now that you know how to read one, you can be a more informed used car shopper.

## AGED INVENTORY AND GREAT DEALS



One of the best-kept secrets to finding great deals on used cars is understand the concept of *aged inventory*, which means how long a vehicle has been on the lot without being sold.

If you're looking at a vehicle that has been sitting on used car lot for several months, you can use that as additional leverage in negotiating the price. That's how aged inventory can be leveraged into getting a great deal on a used car at dealerships that don't use firm pricing. But how does aged inventory come into play at dealerships operating on a firm pricing model?

The key to success at firm pricing dealerships is rapid turnaround. They want to sell a car as quickly as possible. Some have a goal to sell each car within 30 days while others may allow themselves 60 days. Either way, anything that's been on the lot more than two months can be classified as *aged inventory*. When you're looking at the website of the dealership and it has a "specials" page, you can bet those are the vehicles which have become aged inventory and therefore the price has been reduced – which means it might be a great deal for you!

One question that might pop into your head at this point is this: What does it mean that the car hasn't sold yet? Does it mean there's something wrong with it? Well, it *could* mean that, although if you're dealing with a reputable dealership, that's probably not the case.

What's more likely is that it's just a kind of car that others aren't interested in. Maybe the market's been flooded with large numbers of that kind of car. Or maybe the firm pricing dealership didn't put the right competitive price on it to begin with. The used car market is in constant flux. The car that's in high demand today could quickly become the car nobody

wants in a matter of weeks or months. Assuming there's nothing particularly wrong with a car, the fact that it has become aged inventory simply means it isn't selling fast enough. If it's the car you want and it's on special, then you're getting a great deal.

But all this talk of aged inventory begs the question: How can you identify aged inventory? More specifically, how do you figure out how long a dealership has had a car on its lot so you can tell if it is or is about to become aged inventory? At a firm pricing dealership, the aged inventory will probably show up on some kind of deals page or specials page.

Other ways to spot aged inventory: Some dealerships will include when the car was first listed, which makes it easy. Another way to figure this out is by examining the vehicle's history report – it might reveal when the car was listed for sale. If not, look for the date of its last auction sale after which there won't be any new owner listed. That gives you a fairly good idea of when the dealer acquired the vehicle.

Aged inventory is an important concept to understand because it can easily be your ticket to a great deal on a used car.

## THE COSMETIC WALKAROUND



Now let's cover what you do when you go to see a car in person. Begin by making an initial assessment we call a *cosmetic walkaround*. You're just going to go around the car and take a look at it, and there is a *lot* you can learn from this if you know what to look for.

As you walk around the car just looking at it, does anything seem "off" or somehow just not right? Take a closer look for any evidence of previous paintwork or bodywork because this is often an indication the vehicle was in some kind of accident. You will hopefully at least notice anything obvious (misaligned panels, slightly different coloring, paint drips, etc.), but it takes a professional to spot some signs.

Are there any dents on the car? Don't forget to look at the roof – many people forget this (including the professionals sometimes). Check the labels on each window's glass to see if they're all the same. If one is different, it might indicate that window was replaced, in which case you'd want to know why. Hopefully it was just for a chip or crack that could happen to anyone as opposed to a major accident.

Then you can open the trunk and look under the carpet for signs of flood damage or other repairs. If you're feeling especially adventurous, slide underneath the car and take a peek around. What you're looking for under there are any signs that things have been welded recently on the frame, which would indicate a major accident. If it was really well done, you might not notice, but sloppy work is easy to identify.

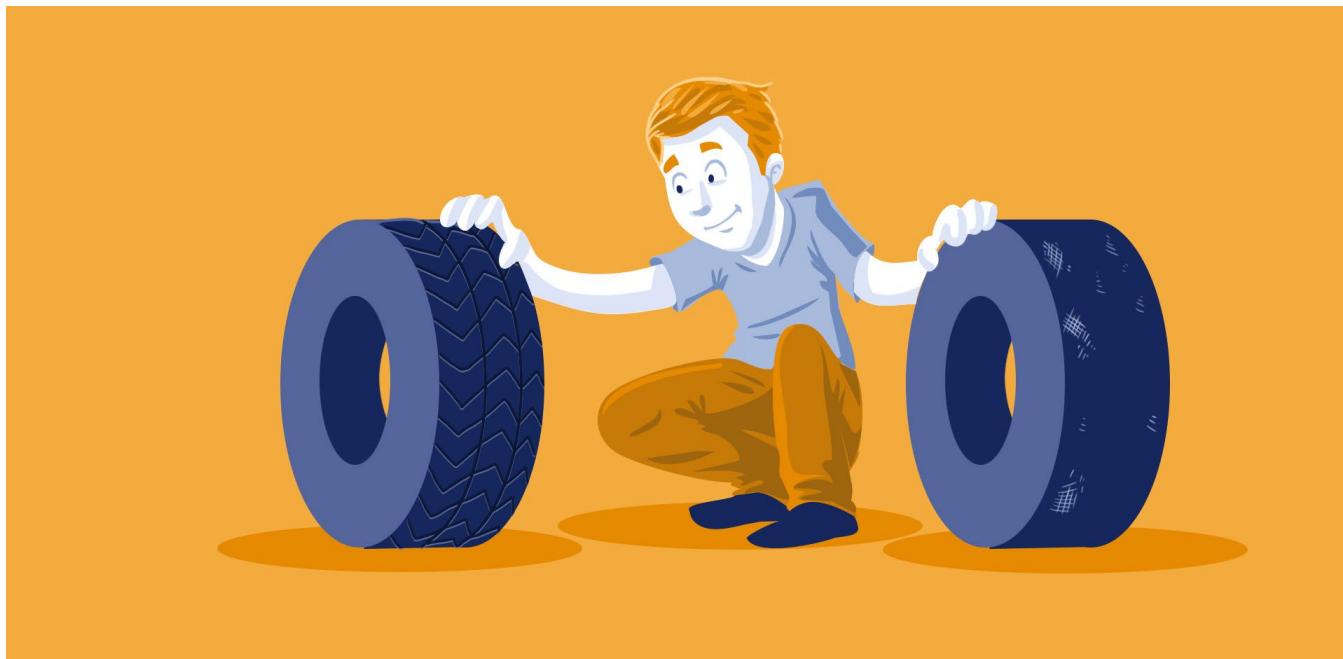
You want to be sure that the factory stickers are present, which are usually found on or near

the driver's side door. If they are missing, you'd definitely want to know why. Also, some manufacturer's label each panel of the car with the vehicle identification number (VIN). If this is the case with the car you're looking at, any panels without the VIN would be a cause for concern. Finally, take a quick look at the screws on the door and the hinges of the trunk and hood to see if there are any indications that they've been tampered with.

This is just your first look at the car, but it's an important one because you can learn a lot about a car if you know what to look for.



## CHECK THE TIRES



The tires and wheels say a lot about a vehicle, and there are many things to pay attention to. If the tires are five or more years old, they ought to be replaced by the seller before you buy the car. How do you know for sure? You can check this yourself because the fine print on the sidewall of each tire contains a four-digit number indicating the week and year when the tire was manufactured. If you see 3115, it means the tire was made in the 31st week of 2015. Purchasing a car with old tires could end up costing you hundreds of dollars to replace them much sooner than you probably thought you would need to.

Make sure all the tires match in terms of brand and size. Mismatched tires are always a serious red flag. Also take a look at how the tread is wearing. Tires that have been consistently over-inflated will show more wear in the center of the tire, whereas those that have been consistently under-filled will show more wear on the outside edges.

While you're at it, check the air pressure in the tires and make sure it's the same in all the tires and right around the manufacturer's recommendation. If there are any of these signs related to improper inflation, it indicates poor maintenance practices, which might also apply to other aspects of the car. If there's excessive wear on the outside edge near the sidewall of the tires, this usually indicates that the car was driven aggressively, which might again indicate problems with other parts of the car.

Another thing to be aware of regarding uneven tread wear is how it could be a sign of an alignment problem, steering or suspension problems, or even frame damage if the vehicle was in some kind of significant collision.

The tires are a key indicator of a car's overall condition, so pay careful attention to them when you're inspecting a used car that interests you.

## TEST DRIVING A USED CAR



Before even getting into the vehicle, pop the hood and check the oil. You want it to be clean and at the appropriate level. After that, get in the vehicle and take a look around at the interior. Is it clean and in good shape? Fasten your seatbelt and verify that it works properly without any glitches. In fact, check all the seatbelts while you're at it. Evaluate how the car feels as you sit in the driver's seat. Is it comfortable for you? Do you fit well and have the visibility you need to drive safely?

Then you can go ahead and put the key in the ignition and start the engine. Did it start right away without any trouble? If the radio is on, turn it off. You want to be able to hear any strange noises as you operate the vehicle. Rev the engine slightly, again listening for any noises that don't seem right. Look at the dashboard and make sure there are no warning lights on that indicate problems. Also verify that the airbag lights came on the way they should. If not, this could indicate the car was in an accident. Now you can test all the various items around you, including power windows, locks, mirror adjustments, seat adjustments, radio, headlights, interior lights, windshield wipers, heat, air conditioning, *everything*. While you're checking all these, listen to the idle of the car. Is it smooth and without strange noises? Also while the car is in park and idling, turn the steering wheel to verify there isn't excessive play or clunking noises.

When you're driving it, pay attention to how the brakes operate. When you brake, does the car pull to one side or the other? If it does, this might indicate loose calipers or not enough brake fluid. If there's any shuddering, this could mean the rotors are warped. The brake pedal should feel firm, not mushy, when you press it.

Also while you're driving, make sure the vehicle doesn't drift to one side or the other when you have a very loose grip on the steering wheel. If it pulls to one side, it could be an indication that the car has problems with its alignment. Also make sure the steering wheel doesn't shake at all, which can indicate that the wheels need balancing.

If you're able to find some bumpy roads, take the opportunity to see how the suspension performs and if there are any strange noises. Throughout the drive, pay attention to when the car shifts gears to make sure it is smooth and without any kicks or slips.

Those are all the most important things you should have in mind as you test-drive a used car. It's a lot, right? But this is a big purchase, and you want to make sure you get it right. If it's helpful for you, make a checklist of these items to ensure you cover all the bases. If everything checks out, you may have just found the used car that's right for you!

## HAVE A MECHANIC INSPECT THE CAR



When you're looking for advice about purchasing something, would you rely on only one person's advice? And would you want that one person to be the one who is selling the item? Getting a second opinion is almost always a good idea.

The only problem when applying this to used car shopping is that it does cost money to have a mechanic give a car a thorough examination and let you know the details of what they find. It might cost around \$150, give or take depending on what mechanics in your area charge for an hourly rate.

An independent inspection by a mechanic can reveal things about a car that the seller doesn't even know about, or that a shady seller might be trying to hide. What you learn might lead you to make a different offer on the car, or prompt you to walk away. Once you have the information, it's up to you what you do with it.

You might get a whole laundry list of things that are "wrong" with the car. First, please keep in mind that no used car is perfect! Expecting perfection in a used car is unrealistic and only sets you up for disappointment. A lot of what your mechanic finds is going to be normal wear and tear that comes from the car having been driven the number of miles on its odometer, so no worries there because it's normal, and the higher the miles, the longer the list. What you should be more concerned about is anything major that's wrong that definitely needs to be fixed. Have your mechanic prioritize a list in order of importance or urgency so you can easily see what needs to be taken care of first.

What's really at stake here is the issue of *trust*. If you feel you can trust the seller of the car, you could avoid spending that \$150, or put it towards a larger down payment. The final decision is yours, but when in doubt, have a trusted mechanic check it out!

## NEGOTIATING THE PRICE OF A USED CAR



Negotiating the price of a used car can be stressful, which is why it's easier to buy from dealers using a firm pricing model, but occasionally you may find yourself in a situation where you have to negotiate. How do you go about engaging in the price negotiation process?

**The mindset.** Perhaps the most important leverage point you have in negotiating the price that's right for you is *your willingness to walk away*. So it goes without saying that you'll be able to negotiate a better price on a car if it's not the-car-you-must-have-at-all-cost, because that's the car you'll pay too much for. In other words, don't be so attached to any particular car that you lose your ability and willingness to walk away if you don't like the price or the direction of the negotiation. There are tons of used cars out there, and several that could probably become your new ride, so refrain from getting too attached to any given vehicle. Your willingness to walk away is your ultimate trump card.

**Price knowledge.** If you've done your homework by going to Kelley Blue Book® and/or Edmunds® to determine the "book value" for the vehicle, then this knowledge is something you can use in the negotiation process, depending on the asking price relative to book value. Book values are not the end-all-be-all of pricing in the used car market, but do offer good starting points for the negotiation process.

**Responding to pressure.** If the seller does anything you don't like, such as trying to rush you, upsell you, or otherwise pressure you in any way shape or form, whip out your trump card and simply walk away. You don't need to put up with that from anyone and the best thing you can do is take your business elsewhere.

**Making your offer.** The vehicle was already advertised with a particular price on it. Let's assume that price is higher than what you want to pay. Feel free to make an offer that is significantly below the price you have in mind. If you took the car to a mechanic and had it checked over, you probably have a list of items that need or will soon need some attention, and you can use that list to help justify your low offer. But you've also left room to allow that price to come back up as the negotiations go through multiple rounds of offers and counteroffers but still end up as close to your preferred price as possible.



## SHOULD YOU PURCHASE A SERVICE CONTRACT?



In the used car shopping process, you eventually get to a point where the seller, especially if it's a dealership, is going to ask if you'd like to purchase a service contract to go with the vehicle. This is something lots of car buyers haven't really thought about until it's put in front of them, and then they are unsure of whether or not they should because they don't know the ins and outs of service contracts.

Generally, service contracts cover various components of your vehicle in case of breakdown, and are an optional product. Covered components may include the engine, transmission, axles, electronic components, and more. Many contracts also have additional benefits such as roadside assistance and rental car reimbursement. Depending on the type of contract, the scope of coverage may vary. It's like a special insurance policy for repairs, which means there will be a deductible, which is typically \$100, but there are contracts with no deductibles as well. Here are some of the pros and cons of service contracts:

### SERVICE CONTRACT PROS

- **Peace of mind.** With a service contract, you have the peace of mind that your finances won't take a major hit when you have an unexpected repair that needs to be done on your vehicle. You know that all you have to make is your regular monthly car payment, and if a problem comes up, the service contract will cover the repair.
- **Steady cost of ownership.** The cost of owning the car (except for gasoline, of course) is a set amount that doesn't change even when repairs are needed, which helps you maintain better control over your finances.

- **Repair flexibility.** If you need to make a claim for a repair, you can take your vehicle to any licensed mechanic. This gives you the flexibility of choosing whatever repair shop is most convenient to you, whether it's an independent facility or the service department at a dealership. This flexibility also means you don't have to spend a lot of time shopping around to get the cheapest price you can find.
- **Freedom to cancel.** The length of a service contract can vary anywhere from one year to six years, depending on what you need, but you should also be allowed to cancel it at any time and get a pro-rated refund. Just remember that most breakdowns are unexpected, and canceling your service contract may leave you vulnerable to costly repairs.
- **Maintains vehicle value.** Because any needed repairs will be covered by the service contract, you'll be keeping your vehicle in top working condition, which will help maintain its value so that if you eventually decide to sell or trade it, you'll get a better price. And many service contracts are transferrable as well, which can be a very attractive selling point to potential buyers, again allowing you to get a better price.

#### SERVICE CONTRACT CONS

- **Additional expense.** Purchasing a service contract does mean your monthly car payment will be more than without it. But it's important to keep in mind how expensive repair work is with licensed mechanics. Most have hourly rates in excess of \$100, and then there's the cost of parts as well. The service contract evens out the cost of repairs over the life of the contract, helping you avoid sudden large repair bills. The additional cost is really the only con in purchasing a service contract, but one that many people accept because of the many benefits listed above.

Should you purchase a service contract? The answer depends on your personal situation and comfort in tolerating the risk of unexpected costly repairs. We think the many pros outweigh the cons enough to make it worthy of your consideration.

## SHOULD YOUR PURCHASE GAP INSURANCE?



Many people wonder about GAP insurance and whether or not it is something they should purchase. It depends on a number of factors, but if you have a lot left to pay on a car loan, GAP insurance is a very good idea.

Let's start with the people who do *not* need GAP insurance. If you own your car free and clear, you don't need GAP insurance. If what you still owe on your car loan is less than what the car is worth, you don't need GAP insurance either. Why? The reason has to do with what GAP insurance is designed to do, which is to provide you a layer of financial protection in the case of a total loss of your car.

When your car insurance company totals your car and figures out what to pay you for the lost vehicle, what you'll get is an amount of money that it considers to be the market value of the car before the loss. If you're early in the payback period of your loan and you didn't put much money down, the chances are good that what the insurance company pays out to you for your totaled car is going to be less than what you still owe on it. This gap is pretty common, and sometimes the gap can be thousands of dollars.

GAP is actually an acronym that stands for Guaranteed Asset Protection, or in this case Guaranteed Auto Protection. In the case of a vehicle, its purpose is to cover the difference between the balance of a loan due on a vehicle and what an insurance company pays in the event of a total loss. This is one insurance product that makes a lot of sense to have. It's usually pretty inexpensive and it helps ensure what might be one of the worst feelings in the world - having your car totaled and getting a check from your insurance company that doesn't even come close to what you still owe on your car loan.

You may have heard people talk about being “upside down” on their loan. That’s one of the ways people refer to the situation where you owe more on a car loan than your car is worth. That’s when you definitely want to have GAP insurance.

But you’re also not required to purchase GAP insurance. It’s not the same as your basic car insurance policy, which *is* required in order to insure you and others in the case of accidents. GAP insurance is always an optional product, although some states do require that car dealerships offer it to people when they’re purchasing a car. It’s a sensible product with great benefits if you’re going to be paying for a car over the course of 3-5 years (or more).

To answer the question of whether or not you should purchase GAP insurance, the answer is pretty easy: If you’re going to be paying on a car loan for years, GAP insurance is a good idea.



## PART 3

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# HOW TO PAY FOR YOUR USED CAR PURCHASE



## SAFE WAYS TO MAKE AND ACCEPT PAYMENTS



You've found what you think is the perfect used car for you. It's the make and model you've always wanted, a fairly recent year, great mileage, super condition – all systems are go! Now it's time to pay for it. Many people don't give this much thought, but depending on the context in which you are buying a used car, you want to be sure you select a safe way to pay for your new ride. Even more relevant is when you're selling your own used car – what's the safest way to accept payment?

If you're buying a used car at a reputable, licensed dealership, you can use just about any way to pay you want, whether by personal check, debit card, credit card, cashier's check, or even cold hard cash. Just make sure you get a bona fide receipt if you pay cash! When you pay by check or card, those payment methods are verifiable and trackable. Cash, on the other hand, not so much. And really, if you're buying from a dealer, there's absolutely no reason to pay in cash. It's really not safe to carry around large sums of money like that when you don't need to.

If the context is a used car for sale by private owner, cash is out of the question. In addition to the fact that it's just not safe to be hauling around loads money, you're about to engage in a significant transaction with a complete stranger, not a licensed, reputable dealer. If push comes to shove, whether you're the buyer or the seller, how are you going to prove that the cash was handed over? Save yourself a potentially huge headache and avoid using cash in any used car transaction, whether with a private owner or a dealership. It's just not smart.

In fact, in the private transaction context, it's probably better to stay away from both personal checks and even cashier's checks. For personal checks, there's no guarantee that the person

who wrote it actually has the money in the account to cover the check, and who wants to deal with a bounced check situation? Everyone tends to assume that a cashier's check is as good as gold, and most of the time it is, except that they're actually very easy to fake, in which case the seller who accepted it is completely out of luck. That's a hard lesson to learn!

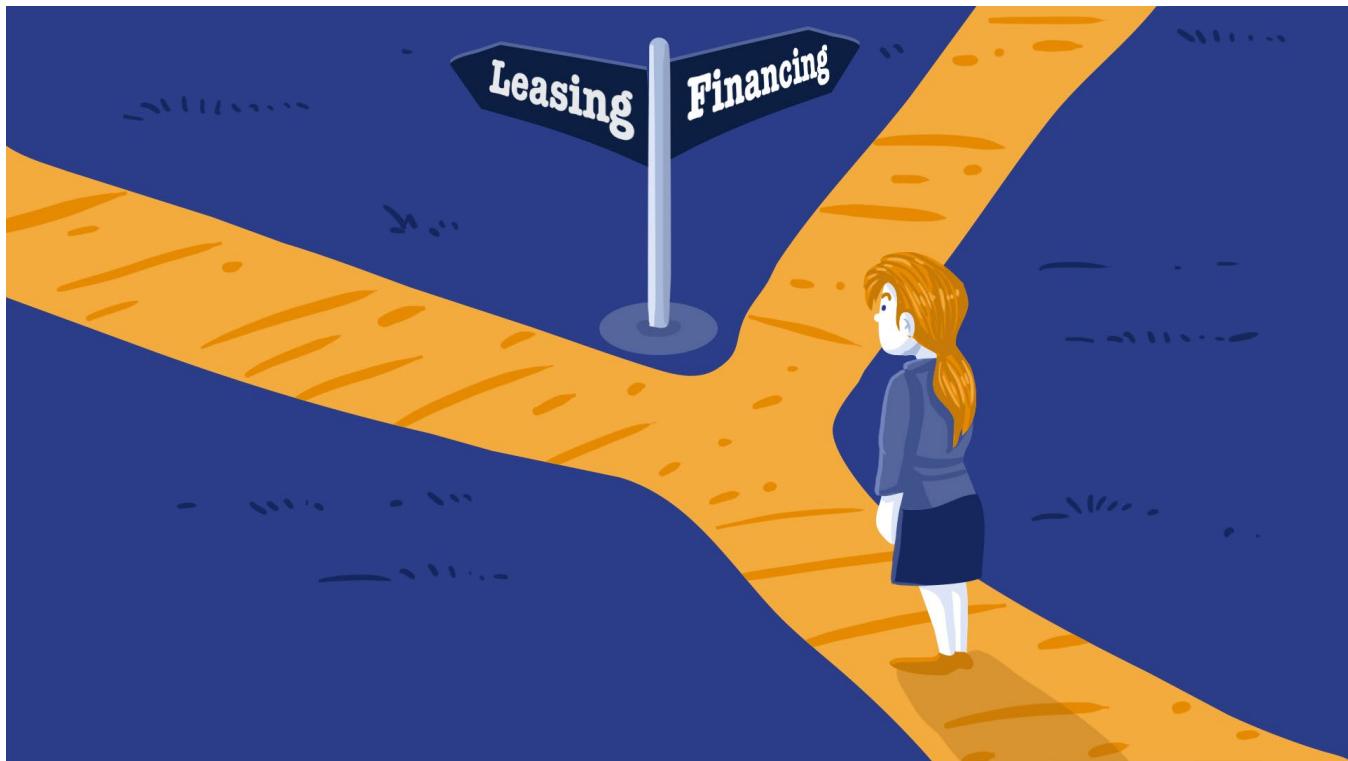
There is a good solution to this dilemma: Schedule the transaction to occur at the buyer's bank so you're there to see the cashier's check being prepared. Then you're good to go!

If you're going to purchase a used car from a private owner using your own personal check, then you do have the peace of mind knowing that there will be a record of the check being cashed and/or deposited and by whom. Just be sure the seller has prepared a proper *bill of sale* to serve as a receipt and record of the transaction.

Keeping these tips in mind when you're buying or selling a used car will help ensure everything is legitimate and goes as smoothly as possible.



## LEASING VERSUS FINANCING



Is it better to lease or finance? It depends on a wide array of factors and your own needs. Each option has its advantages and disadvantages that are summarized below:

### LEASING PROS:

- Typically involves a lower monthly payment than financing.
- Can often be obtained with little or no down payment.
- Lower monthly payments means having the option of driving a better car.
- For the length of the lease, the factory warranty will be in effect, which means potentially lower repair costs.
- Makes it easier to get into a new vehicle every few years.
- You don't have to go through the hassle of selling it or finding a good trade-in deal at the end of the lease.
- You don't pay as much in sales tax (if applicable in your state).

### LEASING CONS:

- At the end of the lease you have to turn it in because you don't own it, although you do have the option of buying it.
- There is a limit to the number of miles you can drive in a year, typically 12,000. Of course you can pay extra if you know you'll drive it more than that.

- Ever try to actually read a lease contract? It's full of legalese.
- You can't make any significant modifications to the vehicle.
- In the long run, it costs more to lease than to buy a car and drive it for many years.
- If you turn in the car with excessive wear and tear, you'll take a nasty hit to your wallet.
- If you decide you want out of a lease, it's very costly to terminate it.

#### PURCHASE PROS:

- You own it, which means you can modify the vehicle as you please.
- It costs less in the long run to buy a car and keep it for many years.
- There are not mileage limits, so you can drive it as much as you want.
- You can sell the car any time you want if you feel like making a change.

#### PURCHASE CONS:

- You have to pay more up-front in a down payment to avoid being "underwater" or "upside down" because you owe more than the vehicle is actually worth thanks to rapid depreciation.
- Monthly payments on a purchase are always higher than monthly lease payments.
- Once you're past the warranty, you'll be responsible for all costs to get things fixed.
- When you're ready for another car, you have to go through the hassle of selling it yourself or finding a good trade-in deal.

In the end, it comes down to analyzing those pros and cons against your own unique driving needs and requirements. If you can live with the idea of always having a car payment because you like being in new vehicles every few years and can abide by the mileage constraints, then leasing might very well be a good option for you.

But if your idea of driving means having the same car for as long as possible and the notion of tracking miles to stay inside of limits doesn't make sense to you, then purchasing probably makes the most sense. It's that simple!

## IF YOU HAVE GREAT CREDIT



Although most of what's written about used car loans seems to be about addressing the concerns of customers with challenged credit, even customers with great credit have questions. When your credit score is awesome, where should you go to get a used car loan? Should you go to your bank? A credit union? A dealership? It's not easy to figure out where to start when it comes to getting a used car loan.

The good news is that with a great credit score you will enjoy the very best terms possible. The bad news is that those terms can still vary widely from lender to lender. By all means, check with your own bank to see what kind of loan terms they will offer you. But even if the terms seem great, don't seal the deal before checking around and comparing with other offers. Just because you have a long-term relationship with a bank doesn't mean you have to restrict yourself to that institution for a loan – especially if there is a better loan out there waiting for you. The question is, how do you find it?

Sure, you can hit the pavement and visit every bank and credit union imaginable, but who really has the time and energy to do that? You'll need some of that time and energy to find the car you want to buy, right? Now imagine how convenient it would be if you could combine both shopping for a car and shopping for a car loan all at one place. The best used car dealerships offer exactly that. Talk about saving yourself from a lot of hassles and headaches!

Ever hear the phrase *when banks compete, you win?* A great used car dealership with a robust finance department will have a whole network of top lenders who will be fighting to get your business. Why? Think about it: You're applying for financing at a used car dealership,

which means you're probably already looking at a car you want, so all the lenders in the network know you're serious about buying a car, so if they offer great terms, they have a shot at getting your business. On the other hand, when you walk into a bank here and there to inquire about what kind of rates they offer on used car loans, they don't really know how serious you may or may not be about actually buying a car. In other words, it doesn't feel like they're competing with anyone and may not try very hard to get your business.



## IF YOU HAVE CHALLENGED CREDIT



Many people who need a new car cause themselves a lot of stress because they're worried about their credit. Maybe it's a bankruptcy, or not having any credit at all, or a really low credit score, accounts that are in collections, or other credit problems. Bad credit car loans are definitely possible, but here are the top mistakes we see challenged credit customers make all the time:

### AVOID BUYING A CAR YOU REALLY CAN'T AFFORD

It's all too easy to fall in love with the car you *want*, but is it a car you can really afford? This is where you have to let your head overrule your heart. If you're already in a challenged-credit situation, you're starting out at a disadvantage because you won't get the best interest rate on a loan. You need to be as realistic as possible about how large a monthly payment you can handle. The last thing you want to do is find out a few months into it that you've bitten off more than you can chew, which can lead to missed payments or even a repossession, neither of which is going to do any favors to your credit scores. Know your monthly budget and how much you can afford.

### SHOP AROUND FOR THE BEST CAR LOAN

Not all car lenders are created equal. They actually differ a lot on interest rates and other terms, so it's worth making sure any financing you accept is the best you can do. But shopping for a car is hard enough, which makes more shopping for a car loan seem like a hassle. If you find the right used car dealership, you won't have to do all that legwork yourself. Choose a dealership that has a robust financing program. The best-case scenario is a dealership that already has a

large network of lenders they deal with. The dealership can help you find the lender that will give you the best possible terms given your credit situation. They'll submit applications on your behalf to multiple lenders, and when all those lenders are actively competing for your business, that's how you get the best terms possible.

### **CHOOSE A REPUTABLE DEALERSHIP**

Dealerships tend to have lots of inventory to choose from, all in one place, which is very convenient. But not all used car dealerships are worthy of your business. The best dealerships offer transparent, up-front, no-haggle prices that are competitive, will happily help you find the best financing possible, offer only top-quality cars for sale, provide warranties and history reports for every car, and even a money-back guarantee. There should be no pressure to "upsell" you on cars out of your budget. The dealership should let *you* set the pace and follow your lead. A dealership lacking any of those features is one you should probably avoid.

### **REPAIR YOUR CREDIT**

You simply must make bill payments on time, every time, even if it hurts. Every late payment is just another ding on your credit history that lowers your score further. If your credit is in really bad shape, try to at least pay something on each account every month by the due date to show you're making an attempt to improve things. And don't forget to factor in the cost of maintenance into your budget, because every car needs to be properly maintained if it's going to last. When you already have bad credit, the worst thing you can do is wind up with a car you can't afford and end up having it repossessed.

### **BUY A RELIABLE USED CAR**

You'll be much better off in the long run if you focus on used cars that are reliable, don't have too many miles on them, and are known for having lower overall maintenance and repair costs. You can easily do some Internet research at any of the big car sites such as Edmunds® to find out which cars do the best over time.

### **SAVE UP FOR A BIGGER DOWN PAYMENT**

Another thing that's fairly common is that if you have challenged credit, lenders may require you to put more money into a down payment, which is another way of reducing their risk exposure. This can also be a good thing for the challenged credit customer. With a bigger down payment, you might end up with a lower monthly payment. In fact, if you don't have to buy a car immediately, take some extra time to save up for a bigger down payment as it will help increase your chances of qualifying for a loan and maybe get you better terms as well.

### **IF YOU HAVE PROBLEMS, TALK TO YOUR LENDER**

Once you've secured a used car, if you do run into problems making your payments, don't just suffer in silence. Be up-front and honest with your lender about what's going on. The last thing any lender wants to do is go through the hassle of repossessing a car, and most will do what they can to help.

Even if your credit is challenged, there are plenty of lenders out there who will compete with each other to give you a used car loan. Having bad credit doesn't automatically rule you out from being able to finance a used car, but it does affect the terms of the financing.

Some used car dealerships won't even try to help you figure out the financing, in which case you should just move on until you find one that will help you. Many used car dealerships simply haven't invested the considerable time and resources it takes to develop relationships with leading lenders. But there are plenty of dealerships who have made that investment because they know it offers customers a major benefit – the advantage of being able to get their car and the financing all lined up in the same place at the same time.

People with challenged credit can still buy decent used cars, but the more challenged your credit, the harder it will be to get a loan, and the higher the interest rate you're going to have to live with to make your purchase. People with good credit are rewarded with lower interest rates while people with challenged credit are penalized with higher interest rates. It may not seem fair, but it's just the way the system works. From the lender's perspective, making a loan to someone with challenged credit carries a higher risk of default, so they charge you more for taking on that higher risk.

And yes, there are some bad credit situations that no lender will work with. What you want to do is find out what's possible for *your* specific situation. A good used car dealership will sit down with you and go over your situation and then give you a realistic picture of what's possible. If the dealership has a robust network of lenders, the chances are good that one or more of them will have a program tailored to meet your specific situation.

There's more that goes into a lender's decision to make a loan to you than just your credit score. They consider your employment history (stable long-term employment is always better), your income (to make sure you can afford the payment), and a variety of other factors. You might also be asked to provide documentation for these things. Depending on your situation, the lender might require a co-signer to further reduce the risk involved for them.

The biggest thing that holds people with challenged credit back when shopping for a used car is their assumption lenders won't work with them. In reality, there are lots of lenders who will make used car loans to people with challenged credit, you just have to understand the terms won't be as good as those offered to people with better credit.

## HOW TO READ A FINANCE CONTRACT



When it comes to knowing what you're looking at when a finance contract for a used car loan is in front of you, many people don't feel they know enough to really evaluate it. Below are all the major pieces of information you should find on a financing contract and what they mean.

The contract itself is often printed on a very long sheet of paper. At the top will be basic information about the buyer (you) and the seller, as well as the year, make, model, and vehicle identification number (VIN) of the car being purchased. Then look for a row of information about the annual percentage rate, finance charge, amount financed, total of payments, and total sale price. Below you'll find more on each of these items:

- **Annual percentage rate.** You, as the buyer, don't have enough cash to buy the car outright, which is why you're taking out a used car loan. The lender is charging you a fee for borrowing the money, which is the annual percentage rate or interest rate on the loan. Think of this as the cost of taking out a loan. The annual percentage rate offered to you will vary depending on your credit history and current rates in the market.
- **Finance charge.** Each monthly payment you make on the loan includes a fee for the cost of taking out the loan. Adding up all the fees throughout the life of the loan gives you the total finance charge.
- **Amount financed.** This is the total amount you are borrowing to purchase the car. It's the dollar amount of the credit being extended to you by the lender. It's typically not the same as the price of the car if you make a down payment.

- **Total of payments.** This represents what the buyer/borrower will pay in total on payments for the loan over its duration. It includes the amount financed (price of the car less any down payment) and the total finance charges over the life of the loan.
- **Total sale price.** This is the grand total figure you are paying for the car, which means it includes the original price of the car as well as the total finance charges.

There will also be a part of the contract that explains the *payment schedule*. It includes the number of payments, which will be 12 monthly payments per year times however many years you loan will last (typically anywhere from 3-6 years), the amount of each payment, and how often payments are due (monthly) and when (the day of the month). One other section to look for is one that covers an *itemization of the amount financed*. It shows the cash price of the car, then subtracts from it the value of your trade-in if you had one and any down payment you make, and then adds in various items such as title fees, any service contracts or GAP insurance you purchase, and so on.

When a finance contract is put in front of you, it can feel very daunting. As long as you are familiar with the various items mentioned above, you'll be in a good position to examine any finance contract and know what it means.

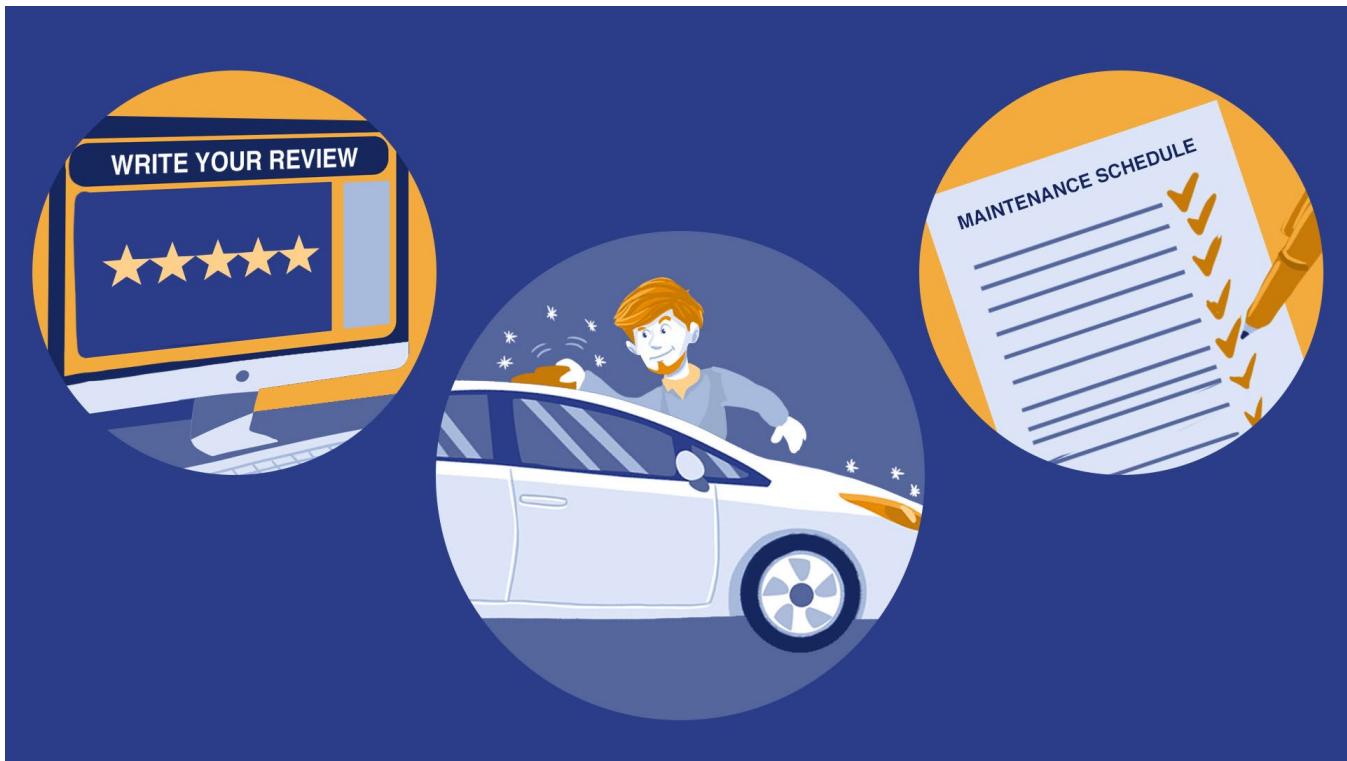
## PART 4

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AFTER YOU PURCHASE A USED CAR



## WHAT TO DO AFTER YOUR PURCHASE



If you financed your purchase by taking out a car loan, then the title of the vehicle will be sent to the lender. You won't receive the title to the car until it's fully paid for. The registration will arrive by mail to your address. If you were able to pay for the vehicle in full at the time of purchase, then you will receive both the title and the registration in the mail. But they won't come at the same time! Many people don't realize this, and when they receive one without the other they have a panic attack, thinking something is wrong. Don't worry – it is standard operating procedure for each of these documents to arrive separately by mail to your address.

If you now have a car loan, please do yourself a favor and be sure to make each payment on time every time. This is your chance to make sure you maintain or improve your credit score! This is especially important if your credit is already challenged in any way because it can help you show improvement and reflect favorably on any future attempts to apply for credit.

The most important thing you should do after you've purchased a used car is to get in the habit of keeping the car clean and well maintained. If you're like most consumers, you won't drive this vehicle forever. At some point you'll probably want to trade it in or sell it privately. And when it's time to sell or trade your car, two of the most important things that affect the price you can get is how clean it is and how well you've documented regular service and maintenance.

Use the owner's manual (and if you don't have it, they're often easy to track down online) to find out how often the manufacturer recommends various kinds of servicing and regular maintenance. Stick to that schedule and save all the documents showing what was done and

when. When you can show those records to a prospective buyer, it helps you get a better price for your vehicle.

To summarize, there are three important things you must get into the habit of doing after purchasing a used car:



1

Make your car loan payments on time every time.



2

Keep your car as clean as possible.

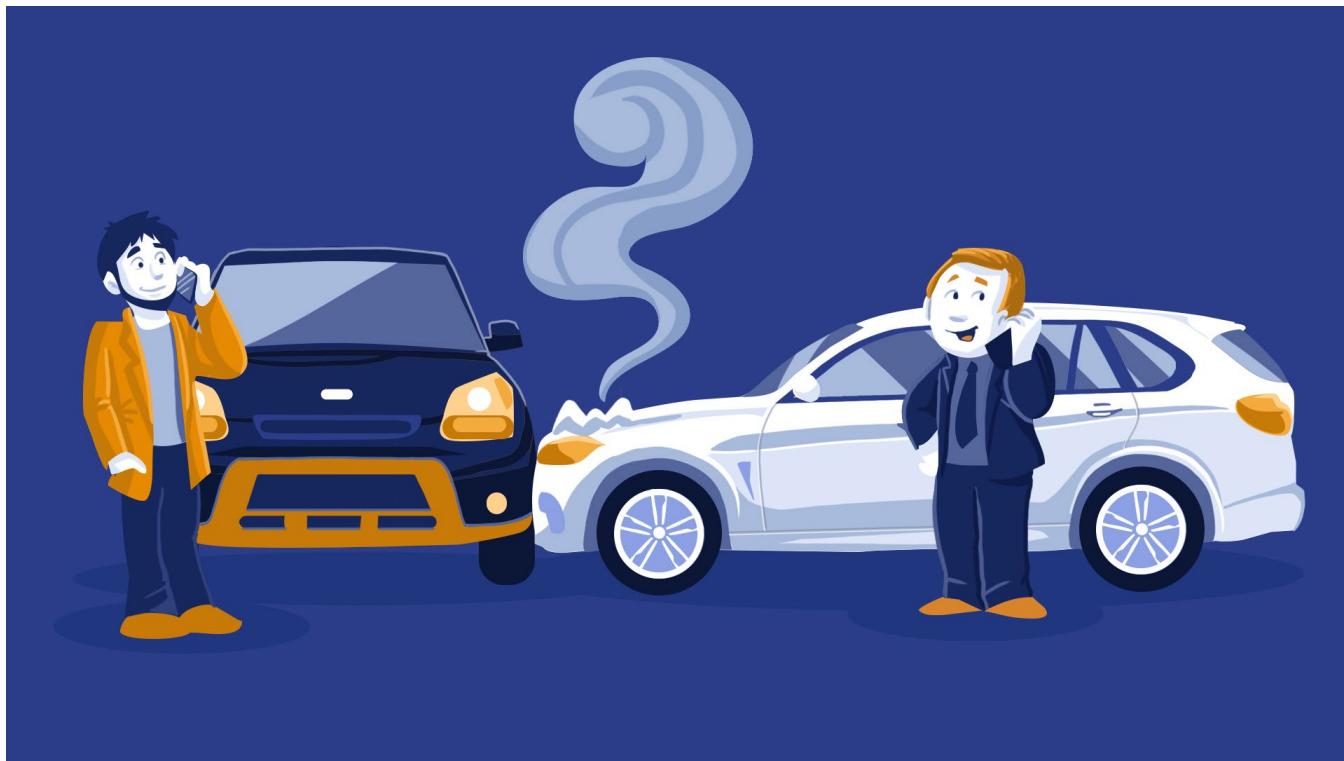


3

Perform all maintenance per manufacturer's schedule and keep all service records.

These three simple habits will help you keep your credit history good and maximize the value of your car when you decide to sell it or trade it in.

## INSURING YOUR NEW RIDE

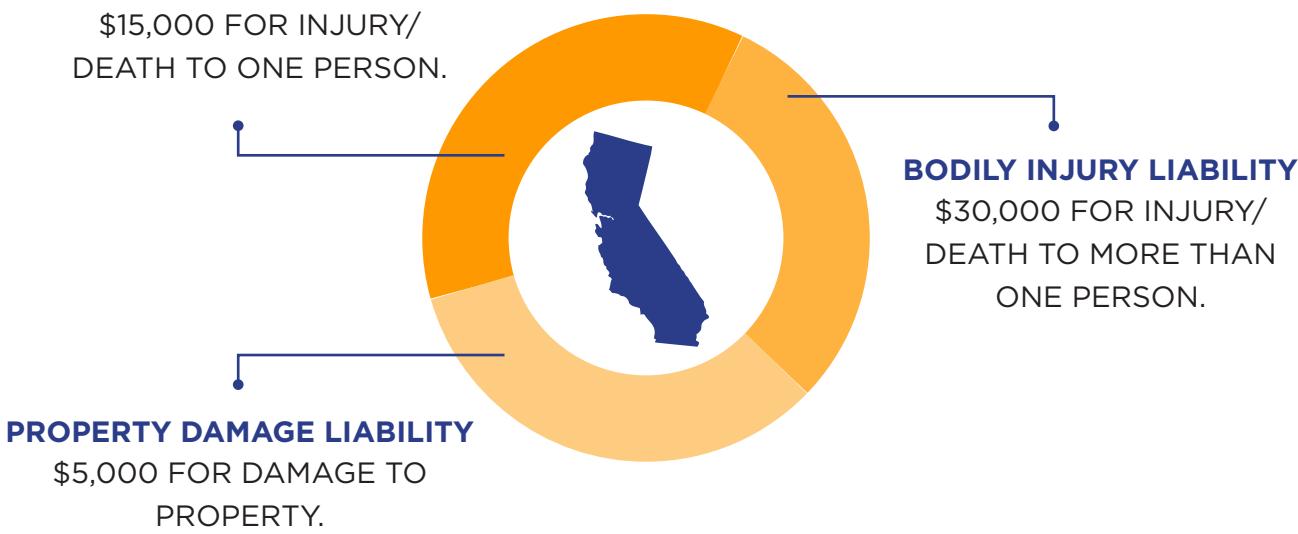


Everyone nowadays says that all you have to do is call up one of the well-known national brand-name companies and you'll be all set because they all offer such cheap insurance. But to make sure you're getting the coverage you need at the best price possible, you should still do some comparison shopping to make an informed decision.

First, make sure you know what the minimum requirements are for different kinds of coverage in your state. By way of example, here's what the state of California requires ([source](#)):

### BODILY INJURY LIABILITY

\$15,000 FOR INJURY/  
DEATH TO ONE PERSON.



Please note that these are *minimum requirements*. If you're in a serious accident and found to be liable, the injured parties are probably going to be seeking a lot more than those amounts of money. Consumer Reports® recommends bodily injury liability of \$100,000 per person or \$300,000 per accident, and property damage liability of \$100,000. What's right for you and your budget is probably somewhere in between the state requirements and the Consumer Reports® recommendations ([Source](#)).

When you start looking into different car insurance providers, check out customer reviews just like we recommended you should do for used car dealerships. If you see consistently poor reviews about how difficult it is to process claims or many complaints about bad customer service and so on, pass that company up and look at another. There are lots of options out there, so take some time to explore. And keep in mind that some companies don't offer information up-front about their discounts, so be sure to ask.

Another comparison point between insurance companies is what discounts they offer. More and more companies are offering discounts based on safe driving habits, which can be tracked over a period of time with a device you plug into your car's diagnostic port. Other discounts might be based on driving fewer miles, having a low-mileage car, putting multiple vehicles on the same plan, and bundling your car insurance with other kinds of insurance you need, such as home insurance.

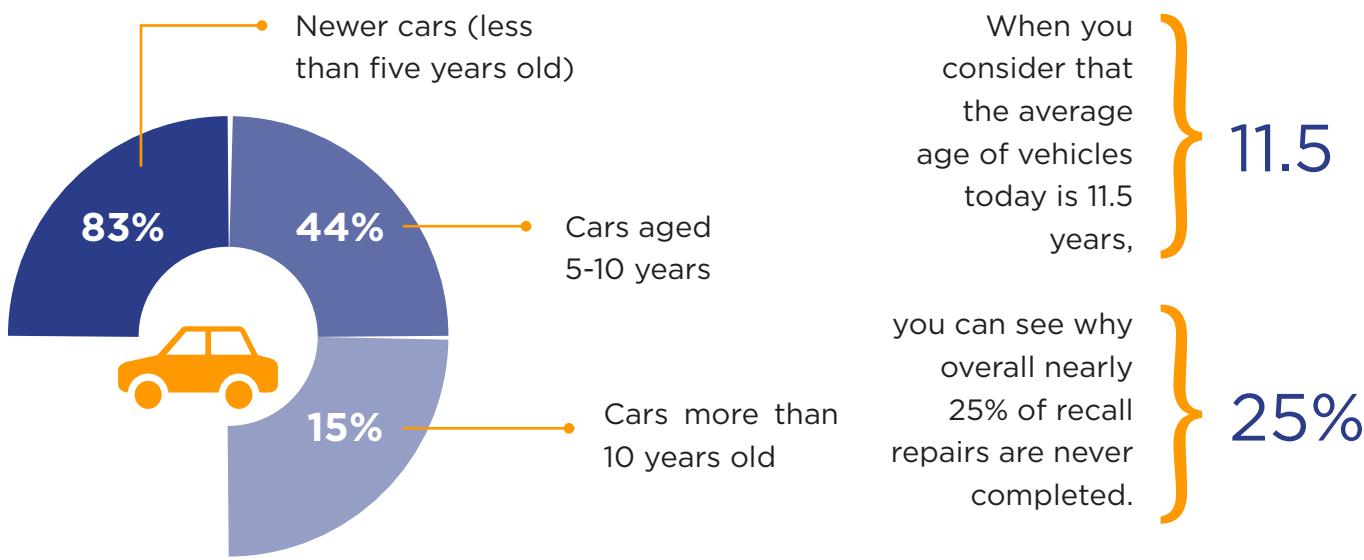
Another way to keep your car insurance costs down is to make your deductible higher. Figure out what you could handle in your budget for a deductible if you have an accident. The higher your deductible, the more your premiums go down. If you're driving an older vehicle, say more than five years old, it may be worth your while to drop both comprehensive and collision coverage and pocket the savings – or set them aside in order to set a higher deductible.

As you can see, there are lots of ways to keep your car insurance costs under control. All it takes is a bit of time and effort on your part to get the deal that's right for you.

## VEHICLE RECALLS



The statistics about vehicle recalls are surprising. It seems the older a car gets, the less likely its owner will have recall repairs completed. According to a statement by the Alliance of Automobile Manufacturers, here are the completion rates of recalls by the age of the car ([source](#)):



Vehicles get recalled for all kinds of reasons. Some recall issues are minor, some are major, and some don't even have a remedy yet, but when they do, it's the brand-name dealership for your make of car who responsible for completing the repairs. Check for recalls on your vehicle using the **SaferCar.gov** website.

An open recall on your vehicle means the manufacturer thinks there's something wrong with car that really should be fixed. All you have to do is type in your vehicle identification number (VIN) and you'll be able to find out if there are any open recalls on your car. You'll get one of three different results from your search as follows:

- **Recall INCOMPLETE:** This means that an incomplete or "open" recall was found on your car and you should follow the remedy instructions.
- **Recall INCOMPLETE. Remedy Not Yet Available:** This means that an incomplete or "open" recall was found on your car, but the manufacturer is not yet ready to provide the needed remedy or fix.
- **Number of Open Recalls: 0.** This means that either you have no recalls associated with your car or your car has already been fixed.

When's the last time you discovered something wrong with your car that needed fixing and you didn't have to pay for the repair? Probably never. Recall repairs are the one exception to the rule – they're typically completed free of charge by the brand-name dealership. You get to enjoy the peace of mind knowing something that's wrong with your car is being fixed, and you don't have to pay for it. Sounds like a win-win situation, right?

You only have to do this search once, really, if you've never done one on your car. Once you find out the result, as long as your car is properly registered and your mailing address is up-to-date, the manufacturer of your car will send you a letter to alert you of any new recalls that come up. We strongly encourage everyone to find out if there are open recalls on their vehicles and to get them repaired at the nearest brand-name dealership.

## WRITE A REVIEW

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After you've made your purchase, there's something really important you need to do before the whole car-buying experience becomes a distant memory: Please take the time to write up a review and submit it to a site such as DealerRater®, Yelp®, or Google®. Why? This is your chance to help make the world a better place. Well, at least the world of used car shopping!

Whether your experience was awesome or horrible, your review will help others to either find a great dealership or avoid a terrible one. A negative review might even help a dealership rise to the occasion and make changes to improve its business practices. If it's sounding like your review is really important, that's because it is! You can play a part in helping improve the used car industry, one review at a time.

If you had a great experience buying from a particular used car dealership, give as much detail as you can about why it was a good experience. Think about all the different aspects of used car buying process – how was the selection? What were the prices like? Was there any kind of guarantee or warranty? Did the dealership help you line up financing if you needed it and what was that like? What was it like working with a particular salesperson? Give the person's name and how they were helpful to you.

If your review is going to be negative, first contact the dealership and find out if they are willing to correct anything that was wrong with the car or the process – it's only fair to give them a chance to make amends, and their response would be important to include in your review. Be as specific as possible about what parts of the process or the people or the cars weren't good because it gives the dealership the information they need to make improvements. And

it gives other used car shoppers the chance to decide if they want to risk shopping at that dealership or not.

One of the best sites for used car dealership reviews is DealerRater® because it's specifically designed for places that sell cars. Google® and Yelp® are also great, but their rating systems aren't specifically designed for car dealerships, so it's a little more generic, although you can still spell out the particulars of your experience in your written comments. At DealerRater®, you'll be prompted to give 1-5 star ratings for five different aspects of the dealership: Customer Service, Quality of Work, Friendliness, Pricing, and your Overall Experience. You can say yes or no to whether or not you recommend the dealer, and in some cases you can even highlight the specific employee(s) you dealt with in order to give them praise or criticism.

Whichever site you decide to use, the most important thing is that you take the time to write up a detailed review of your experience. After all, it's your best chance to help others have a better experience and improve the used car industry for everyone.

## FINDING A GREAT MECHANIC



After you've found and purchased the used car that's right for you, one of your primary objectives should be keeping it in top working condition, which means having it serviced on a regular basis and promptly taking care of any repairs when needed. If you bought the car from a dealership that has an awesome service department, you might choose to take it there for servicing and repairs. Other people like to find their own good mechanic or repair shop, but how do you go about doing that?

First of all, finding a repair shop that's fair and which you can trust does take a bit of time and effort, so the right time to do it is when you're not having any problems with your vehicle. If you find yourself in sudden need of an emergency repair, you're already in the wrong emotional state to calmly and rationally figure out where to take your car to get it repaired. So do yourself a favor and take care of this task when you're *not* in dire straits!

A lot of guidance you'll find out there on this topic will say something like this: Look for membership in organizations like AAA®, meaning AAA Approved Auto Repair®. When a shop is a member of a group like that, it means they've gone through some kind of assessment or rigorous inspection in order to qualify for membership. Others include iATN® (International Auto Technicians Association), ASA® (Automotive Service Association), or TechNet® (Carquest Technician's Network). They also will say look for facilities that are neat and orderly, not messy or chaotic. But this rules out the small mechanic shop that is run by one guy with maybe an employee or two that doesn't have any fancy memberships and maybe the place looks like a bit of a wreck, but they do the best repair work in town at half the cost of other places and

are always honest to boot. Just because a place is decorated with acronyms and is neat as a pin doesn't mean it's any better than a place lacking any of that. So what to do?

First, talk to your friends and family and find out where they go if they are satisfied. And then your next stop, of course, is the Internet. Between Yelp® and Angie's List® (which is finally free to join now after twenty years of charging a fee), you can read plenty of real reviews from people who have gone to that mechanic or repair shop and who will tell you exactly why they loved it or hated it. So let's say, as a fictitious example, you come across Tom's Auto Service (owned and operated by a guy named Tom). He isn't a member of any trade associations and his shop looks like a tornado went through it, but online he has absolutely perfect ratings and rave reviews from dozens of happy customers. Would you automatically rule him out because he's not approved by XYZ organization or isn't a neat freak?

The point is to select a place that's going to do top-quality work that is fairly priced, and you can find that out easily enough from family, friends, and real customer reviews online – just remember to find your go-to mechanic *before* you need one.



## WHEN YOU HAVE A VEHICLE TO TRADE OR SELL



If you want to trade in your current vehicle, you've got some important homework to do. There are lots of things you can do to make sure you get the most for your trade.

One of the most important things you can do is make sure your car is super-clean. If it looks terrible, chances are good you won't get nearly as much as you will if it looks fantastic. Take a couple of hours and put some real elbow grease into it, both inside and out. Pay close attention to all those visible areas inside the car that tend to accumulate dirt and grime and make them look as new as you can.

Did you save records that show the maintenance and service history for your vehicle? If not, can you go to the places where you had it serviced and get those records printed? Any documentation that shows how well you took care of the car will be very helpful and appreciated by the dealer.

Other items to make sure you have with you for an appraisal of your vehicle include the following: The second set of keys (important but often overlooked detail), vehicle title, and paperwork showing what is still owed if it's not paid off, your driver's license and registration.

Get a feel for what dealers have been offering for cars like yours as trade-ins. You can do this at all the major car websites, including Kelley Blue Book®, Edmunds®, and so on. Not every dealership goes by the trade-in values listed by these sites. Some pay more attention to what similar cars sell for at auctions. Still, it's important for you to have an idea of the value of your car as a trade-in before heading into a dealership to get it appraised.

Another way to make sure you get the most for your trade is to take it to multiple dealerships, getting a written offer from each one. When you do this, be careful not to mention what you

still owe on your car. At many dealerships, as soon as they know what you still owe, that's all they want to offer you on the trade. If you don't mention it, then the offer you get will be what the dealership really thinks your car is worth. Not every dealership will want to take the time to do this, but many will, and it offers you invaluable information about your vehicle's value.

If you're shopping for a used car at a dealership that doesn't operate on a firm price model, focus on negotiating the price of the car that interests you *before* even mentioning you want to trade in your current vehicle. Keeping the purchase and the trade separate gives you a better chance of getting great deals on each one. When you do eventually find out what the offer is for your trade, if you don't like it you can always take it elsewhere or sell it privately yourself if you don't mind the effort involved. In fact, there are pros and cons for both trading in and selling privately:

**Trade-in Pros.** It's quick, clean, and easy. You don't have to pay the car off if you still owe money on it because the dealer will take care of that for you. And if you are "upside down" on it with negative equity (you owe more than it's worth), trading it in may be your only realistic option for getting rid of the car.

**Trade-in Con.** The biggest drawback to trading your car in is that you're going to get the least amount of money for it through this option. Have you ever gone to a site like Edmunds® or Kelley Blue Book® (KBB) and clicked through the screens to find out how much your car is worth? When you get to the final screen, you'll see two prices – what you can expect to get for it as a trade-in at a dealership and what you can expect to get for it by selling it privately. Depending on the vehicle, the difference can be significant. Actually, Edmunds® shows *three* prices. The third one they throw in is what a consumer can expect to pay for this car when buying it from a dealership, which will be the highest of three prices.

**Private sale Pro.** The only real advantage of selling your car privately yourself is that it's the way you can potentially get the most money for it.

**Private Sale Cons.** There are a lot of drawbacks to selling your car yourself. First off, it's hard to do if you haven't already paid it off. If there's anything wrong with the car, potential buyers may require you to get those things fixed. You have to come up with an enticing description of your car, then you have to figure out where you're going to post it online and/or run classified ads in local newspapers. Then you have to sit around and wait for the phone to ring or inquires to come in over email. You might be going back-and-forth with some folks several times before they even set up an appointment to come look at the car. Then they might not even show up. You've got to keep track of all these appointments so you don't have multiple people showing up at the same time. You're dealing with complete strangers. You have no idea if they'll really be able to come up with the money in a reasonable timeframe if they make an offer you like. You may endure a series of insultingly low offers. Meanwhile, you're letting complete strangers test drive your car and hoping they don't do anything stupid with it. All of this could drag on for weeks, maybe even months. The whole process can become quite stressful. Who's got time for all of that?

If more people really thought through the stress and hassle of selling their car privately, more people would probably shop around to a few dealerships to get the best trade-in value they can. It's so much easier!

## CONCLUSION

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Guess what? You're now an expert in how to go about shopping for a used car! If you follow the advice, tips and strategies in this guide, you'll have a much better chance of having a great used car shopping experience. Good luck!

### ABOUT THE AUTHORS

*Denis Gusakov* is the General Manager of Auto City, a used car dealership in El Cajon, California, serving the greater San Diego area. Auto City is a used car dealership on a mission to fix everything that's broken in the used car buying process. If you're ready to experience a better way to buy a used car, visit Auto City today online at [www.goautocity.com](http://www.goautocity.com).

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We'd like to thank everyone from the *Auto City Team* who contributed to the content of this guide – there is a lot of collective wisdom at Auto City, and now we can share it with the world! A big thanks also goes out to *Diego Quiroga* for his artistic talents in illustrating this guide: <http://dieguitoli.com>

### LEGAL DISCLOSURE

The information provided in this publication is for informational purposes only, may not be complete or exhaustive, and is not to be considered as legal advice, nor should it be acted on as such.





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