



*Confidential*

*Authored By  
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## Preface

The *Car Buyer's Primer*<sup>™</sup> is not intended to cover every situation a car buyer might encounter, nor is it intended to apply to selling practices used by every automobile dealership. Although our research reveals fraudulent selling practices are used throughout the industry, we acknowledge there are many dealerships that operate ethically and honestly and do not use any of the selling techniques identified in the *Car Buyer's Primer*<sup>™</sup>.

## About The Author

**D**uane Overholt is a leading Industry Expert on automotive consumer fraud issues. He has worked in the automotive sales industry throughout the United States for over 20 years, beginning as a part-time salesperson, advancing to various sales positions. He also owned and operated a Used Car Lot. He held management positions in fleet, lease, sub-prime and retail sales and finally advancing to the position of Finance & Insurance Manager for a major dealership group listed on the New York Stock Exchange. He became a whistleblower and filed a successful federal whistleblower action against a former employer. He has assisted the U.S. Secret Service, the Office of the Comptroller for the State of Florida, the Florida Department of Banking and Finance, the Florida Attorney General's Office, and the Department of Insurance and Banking with

consumer fraud issues. Mr. Overholt participated in a symposium on predatory lending practices with Tom Gallagher, the Chief Financial Officer of the Florida Department of Financial Services. He has been the focus of and has assisted with numerous articles and stories for the media including assisting Dateline NBC with programming content for a segment dealing with Automotive Consumer Fraud.

Mr. Overholt's expertise includes all areas of automotive sales with emphasis on the documentation. His detailed knowledge of the paper flow and paper trail of the selling process, both internal and external to the dealership has proven to be invaluable in class action suits against the automotive industry. His expertise significantly reduces the need to rely on witnesses to identify and litigate fraudulent activity.

## The Most Common Mistakes (A Car Buyer Makes)

**N**ext to the purchase of a home, a motor vehicle is one of the most expensive items most people will ever purchase in their lifetime. In the automotive sales business, the consumer is rarely as prepared as the dealer is. The average consumer believes he is an intelligent and well-informed shopper who can go into a dealership to buy a car worth thousands of dollars thinking he can negotiate by the seat of his pants. The dealership relies on this. Consequently, regardless of how good of a negotiator the consumer thinks he is, the dealership will usually win and the buyer will usually lose, with losses consistently measured in thousands of dollars.

Here are the most common mistakes car-buyers make that can cost them hundreds or even thousands of dollars:

- #1** *Giving the salesperson your personal information too early in the process.* They want your personal information to run a credit check on you, which gives them an overwhelming advantage. *(see page 19)*
- #2** *Negotiating for a monthly payment instead of the car's price.* It is easier for the dealership to use fraudulent selling practices when you ask for a specific monthly payment. Read on to learn how to get the best deal. *(see page 22)*
- #3** *Signing a blank loan application or one that contains blanks.* Signing a document that is blank or contains blanks is one of the quickest ways for you to be victimized by a fraudulent selling practice. *(see page 33)*
- #4** *Taking delivery of the new car on the same day you buy it.* The sale is not final until the lender approves the loan and pays the dealership. If the lender does not like the numbers, you risk losing a lot more than just the new car. *(see page 34)*
- #5** *Signing a blank rebate form.* Regardless of what the dealership says, you will lose all or part of the rebate when you sign a blank rebate form. *(see page 31)*
- #6** *Signing an arbitration agreement.* If you sign one and you have a dispute with the dealership, then you may relinquish your rights to sue, even if you discover the dealership used unethical or illegal selling practices. *(see page 33)*
- #7** *Allowing the salesperson to take your trade-in car away to be inspected.* This is a common tactic used to prevent you from leaving before *they* want you to. *(see page 20)*
- #8** *Having private conversations while you are in the dealership.* Are you sure there isn't an open line, cell phone, speakerphone, intercom or baby monitor nearby? *(see page 25)*
- #9** *Signing documents in a hurry.* The dealership may intentionally bury important documents among papers you are signing and you may not see them. *(see page 33)*

- #10** *Test driving the car before you settle on a price for it.* The dealership uses the test drive as a psychological tool. It gets you excited about the car and your excitement gives the dealership a negotiating advantage. (see page 22)
- #11** *Not documenting responses and commitments made by dealership employees.* Verbal commitments expire the minute you drive the new car off the lot. (see page 19)
- #12** *Agreeing on a value for your trade-in car before settling on a price for the new car.* This mistake could cost you thousands of dollars. (see page 20)

The salesperson can make a profit from you simply by placing items incorrectly on the buyer's order. In the following example, the left hand column is typical of what you may see and the right hand column reflects what you should see. Which one of the columns above will represent your next purchase?

<b>You Choose</b>				
<u>You May See This</u>			<u>You Should See This</u>	
Retail selling price (MSRP)	\$15,000		Retail selling price (MSRP)	\$15,000
Delivery Fees	<u>399</u>		Delivery fees	<u>399</u>
	\$15,399			\$15,399
Rebate <sup>1</sup>	<u>1,000</u>		Negotiated new car discount	<u>-1,500</u>
	\$16,399			\$13,899
Taxes @ 7% <sup>2</sup>	<u>1,148</u>		Less trade-in	<u>-6,000</u>
	\$17,547			\$7,899
Less discount/trade-in <sup>3</sup>	<u>-6,000</u>		Taxes @ 7%	<u>553</u>
	\$11,547			\$8,452
Trade payoff	<u>7,000</u>		Trade payoff	<u>7,000</u>
	\$18,547			\$15,452
Warranty <sup>4</sup>	<u>2,500</u>		Warranty	<u>0</u>
	\$21,047			\$15,452
Rebate <sup>1</sup>	<u>-1,000</u>		Rebate	<u>-1,000</u>
Price of car	\$20,047		Price of car	\$14,452
Cash down <sup>5</sup>	<u>-2,000</u>		Cash down	<u>-100</u>
Amount financed @ 10% <sup>6</sup>	\$18,047		Amount financed @ 7%	\$14,352

  

1. The rebate is added to the price and later deducted and you end up losing it. It should appear only after the price of the car has been agreed to.
2. You pay tax on the rebate and on your trade-in car when you should not.
3. The negotiated discount and trade-in amounts are combined as one entry. They should be separate entries.
4. Warranty includes additional aftermarket products
5. You pay more cash down than is required
6. You pay a rate that is higher than the lender approves

## The Most Common Scams (A Car Buyer Sees)

There are many scams being used in the auto sales business. Here are a few of the most common ones we have seen that can cost the car-buyer hundreds or even thousands of dollars:

- #1 ***Giving the buyer a false beacon score.*** The dealership tells you your beacon (credit) score is lower than it actually is so you will not qualify for the low interest rates or programs they are advertising. *(see page 39)*
- #2 ***Advertising or stating they will pay off your existing loan.*** Instead of paying it off, they simply add it to your new loan. *(see page 40)*
- #3 ***Letting you drive the new car home on the same day you buy it.*** You bought a great car at a great price, but the next day you find out you need to pay more down or agree to a higher interest rate. By the way, your trade-in is gone. *(see page 34)*
- #4 ***0-0-0 Programs.*** You see it advertised everywhere. \$0 down, 0% interest, 0 payments for the first year. However, it will cost you much more than a traditional loan. *(see page 30)*
- #5 ***The elusive rebate.*** You thought you qualified for it but where did it go. *(see page 31)*
- #6 ***Signing an arbitration agreement.*** What is it and why do they ask you to sign it. *(see page 33)*
- #7 ***Mandatory fees and aftermarket products.*** This is a common tactic used to increase dealer profits at your expense. *(see page 31)*
- #8 ***Refusing to deal with your lender.*** You arrive with financing in-hand but the finance manager refuses to accept it. *(see page 30)*
- #9 ***Negotiating for a specific monthly payment.*** One of the first questions the salesperson utters is ‘what kind of monthly payment are you looking for?’ *(see page 22)*

## The Dealer's Strategy

**W**ithin the first fifteen minutes of your visit, the dealership uses a previously developed and a clearly defined strategy for selling you a car that gives them the opportunity to maximize their profits on your deal. It might look something like this:

- #1 *Build your trust.*** Not only trust, but a level of unconditional trust between you and the salesperson to make you believe he is your ally and can help you get a great deal. *(see page 20)*
- #2 *Take your car away to check it over.*** They look for personal items that could help them profile you, and to remove your opportunity for a speedy exit. *(see page 20)*
- #3 *Run a credit report on you.*** With or without your permission to obtain information to use against you in the negotiating process. *(see page 19)*
- #4 *Convince you to negotiate for a monthly payment.*** Settling for a 'monthly payment' gives them an opportunity to generate more profit than they can get negotiating for a specific price. *(see page 22)*
- #5 *Steer you to a specific car.*** They want to sell you the car that will generate the most profit for the dealership. *(see page 21)*
- #6 *Make your visit a long one.*** To wear down your resistance, this is usually to their advantage. *(see page 26)*
- #7 *Use their preferred lender.*** To convince you to finance your purchase through their preferred lender to generate a profit from the rates in addition to the normal processing fee. *(see page 30)*
- #8 *Sell you one or more aftermarket products and services.*** To generate huge profits for them. *(see page 30)*
- #9 *Have you sign an arbitration agreement.*** To protect them from lawsuits. *(see page 33)*
- #10 *And...to convince you to take delivery today.*** To bind you to the deal, regardless of the final terms and conditions. *(see page 34)*

## The Car Buyer's Strategy

**T**he average person buys a new car approximately every three years of their adult life, giving away on average \$2,000 each time. When you consider most car purchases result in a minus-equity position of around \$1,500, the total is closer to \$3,500. Does it make sense to give your hard-earned money away without a fight? Why not spend an extra day or two preparing and save your hard-earned money. Knowledge and preparation are your best negotiating weapons. Arm yourself with as much as you can before going to the dealership.

- #1 *Visit the dealership when it is closed.*** Find a car you are interested in, and copy down the VIN number found on the factory window sticker. If there is no window sticker, you can find the VIN number on a plate attached to the dashboard where it meets the windshield. It's a good idea to pick out a second or third car.
- #2 *Jot down all of the information listed on the factory window sticker.*** You will need to refer to it later. *If the car has a supplementary window sticker, then pass on the car and find one without a supplementary window sticker.*
- #3 *Find out the cost and MSRP of the car you are buying.*** Go to the manufacturer's Internet web site to find out the cost, the MSRP, and any rebates or special finance rates that the factory is offering for the car you want to buy. If you do not have access to the Internet, then call around to other dealerships and ask about the rebates and other incentives. Also find out if the factory has customer loyalty programs for repeat customers, but make sure they don't interfere with any factory rebates or special financing deals.
- #4 *Look up the history of the car.*** If buying a used car, go on the Internet and research the car's history on a website called CARFAX™ ([www.carfax.com](http://www.carfax.com)).
- #5 *Look up the wholesale value of your trade-in car.*** Go to the library or Internet and look up NADA™ ([www.nadaguides.com](http://www.nadaguides.com)) or Kelly Blue Book™ ([www.kbb.com](http://www.kbb.com)) to look up the wholesale and trade-in value of your trade-in car. An older book can result in a considerably lower value on you car, so be sure you are referencing a current book.
- #6 *Prepare your trade-in car.*** Have it detailed. Buy a can of engine degreaser and clean the engine. Wipe down the interior but do not use armor all-type products on the interior or wheels because it will make it appear you cleaned the car for the dealership. Don't forget to clean the mats and trunk. You want to give the impression you always keep it clean. Having a well-detailed car can add \$400 or more to its trade-in value.
- #7 *Remove all personal items from your trade-in car.*** Remove all personal items and the owner's manual from your trade-in car (the owner's manual may include personal

information). Also, remove dealership stickers and the license plate holder if it identifies a dealership. The dealership will look for anything that he can use to run a credit check.

- #8 *Plant clues in your trade-in car.*** Visit two or three other dealerships just to pick up business cards. Leave them on the seat of your trade-in where dealership personnel can find them. This lets them know you are a serious buyer and not a looker.
- #9 *Price shop your trade-in car.*** Visit two or three independent used car lots to see what they will pay you for your car. Some “Buy Here Pay Here” lots will pay top dollar for a clean used car.
- #10 *Get the payoff amount on your trade-in car.*** Call the lender holding the note on your trade-in and ask for the payoff amount good for ***ten days from the date of the quote.*** Be sure to note the lender’s address, telephone number, contact information and the account number. Also, ask if they offer special rates and terms for repeat customers.
- #11 *Run a credit check on yourself.*** If you let the dealership run a credit check on you, not only will they have all of your personal information, they will often lie to you about your beacon score. The three major credit bureaus: Equifax ([www.equifax.com](http://www.equifax.com)), 800-685-1111; Experian ([www.experian.com](http://www.experian.com)), 888-397-3742; and TransUnion ([www.transunion.com](http://www.transunion.com)), 800-888-4213 can produce a credit report for about \$15 each.
- #12 *Get pre-qualified for a loan.*** Go to your local bank, credit union or online and get pre-qualified for a loan. If you use an online lender, be sure they are FDIC-insured. Pre-qualify yourself even if you plan to use the dealership’s lender. This will give you an idea of what the dealership’s offer should be. Ask for the interest rates and the approximate payment for 48, 60, 66 and 72-month term loans. Call the lender you used with your previous car to see if they have any customer loyalty programs; and would they give you a letter stating the rate, amount, and term you are pre-approved for. For comparison purposes, ask for the rate and term for a one or two year old used car.
- CAUTION!*** Watch out for Internet-based price quoting services. They often advertise they can find you the lowest-priced vehicle in your area. Some may even try to pre-qualify you for the vehicle you select. Do not give your personal information to these companies. They will forward it to one or more dealerships who will try to run a credit check on you, which could lower your beacon (credit) score!
- #13 *Price shop for an extended warranty.*** Price shop extended warranties over the Internet and through your lender, AAA™, etc. Lenders can roll them into your loan just as the dealership does.
- #14 *Check for refunds that may be due you.*** Check the paperwork on your trade-in to see if you have a refund due on the warranty, extended warranty, insurances or any other products purchased with it. It could save you hundreds of dollars. ***If you don’t ask the provider for a refund, the dealership will, and they will keep it.***

- #15 *Plan when to visit the dealership.*** The best time to shop for a car is when their best people are *not* available, which is usually between the hours of 9:00 A.M. and 3:00 P.M. on any weekday or Sunday during the last week of the month. It is unwise to shop for a car after dark, on Saturdays, on major holidays, or during a major sale because their best people are sure to be there.
- #16 *Ignore sales and advertisements.*** The dealership coordinates sales events for the dealership and no one else. Again, their best people will be there. You can make just as good of a deal anytime if you prepare in advance.
- #17 *Take plenty of notes.*** Take notes of what is said and done. Jot down your questions with their responses and commitments. Remember, verbal commitments expire the minute you leave the dealership. It also sends a message that you are an alert buyer.
- #18 *Don't use the same salesperson you used last time.*** Stay clear of the salesperson who sold you your last car. He knows too much about you.
- #19 *Think 'price' – not 'payment'.*** When you negotiate for a payment, the dealership can manipulate the interest rates, value of your trade-in, term of the loan, and price to fit the payment. Always negotiate the price of the new car first; then the value of your trade-in car; then the interest rate; and finally the term. The payment is always the result. *Never take a short cut and skip right to negotiating the payment.*
- #20 *Find an independent family-owned dealership.*** An independent family-owned dealership may not have the inventory or specials as one owned by a large ownership group and it may appear you pay a little more for the car, but the reason could be because they are being more honest in their presentation, pricing and selling practices.
- #21 *You are now ready to negotiate!*** Do not be victimized like so many consumers are. Follow the tips presented in the Car Buyer's Primer™ and learn what to say or do, and when to say or do it so that your deal will look like the column on the right!

## Important Terms and Definitions

**L**ike every industry, the automotive sales industry has enough terms, acronyms and phrases to fill a whole book. Here are some of the more important terms you should familiarize yourself with before going to buy a car.

**Aftermarket Products** – Sometimes referred to as **F&I Products**. The dealership markets these products as value-added options under names like prepaid maintenance program, fabric guard, paint sealant, undercoating, environmental package, extended warranty, life insurance, gap insurance, and etch.

**Arbitration** – The process by which an agreement whereas the consumer may lose their right to go to a court of law to settle any dispute.

**Bailment Agreement** – A bailment agreement transfers possession of a newly purchased car to the person purchasing it pending approval of the loan application. The property becomes the buyer's property if the loan is approved or returned to the dealership if it is not approved.

**Bank Condition / Approval Report** – This report notifies the dealership that your deal is approved, rejected or conditionally approved (approved based on a specific condition being met).

**Bank Rate Sheet** – This document from the lender advises the dealership of the interest rates the lender approves for loans and which warranties, insurance products, and other aftermarket products and services they will allow to be included in the loan. The

lender updates their rate sheet regularly. *Ask to see a current copy of the bank rate sheet before you agree to an interest rate.*

**Beacon Score** – Also known as your **Credit Score**. This is a number calculated by the credit bureau that gives the lender an easy way of determining your credit worthiness. The credit bureau bases your beacon score on factors like debt to income ratio, debt load, and payment history. Scores above 650 are considered to be excellent. *Your beacon score determines the interest rate you will qualify for. The higher the number... the lower the interest rate you qualify for.*

**Buyer's Order** – This document details the specifics of your deal with the dealership. Be sure to have the salesperson write down everything the dealership agrees to do and be sure the sales manager or finance manager signs it. It may be important if a dispute arises. *Be aware, the dealership will type the handwritten buyer's order. Ask for copies of both and verify they agree with one another.*

**Credit Report** – A report generated by one of three main Credit Bureaus (Experian, Trans Union, and Equifax) who collect and store information about consumers' credit histories. The report sums up current credit accounts and balances, notes delinquent or overdue amounts, and more.

**Conditional Approval** – The lender's notification to the dealer approving a loan if the dealer meets one or more specific conditions. This often happens when the dealer sells you a car for a price significantly higher than the lender is willing to pay for it.

Remember, the lender is actually buying the loan from the dealership.

**Environmental Package** – Generally includes fabric guard, paint sealant, and undercoating combined with one or two other services.

**Etch** – The dealer etches a number on the car’s window and, if your car is stolen and not recovered, then the dealer pays you an amount specified in the policy. However, they pay a significantly reduced amount if they recover the car.

**Fabric guard** – A spray protection applied to your auto upholstery by the dealer. The fabric manufacturer also applies it so you may want to pass on it. For a few dollars, you can buy the same basic product at your local discount store.

**Factory Invoice** – A document that lists the amount the dealership pays the factory for the car before adding taxes and interest. It also lists the manufacturer’s suggested retail price (MSRP). Factory bonuses, incentives and other factory reimbursable items are not included on the factory invoice (i.e., the invoice does not reflect that the factory reimburses the dealership for cleaning the car).

**Factory Window Sticker** – The window sticker applied by the factory lists all standard and optional items added to the car by the factory and the retail price for those items.

**Funding Package** – The loan agreement and all other documents the dealer sends to the lender to have a loan approved. The lender will not approve a loan if any document in the “funding package” is

incomplete or does not meet the lender’s requirements.

**Gap Insurance** – If your car is stolen or totaled in an accident, the insurer pays you the difference between the amount your auto insurance company pays and the amount you owe the lender.

**Insurance Products** – Legitimate insurance products are regulated by government agencies. However, the dealership will sometimes call an aftermarket product insurance to mislead the buyer. Some of the more common regulated insurance products are life insurance, disability insurance, and Gap insurance.

**Interest Buy Rate** – The rate the dealer receives from the lender. The buy rate is based on your beacon score, the age of the car you are purchasing, and the term (length of loan).

**Interest Rate** – The percentage paid to the lender annually over and above money loaned. Longer-term loans generally have higher interest rates.

**Interest Rate Shopping** – The practice whereby the dealer sends your funding package to several lenders to see which one will offer the rate that generates the most profit for the dealership. It may not be the lowest or best rate for you. Every lender that receives your loan package will run a credit check on you, which could end up lowering your beacon score and raising your qualifying rates.

**Interest Sell Rate** – The rate the dealer offers the buyer on money borrowed from the dealer’s lender. The sell rate quoted to the buyer by the dealer is usually higher than the rate the lender approves.

**Lender** – Lenders are financial institutions that are in the business of lending money. The dealer works closely with one or more lenders in return for a fee, special rates and other incentives for sending deals to them.

*Your loan agreement is with the lender and not the dealer.*

**Menu Selling** – A selling technique whereby the dealer bundles products you are likely to buy with products you are not likely to buy but generate huge profits for the dealership.

**Sample of Menu Selling**

<b>Preferred</b>	<b>Value</b>	<b>Basic</b>
<p><b>Mechanical Coverage for 10 years or 100,000 miles</b></p> <ul style="list-style-type: none"> <li>▪ Rental Car Coverage</li> <li>▪ Emergency Breakdown Service</li> <li>▪ Towing</li> <li>▪ Travel Reimbursement</li> </ul> <p><b>Basic Value Maintenance for 3 years, every 3,750 miles</b></p> <ul style="list-style-type: none"> <li>▪ Oil Change and Filter Replacement</li> <li>▪ Chassis Lubrication</li> <li>▪ Fuel Injection System Cleaning</li> <li>▪ Discount Coupons</li> <li>▪ Document Service Records</li> <li>▪ \$230 Bonus Toward Next Purchase</li> <li>▪ 1 Year Cross Country Motor Club</li> </ul> <p><b>Total Loss Protection/Gap</b></p> <ul style="list-style-type: none"> <li>▪ It Total Loss, Pays Difference Between Actual Cost Value and Loan Balance</li> </ul> <p><b>Silencer Security System</b></p> <ul style="list-style-type: none"> <li>• \$3,000 Consumer Protection Benefit</li> <li>▪ Audible Alarm &amp; Disarm</li> </ul> <p><b>Payment Protection Benefit</b></p> <ul style="list-style-type: none"> <li>▪ Coverage Provides for Monthly Payment when Ill or Injured</li> <li>▪ Coverage Provides Clear Title to Beneficiary if You Die</li> </ul>	<p><b>Mechanical Coverage for 10 years or 100,000 miles</b></p> <ul style="list-style-type: none"> <li>▪ Rental Car Coverage</li> <li>▪ Emergency Breakdown Service</li> <li>▪ Towing</li> <li>▪ Travel Reimbursement</li> </ul> <p><b>Basic Value Maintenance for 3 years, every 3,750 miles</b></p> <ul style="list-style-type: none"> <li>▪ Oil Change and Filter Replacement</li> <li>▪ Chassis Lubrication</li> <li>▪ Fuel Injection System Cleaning</li> <li>▪ Discount Coupons</li> <li>▪ Document Service Records</li> <li>▪ \$230 Bonus Toward Next Purchase</li> <li>▪ 1 Year Cross Country Motor Club</li> </ul> <p><b>Total Loss Protection/Gap</b></p> <ul style="list-style-type: none"> <li>▪ It Total Loss, Pays Difference Between Actual Cost Value and Loan Balance</li> </ul> <p><b>Silencer Security System</b></p> <ul style="list-style-type: none"> <li>▪ \$3,000 Consumer Protection Benefit</li> <li>▪ Audible Alarm &amp; Disarm</li> </ul>	<p><b>Mechanical Coverage for 10 years or 100,000 miles</b></p> <ul style="list-style-type: none"> <li>▪ Rental Car Coverage</li> <li>▪ Emergency Breakdown Service</li> <li>▪ Towing</li> <li>▪ Travel Reimbursement</li> </ul> <div style="background-color: #cccccc; height: 150px; width: 100%;"></div> <p><b>Silencer Security System</b></p> <ul style="list-style-type: none"> <li>▪ \$3,000 Consumer Protection Benefit</li> </ul> <div style="background-color: #cccccc; height: 50px; width: 100%;"></div>
<b>60 Payments of \$448</b>	<b>60 Payments of \$401</b>	<b>60 Payments of \$373</b>

**Note: Menu selling does not reflect the cost of the individual products and services. There is no way for you to measure their value if the dealership does not disclose the actual cost of each item. Additionally, there is no way for you to know how the exclusion of the products would otherwise affect your monthly payments.**

**Minus Equity** – A condition that exists when you owe the lender more on your car than it is worth. This usually happens when you agree to a longer-term loan and decide to trade the car in before the loan matures. If you have a minus equity position on your trade-in, the dealership simply requires a higher cash down payment to cover it. Trading in a car can be very confusing. The dealer depends on confusion... the more confusion... the more money the dealer makes. *Remember... negotiate the price of the new car before you negotiate the value of your trade-in.*

<u>EXAMPLE of MINUS EQUITY</u>	
Cash Value of Trade-in	\$4,500
<u>Amount Owed on Trade-in</u>	<u>7,000</u>
Minus Equity	-\$2,500

**MSRP (Manufacturer’s Suggested Retail Selling Price)** – This is the price the manufacturer suggests the dealership to offer to sell the car for before adding taxes, add-on products, destination charges and other fees.

**Pack** – Pack is a term used by auto dealers to describe money they take out of the profit on every car sold to cover their overhead costs. The dealer will usually take \$500 on a new car sale and \$600 on a used car sale.

**Paint Sealant** – Usually a polymer sealer the dealer applies directly to your paint like a wax. This usually is not worth the cost. Besides, the factory applies similar protection to every car they ship to the dealer. You usually have to re-apply paint sealant regularly for it to be effective and for the product warranty to remain in effect.

**Purchase Discount** – The purchase discount is the difference between the MSRP and the price you agree to pay the dealer for the car. In plain language, it’s the amount you can talk the dealer into taking off the retail price.

**Prepaid Maintenance Programs** – This product usually allows you to bring your car in for periodic scheduled servicing during the coverage period.

**Refundable Products and Warranties** – Warranty and insurance products like life insurance, gap insurance, disability insurance, prepaid maintenance plans, warranties and extended warranties are examples of products that typically have refundable amounts when a car is traded-in.

**Supplementary Window Sticker** – The dealer or distributor applies this sticker to identify all products and services added to the car by them, and the retail price for those items. These stickers may be identical to the factory window sticker, so don’t confuse them.

**Term** – The length of time you have to repay a loan. Terms are typically 48, 60, 66, or 72 months. Longer-term loans command higher interest rates where you pay the lender more interest over the length of the term.

**Undercoating** – Usually asphalt-based waterproof coating applied to the underside of a car. The dealer will say undercoating helps protect the car from rusting and deaden road noise. Dealer-applied undercoating may actually promote corrosion because it traps and retains moisture. Factories manufacture automobiles using double galvanized steel, which is extremely durable under most

operating conditions. The factory also uses extensive sound-deadening materials.

**Warranties, Extended Warranties and Maintenance Plans – *Do not*** confuse them. Warranties typically cover defects on minor components for the first year and major components for longer periods. Extended

warranties usually extend the original warranty but may result in duplicate or overlapping coverage. Maintenance Plans supplement the original and/or extended warranty and may result in duplicate or overlapping coverage. Most States regulate warranties and extended warranties but not maintenance plans.

### Warranty Comparison Chart

Original Warranties (OEM)	Extended Warranty	Maintenance Plan
Included with new and, sometimes, used cars.	Sold as an aftermarket product	Sold as an aftermarket product
It is a regulated product. The factory must report changes to the appropriate government agencies.	It is a regulated product. The dealership must report price and/or coverage changes to the appropriate government agencies.	It is usually <i>not</i> a regulated product. The dealership can set prices, which may differ from customer to customer. The dealer does not have to report price or coverage changes to any government agencies.
<i>Covers</i> defects on minor components for the first year and major components (e.g., engine and transmission) for longer periods. Factory warranties are generally an excellent value for the consumer.	<i>Extends</i> the original warranty but may result in duplicate or overlapping coverage. Check coverage, maintenance schedules and exclusions carefully. Extended warranties are usually unnecessary while OEM warranty coverage is in effect. You can easily purchase an extended warranty when you actually need it.	<i>Supplements</i> the original and/or extended warranty but may duplicate or overlap coverage. They are usually packed with exclusions and qualifiers, which limit their usefulness to the consumer. If, needed, you can purchase a maintenance plan elsewhere for considerably less. The dealer markets maintenance plans under names like Car Care™, Fabric guard™, Paint-sealant, Lojak™ Tracking System, alarms, Silencer™ and Etch.

**When buying a car, ask to see the factory warranty manual and verify the coverage. Typical basic warranties are 36 months or 36,000 miles for bumper-to-bumper coverage. Some factory warranties cover major components (engine and transmission) for up to 60 months or 100,000 miles. These free factory warranties diminish the need for aftermarket warranties.**

## Unmasking the Faces at the Dealership

**T**he dealership lets you have access to only a few individuals. You should know who they are, what they do and the roles they play in the negotiating process.

**Salesperson** – The initial person you meet is typically the salesperson. He is your lifeline to the decision-makers. The salesperson's job is to get you to like and trust him. Salespeople are not decision-makers. They cannot do anything to improve your deal.

**Closer** – He is usually number one or two in sales at the dealership. They did not get to be the best by being nice. In fact, he will usually have a larger than life ego. He is there to 'close' the deal. The dealership calls him into action when negotiations bog down or the salesperson is having a difficult time reaching a targeted profit. He tends to use a more assertive if not intimidating style of selling. He measures his success by the amount of money he gets from you.

**Sales Manager or Used Car Manager** – He is responsible for enforcing sales policies and procedures, and for training the salespeople. He determines the price and payment amounts that the salesperson will present to the customer. He also determines the trade-in value and tracks the gain/loss incurred on trade-ins. He determines if the dealership will sell your trade-in car on their lot or to a wholesaler.

**Financing & Insurance (F&I) Manager** – He is the financing 'closer'. He is responsible for explaining all paperwork associated with the deal to include interest rates & terms, disclosures, rebates and factory incentives. He sells and explains warranties and aftermarket products and services. He also prepares the loan package.

**Financing & Insurance (F&I) Director** – He runs the financing department. He is responsible for the overall operations of the department, establishing and enforcing procedures. He maintains direct contact with the lender's loan approval officer. He decides which lender receives your loan, based on the deal that produces the most profit for the dealership. He insures all documents are filled out properly and are signed in the appropriately places. He submits and reviews all approvals and rejections from the lender. And, he transfers the final loan package to accounting.

**General Sales Manager** – He runs the sales department, establishes sales policies and procedures and sales quotas on automobiles and aftermarket products and services, and generates all of the sales practices used by the salespeople.

**General Manager** – He runs the dealership. He reviews all reports generated by the managers and directors in all departments and he reports directly to the ownership group.

## How the Dealership Makes a Profit

Most businesses calculate prices and profits using a formula based on cost plus a percentage markup to cover the business' overhead. Prices are usually consistent from buyer to buyer. For example, I will pay the same price for a specific model stereo as the next person. The automobile sales industry calculates prices and profits almost solely, on what each individual buyer will pay. *In other words, two different consumers would pay a different price for the same car.*

**Car Price** – Also referred to as the ‘front end’ of the deal. The dealership keeps the difference between the amount you pay for the car and the amount they pay the factory for it. They also pay the factory interest on every car. The longer they have it on the lot, then the more interest it accrues and the less profit they will make from it. Conversely, the quicker they sell a car and the more they sell it for, then the more profit they make from it.

<u>EXAMPLE</u>	
Dealer's selling price	\$15,000
Dealer's cost from the factory	- 12,000
Accrued interest	<u>- 340</u>
<b>Dealer's profit</b>	<b>\$2,660</b>

**Financing** – If you finance your purchase through the dealership's lender, the dealership keeps the difference between the ‘buy rate’ and ‘sell rate’ for the money you borrow.

*The dealership always receives a processing fee from the lender even if they offer you the loan at the ‘buy rate’.*

<u>EXAMPLE</u>	
Dealer's ‘buy rate’ from the lender	10%
<u>Dealer's ‘sell rate’ to you</u>	<u>12%</u>
Dealer's profit	2%
Dealer's processing fee if they were to offer you the loan at the 10% ‘buy rate’	\$200

In the above example, 2% earned over the term of the loan could amount to hundreds of dollars in profit for the dealership. The dealership may steer you to agree to a longer-term loan to generate even more profit for the dealership. Negotiating for a monthly payment helps the dealer sell the longer-term loans.

The dealership may have arrangements with “preferred lenders” and receive volume bonuses and incentives for sending them deals for buyers with high credit scores.

Most finance managers have a sophisticated computer program to identify which lender will give them the most profit for your loan, but some still use a shotgun approach for deciding which lender they send your loan package to. Every lender that receives your loan package will run a credit check on you, which could end up lowering your beacon score and raising your qualifying rate during the process.

**Finance directors will shop for the rate that will generate the most profit for them and may not be the lowest rate or best deal for you. Lenders are very competitive and vie for your business. Interest rates for your loan are typically the same (or constant) from lender to lender. The compensation paid to the dealership is the variable and is the deciding factor on which lender the dealership picks.**

<b>Lender A</b>	<b>Lender B</b>	<b>Result</b>
Lender offers the dealer an <b>8.00%</b> (buy rate) but caps compensation paid to dealer at <b>2 points</b> , in effect letting the dealer offer it to you for up to <b>10.00%</b> (sell rate).	Lender offers the dealer a <b>7.00%</b> (buy rate) but caps compensation paid to dealer at <b>3 points</b> , in effect letting the dealer offer it to you for up to <b>10.00%</b> (sell rate).	The finance director will assign your loan to lender <b>“B”</b> which is more favorable to the dealership. You lose with either lender. However, if you knew the buy rate, you could have negotiated for the loan at that rate (i.e., lender-B @ 7%) and the dealer would still receive a <b>\$150 to \$200</b> flat commission from the lender for processing your loan. Cost to you is <b>\$1,800</b> .
Dealer’s commission is <b>2%</b> of the interest rate on the loan.	Dealer’s commission is <b>3%</b> of the interest rate on the loan.	
If interest on loan is <b>\$6,000</b> , the dealer receives <b>\$1,200</b> commission.	If interest on loan is <b>\$6,000</b> , the dealer receives <b>\$1,800</b> commission.	

**Trade-in Car** – The dealership keeps the difference between the amount they pay you for your trade-in car and the amount they resell it for. They make it appear they are paying you a higher amount for your trade-in by combining the discount you would normally receive on the new car without a trade, to their assessed value for your trade-in (**\$1,500 + \$4,500 = \$6,000**).

They may also tell you they have to wholesale your car when, in fact, they plan to sell it on their own lot. The dealership makes a huge profit by buying your trade-in from you at below wholesale book value (often without including your add-on equipment). They then make a few repairs, often charging the repairs off to your warranty if you had one, and sell it at full retail book value, marked up to include the add-on equipment.

<b>EXAMPLE</b>	
<i>They say this:</i>	
NADA wholesale book value	\$7,000
Dealer offers you	<b>-6,000</b>
Dealer’s projected profit	1,000
<i>They do this:</i>	
NADA wholesale book value	\$7,000
Dealer offers you	\$6,000
Amount they would have discounted the new car w/o a trade-in	<b>-1,500</b>
Amount they really give you	<b>\$4,500</b>
Repairs made to trade-in	600
Repairs charged off to your warranty	<b>-600</b>
NADA retail book value	7,800
Mark up for add-on equipment	<u>500</u>
Dealer sells car for	8,300
Dealer’s projected profit	\$3,800

**Aftermarket Products and Services** – The dealership will try to make more profit by selling you products and services that are overpriced, loaded with exclusions and provide little or no value. However, they generate huge profits for the dealership.

<u>EXAMPLE</u>	
Selling price of products	\$2,500
<u>Servicing costs</u>	<u>-100</u>
<b>Dealer's profit</b>	<b>\$2,400</b>

If the dealer sells you a car for \$2,500 more than the lender says it is worth, the finance department 'packs' \$2,500 worth of products and services into the deal without your knowledge and lists them as a warranty on the loan agreement. They know the lender will allow them to add up to that amount in warranties and insurances under the guise of protecting the loan.

In the following example, the dealer should reduce the price, payment or both to agree with the lenders approved numbers, saving you at minimum \$2,500; or they should ask your permission to add products and services to the deal, or give you the option to walk away from the deal. Instead, they add etch insurance for \$600, an extended mechanical policy for \$700, and a \$1,200 maintenance agreement, which gives you six free oil changes and labels the product a warranty. The lender likely would have approved only maintenance agreement if the dealer had listed them separately.

<u>EXAMPLE</u>	
You agree to borrow	\$19,047 @ \$340/mth
Lender approves	16,547 @ 300/mth
<b>Warranty added</b>	<b>2,500</b>
You pay	19,047 @ \$340/mth

**You should pay** 16,547 @ 300/mth  
*Most lenders allow the dealer to add up to \$2,500 in warranties and insurance to protect the loan but the dealer does it to inflate the value of the car to make more profit.*

**Rebates** – The finance manager has several methods for generating profit from your rebate. The most common method is to convince you the rebate is part of a discount, he adds it to the buyer's order and then subtracts it from the bottom line, and you end up losing it.

<u>EXAMPLE</u>	
Retail selling price (MSRP)	\$15,000
Delivery Fees	<u>399</u>
	\$15,399
<b>Rebate</b>	<b><u>1,000</u></b>
	\$16,399
Taxes @ 7%	<u>1,148</u>
	\$17,547
Less trade-in	<u>-6,000</u>
	\$11,547
Trade payoff	<u>7,000</u>
	\$18,547
Warranty	<u>2,500</u>
	\$21,047
<b>Rebate</b>	<b><u>-1,000</u></b>
Price of car	\$20,047

The finance manager will sometimes disclose a rebate amount that is lower than the factory authorized or he may not disclose the rebate at all and ask you to sign a blank rebate form, which he fills out later to the dealership's benefit. He may also list the rebate as 'cash down' on the buyer's order and ask you to sign a blank rebate form.

## The Negotiating Process

**L**ike most things in life, there is a right way and a not-so-right way to buy a car. The most important aspect of car buying is to know what to say or do, how to say or do it, and when to say or do it. The Car Buyer's Primer™ is a guide based on years of experience in the business and it is written to help you save not a few dollars, but perhaps thousands of dollars when you buy your next car.

### MEET YOUR SALESPERSON

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>The salesperson will isolate or shield you from the dealership's decision makers. He will also try to get you to relax and be comfortable with him.</p>	<p>Prepare a strategy in advance. Be courteous but assertive.</p> <p><i>Prepare to take plenty of notes!<sup>1</sup></i></p>	<p>The salesperson is not the decision-maker. However, he is usually the only conduit you have to the decision-makers. His job is to gain your trust and to make you believe he can help get you the best deal possible. He will try or say anything to get you to like him.</p>
<p>He may ask you to sign a form that authorizes him to run a credit check on you and your spouse.</p>	<p>Tell them you <i>do not</i> want them to run a credit check, and be wary of signing any form that may grant them permission.</p>	<p>Run your own credit check in advance. The three major credit bureaus: Equifax (<a href="http://www.equifax.com">www.equifax.com</a>), Experian (<a href="http://www.experian.com">www.experian.com</a>) and TarnsUnion (<a href="http://www.transunion.com">www.transunion.com</a>) can produce a credit report for about \$15 each.</p>
<p>If you refuse, he may tell you it's company policy to run one or that it is required, or that they need to get your beacon score to see if you qualify for their best rates or advertised specials. He may try to collect personal information from you to run a credit report anyway.</p>	<p><u><i>Don't</i></u> volunteer your personal information other than your <i>first</i> name. Tell him you have your beacon score and will give it to him later and that you <b><i>DO NOT</i></b> want them to access your credit history for any reason and <u>have him note that on the buyer's order when</u></p>	<p>Your first name and beacon score are all the dealership needs to sell you a car. <b>IT IS ILLEGAL FOR THE DEALER TO RUN A CREDIT REPORT ON YOU WITHOUT YOUR PERMISSION!</b> <i>Nevertheless, expect they may</i></p>

SELLING TACTIC	YOUR DEFENSE	REASONING
<p><i>If you purchased a car from them in the past, they may already have enough information, so don't mention it.</i></p> <p>He may ask you to; at least, let them copy your driver's license.</p> <p>He may ask your permission to have your trade-in car taken somewhere to evaluate it. <sup>3</sup></p> <p>The salesperson will chat with you and try to find things he has in common with you. <sup>4</sup></p>	<p>he starts to fill one out. If you elect to give the dealer permission to run a credit check, note the date and time on the form authorizing the credit disclosure.</p> <p><i>Don't be afraid to leave if they insist on running a credit check or having your personnel information.</i></p> <p>Show them your license to prove it is valid but <b><u>Do not</u></b> give it to them.</p> <p>Tell the salesperson you are there to buy a new car and that you do not want to discuss trade-in, and do not give up your car.</p> <p>Be sure to place the business cards you picked up earlier where they can be seen through the windows.</p> <p>Being courteous important... making friends is not if you want to negotiate for a new car. Tactfully deflect this idle conversation and encourage him to focus on the deal, but be careful not to be too aggressive or they will send in a more aggressive salesperson.</p>	<p><i>try to anyway because it improves their negotiating position significantly.</i><sup>2</sup> All they need is your name, current address, and previous address.</p> <p>There is no need for them to hold or copy it. It is another ploy to get information to run a credit check.</p> <p>Do not discuss your trade-in until after you agree on a price for the new car. Taking your car or keeping your keys is a tactic the dealer uses to keep you at the dealership. Don't fall for it. It prevents you from leaving should you decide to. In addition, they can find enough clues in your trade-in car to profile and run a credit check on you so be sure to clean it out.</p> <p>The business cards will let them know you are a serious buyer and not just looking.</p> <p>He will try to find commonality in a sports activity, family, religion, military experience, professional or social organization, etc. No subject is off limits to the salesperson.</p>

**AUTHOR’S COMMENTS:**

1. Taking notes will come in handy when dealership personnel have ‘selective amnesia’ later, especially if you discover later that they victimized you.
2. The dealer wants your credit history because it may reveal negative history (e.g., a late payment) to justify their increasing the rate or monthly payment. They also want to know what you paid on your old car so they can quote a higher payment on your new car. In addition, they want to know your bankcard balances so they will know how much they can talk you into putting down.
3. I once spoke with a buyer who insisted on accompanying the appraiser during the appraisal process on his trade-in. The buyer thought it was a waste of time because the appraiser did not really do anything. In fact, the appraiser appeared to be just another salesman who was out of place and confused as to why the buyer was there. The buyer also could not understand why his salesman was upset by his request to accompany the appraiser. What the buyer didn’t know was that the salesman’s ploy was to keep the car away from him to prevent him from leaving.
4. Salespeople are trained on the adage ‘people will buy from people they like or from people they believe to be like them’. Salespeople are chameleons who will adapt to exploit your weaknesses and gain your trust. A simple item like a tennis racquet, magazine or even a bible left in your trade-in can provide valuable information that the salesperson can use to convince you the two of you have common interests, and you will never be the wiser. Remember, you do not need to be his friend. In fact, the less he knows about you, the better your negotiating position will be.

**SELECTING A CAR**

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>The salesperson will want to know the type of car you are looking for. He will invite you to go to the lot with him to look. He may try to steer you to a car that is close to the car you want but not the one you picked out.</p>	<p>Give the salesperson the VIN of the car you picked out earlier and tell him you are only interested in that car. When the salesperson takes you out on the lot, <b><u>STAY FOCUSED.</u></b> Ask or answer questions about the car, but stay away from questions on price and financing.</p>	<p>Here is where your advance preparation begins to pay off. <b><u>Do not</u></b> let the salesperson steer you to a car. Many dealerships maintain a list of cars they want to move and instruct their employees to steer customers to them. Be assertive... <b><u>Do not</u></b> let them do it. <b><u>STAY FOCUSED.</u></b> If the car you want is no longer available, give them the VIN of the second or third car you picked out.</p>
<p>The salesperson will ask you direct questions that are designed to elicit a “yes” answer as...do you like alloy</p>	<p>Be prepared for questions that elicit a “yes” answer from you. Answer his ‘yes’ questions but ask him direct</p>	<p>The dealer spends thousands of dollars annually to train employees to respond to, defend, evade and deflect</p>

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>wheels, do you like power windows, etc.</p> <p>He will ask what monthly payment range you are looking for.</p> <p>The salesperson will invite you to test drive the car you picked out. <sup>3</sup></p>	<p>questions back like... 'Does the car have a rebate and what is the amount' and 'does it come in a two-door'. Do not let him answer your questions with a question or to evade your questions altogether. <sup>1</sup></p> <p><u>Don't</u> respond to this or any request for a monthly payment amount. Instead, tell him you plan to negotiate the price of the car only.</p> <p><u>Defer</u> the test drive until after you agree on a price.</p>	<p>questions raised by car buyers. Questions that elicit a "yes" answer are a ploy to get you used to saying yes instead of no. Your questions back to him will break his questioning pattern and your pattern of having to answer yes to his questions.</p> <p>He is setting you up to negotiate for a monthly payment instead of a price, <i>which is the worst negotiating move you can make.</i> <sup>2</sup></p> <p>This is purely a psychological sales tactic. The dealer knows you will be anxious to finalize a deal after you drive the car. It excites your impulses. It is a combination of the feel and smell of the new car. It is especially strong with first-time buyers. <i>There is no sense in falling in love with something you might not end up buying.</i></p>

**AUTHOR'S COMMENTS:**

- 1. The dealership trains their salespeople to deflect your questions. Some do it so well that they can make you forget you even asked something. A common ploy is to tell you they have worked at the dealership for only a short time and don't know the answer. Always write your questions down and keep asking them until they give you an answer.**
- 2. When you negotiate for a payment, the dealership can manipulate the interest rates, value of your trade-in, term of the loan, and price to fit the payment. Always negotiate the price of the new car first; then the value of your trade-in car; then the interest rate; and finally the term. The payment is always the result. Never take a short cut and skip right to negotiating the payment.**
- 3. I have seen people get so excited after taking a test drive that they will pay anything to get the car. Dealerships love these people because they can coerce them into making poor buying decisions. Remember... today's dream car may be your finance problem in six months and it could cost you big time when you try to trade it in three years down the road.**

### **TRIAL CLOSE**

<b>SELLING TACTIC</b>	<b>YOUR DEFENSE</b>	<b>REASONING</b>
The salesperson will ask you this question “If I can get you the payment you are looking for, will you buy and take delivery today”.	Tell him maybe, might, or think so... depending on the deal, but <b><u>do not</u></b> say yes!	The salesperson is trying to get you to commit to buying the car. If you say yes... then he will use that as a type of pressure later on, implying that you agreed to a payment earlier and lied to him.

### **AUTHOR’S COMMENTS:**

- I knew a salesman whose favorite tactic was to take a buyer directly from the lot to his office where he would begin filling out the paperwork while talking to him. When he was finished, he simply put the paperwork in front of the buyer and asked him to sign it. It’s surprising how many people signed without blinking an eye. If they balked, he simply tore up the paperwork and started over using another tactic.**

### **LET’S TALK PRICE**

<b>SELLING TACTIC</b>	<b>YOUR DEFENSE</b>	<b>REASONING</b>
The salesperson will begin to discuss terms at this point and will tell you he must have your personal information.	Continue to withhold personal information. <b><u>Do not</u></b> be afraid to leave if they continue to press you for it.	Your name is all he needs to negotiate a deal. He should back off if you stay firm, but don’t be afraid to leave if he doesn’t.
The salesperson may ask you again if you have a specific monthly payment in mind.	<b><u>Do not</u></b> let the salesperson convince you to accept a monthly payment. <b><u>Tell him again that you wish to negotiate the price of the car.</u></b>	Negotiating for a specific monthly payment gives the dealership too much opportunity to tamper with the interest rate or to add products and services to inflate the value of the car. It is important that you stay focused on negotiating <b>price</b> and not a payment amount.
The salesperson may ask what you paid for your last car or what your last payment was.	Tell him that you don’t recall either one.	If the dealership knows you paid \$19,000 for your last car, they will assume you will pay, at minimum, \$600 to \$1,000 more per year. If your payment was \$300/month, they will assume you will pay

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>The salesperson may ask you to finance through their lenders because they have good relations with them and can shop around for the best rate for you.</p>	<p>At this point, it is extremely important that you let them believe you will use their lenders, so <b><u>don't</u></b> tell them if you intend to finance through an independent lender. <b><u>Never tell them you plan to pay cash.</u></b></p>	<p>\$350/month to \$380/month<sup>1</sup>.</p> <p>From a negotiating standpoint, you should tell them you would probably use their lenders, <b><u>even if you know you will not.</u></b> If they think you are using their lenders, they will not try as hard to maximize profits on the price because they will think they can make up for it on financing.</p>
<p>The salesperson may ask if you have a trade-in.<sup>1</sup></p>	<p>Be assertive. Tell him you want to focus on the price of the new car</p>	<p>If you let them consider your trade-in too early, they will hold back on discounting the price of the new car to inflate the value of your trade-in.</p>
<p>The salesperson may ask you to consider a lease.</p>	<p>Don't fall for it. Maintain your position that you are only interested in buying a car.</p>	<p>This is a ploy to refocus negotiations back to <b><u>payment</u></b> and away from price. However, if you want to lease, then the tips and information in contained in the Primer still apply except that Capitalized Cost of a lease is your purchase price less trade-in and rebates.</p>
<p>The salesperson will eventually get around to quoting you a very high price and then dropping it in \$100 increments, then \$75, then \$50, then \$25.<sup>2</sup></p>	<p>Sometimes the best defense is a good offense. Make the first move; ask to see the factory invoice, then offer to buy it at invoice. If they refuse, then offer <b><u>\$500 less than what you expect to pay for the car</u></b> and <b><u>don't</u></b> forget to tell him that your offer is <b><u>before</u></b> rebates and incentives are applied.</p>	<p><b><u>Your target is to pay the dealer \$500 over factory invoice</u></b> before factory rebate and trade-in are deducted. <b><u>Do not</u></b> be afraid to leave if they refuse to let you see the factory invoice. Remember...factory bonuses, incentives and other factory reimbursable items are not included on the factory invoice.</p>
<p>The salesperson may try to add the rebate to the selling price before the tax line and</p>	<p>Be alert as to where on the buyer's order they post the rebate.<sup>3</sup></p>	<p>They commonly add it to the cost of the car before subtracting it from the total.</p>

<sup>1</sup> These amounts are industry averages for buyers purchasing new cars.

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>he will then subtract it out after taxes.</p> <p>The salesperson may leave one or more times to plead your case with his manager.</p>	<p>Ignore these tactics. Salespeople are encouraged to be good actors. They may tell you in a soft voice that they are going to the manager's office to fight for you when, in fact, they are going to get a soda. Why would they need to whisper anyway?</p> <p>Be aware of how long you have been there. <b><i>Do not</i></b> be afraid to walk away from a deal if it appears they are playing games with you. <b><i><u>They probably are!</u></i></b></p> <p><b><i>NOTE: Do not have private conversations while inside the dealership.</i></b></p>	<p><b><i>Don't</i></b> let them. The rebate should be the subtracted from the cost after the tax line.</p> <p>When the salesperson leaves the room, it is a sign his manager wants more profit out of the deal. They may give a little just to show good faith but they will pressure you to bump up your offer or to agree on a payment. If you did your prep work, then you should know the factory invoice price of the new car and you should be in good shape.</p> <p>If you have been there over three hours, then leave and return later when you are fresh. The dealership generates most of their profits after negotiations exceed 3 hours.</p> <p>Everyone knows in many States, it is illegal to record your conversations, but that doesn't mean they can't listen in. They can overhear your conversation via an open line on a cell phone, speakerphone, intercom or baby monitor; passing employees or employees in adjoining areas can overhear you, etc. Always step outside if you want to have a private conversation.</p>
<p>The sales manager may drop in to meet you and invite you to take a test drive.</p>	<p>Be courteous but <b><i>do not</i></b> accept their offer for a test drive.</p>	<p>The sales manager is a figure of authority at the dealership. His presence can intimidate most buyers who will do whatever he asks because they think he will be sympathetic and can give them a better deal.</p>

SELLING TACTIC	YOUR DEFENSE	REASONING
		However, this is a sign the opposite is happening. The sales manager wants to shift gears and perhaps apply more pressure. The test drive simply gives him and the salesperson time to regroup and change their strategy.

**AUTHOR’S COMMENTS:**

1. Don’t let the salesperson try to value your trade-in before you agree on the price of the car you are buying. If you do, the salesperson can make it appear they are paying you a higher amount for your trade-in by combining the discount you would normally receive on a new car without a trade, to their assessed value for your trade-in.
2. The dealership will often sacrifice profit on the price (front end of the deal) to make it on financing & aftermarket products (the back end).
3. The finance manager will sometimes disclose a rebate amount that is lower than the factory authorizes or he may not disclose the rebate at all and ask you to sign a blank rebate form, which he fills out later to the dealership’s benefit. He may also list the rebate as ‘cash down’ on the buyer’s order and ask you to sign a blank rebate form. If the finance manager asks you to sign a blank rebate form, then you should start asking questions about the rebate

**CLOSING – ONE LAST BUMP**

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>If negotiations reach a stalemate, the sales manager may send in a more experienced person, aptly called a “closer”, to apply additional pressure. The closer will insist your offer is way under anything the dealership can accept. He will continue the “leave-the-room” routine until he thinks he has gotten the most profit that he can and agreement is reached.</p> <p>The salesperson or closer will fill out a worksheet or buyer’s</p>	<p>Stay focused... you may want to give a little, but don’t give it all up just yet. Remember your targeted price. Mirror his mannerisms. If he becomes overly assertive, then you should respond in kind. Tell him you want a serious offer or you will leave.</p> <p>Be aware of the time.</p> <p>Read all paperwork carefully, provide them with your name,</p>	<p>The closer is never there to help you. <u>Do not</u> let him intimidate you.</p> <p>The dealer encourages their personnel to prolong your visit in order to wear you down to the point where you and they reach agreement in their favor.</p> <p>Signing paperwork at this point is meaningless and</p>

SELLING TACTIC	YOUR DEFENSE	REASONING
order and ask you to sign it. <sup>1</sup>	and telephone number only. Tell the salesperson you will sign the buyer's order after you test drive the car. <sup>2</sup>	unnecessary. The salesperson does this to lower your defenses and to get you comfortable with signing papers.

**AUTHOR'S COMMENTS:**

1. Remember to note on the buyer's order that you do not want anyone from the dealership to run a credit check on you and be sure the salesperson initials beside it.
2. Do not give them your address. They can run a credit check on you without having your social security number if they have your name, address and telephone number.

**TEST DRIVE**

SELLING TACTIC	YOUR DEFENSE	REASONING
The salesman takes you to test drive the car.	If you are satisfied with the car, tell them you are ready to have your trade-in evaluated.	Taking a test drive now will allow you to check out the car with more objectivity. It will also help you to remove your emotions from the sale for a while and to focus on Round two... financing.

**AUTHOR'S COMMENTS:**

**Remember... you are the only person in the whole negotiating process that is on your side.**

**TRADE-IN**

SELLING TACTIC	YOUR DEFENSE	REASONING
The salesperson will have your trade-in appraised. Expect they will give you a very low offer for it. He may also try to convince you they considered it in the deal on the off chance you are not alert.	Let them appraise it, but again, <i>do not</i> let them keep your keys. Compare their offer to the NADA™ or Blue Book™ value you researched earlier. Consider selling it yourself if the dealer's offer is too low.	Thirty minutes is all the time they need to appraise your trade-in. The dealership cannot resell every trade-in at a profit. They will give a low estimate, telling you they need to make a small profit when reselling it. (They may also need to cover losses incurred on other trade-ins received recently).
The dealer will not want to consider in the trade-in value, equipment you added on to it.	Insist they give you credit for add-on equipment. <sup>1</sup>	This is a common tactic to make additional profit off your trade-in car when they resell it.

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>The salesperson will call the lender of your trade-in car and request a 30-day payoff.</p>	<p>Give him the payoff amount you retrieved earlier; <i>let him know it's good for ten days and that the deal is contingent on them paying it off within that time. And, be sure it's documented on the buyer's order.</i> Also, let him know that you have (or will) cancel all refundable warranties and insurances you have on your trade-in.<sup>2</sup></p>	<p>A 30-day payoff allows them to hold the money they will use to make your payoff a little longer and draw interest from it at your expense. You can save the equivalent of a full monthly payment by insisting the dealer settle on your trade-in within 10 days.</p>
<p>The salesperson may try to subtract the trade-in after the tax line on the buyer's order.</p>	<p>Be sure the salesperson subtracts your trade-in from the price of the new car before he calculates taxes.</p>	<p>You paid taxes on your trade-in car when you bought it. Subtracting your trade-in value after taxes are calculated results in your paying taxes on it a second time.</p>

**AUTHOR'S COMMENTS:**

- 1. The deal you make for your trade-in should stand on its own merit. Do your prep work and have decided how much you are willing to accept for it. Remember, a \$50 detailing job can typically save you hundreds of dollars.**
- 2. Many warranties and service plans are refundable if you pay off your loan early, if you request it. If you don't request it, the finance manager will and he will keep the profits for the dealership.**

**THE SALESPERSON'S PAPERWORK**

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>The salesperson will complete his portion of the buyer's order and will begin filling out other forms and documents including the credit application.</p>	<p>Read everything carefully and be sure to get copies of all documents associated with the deal (signed or unsigned).</p> <p>If possible, <b><i>do not</i></b> fill out the credit application with the salesperson; wait and do it with the finance manager.</p> <p><b><i>Be sure to note on the credit application 'FOR LENDER'S USE ONLY'.</i></b></p>	<p>Be sure everything the salesperson agreed to is noted on the buyer's order and that a manager signs it.<sup>1</sup></p> <p>Remember the credit application is an official document. Do not let the salesperson add any information that is <b><i>not</i></b> correct or completely accurate. Don't let the salesperson skip over disclosures or have you initial</p>

	<p>That comment puts the dealership on notice that they are not authorized to run a credit check on the lender's behalf.</p>	<p>or sign them without discussing them. They may skip over important disclosures on forms.</p> <p>Remember, falsifying a credit application is illegal and <u>you</u> could be prosecuted for doing so.</p>
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**AUTHOR'S COMMENTS:**

- 1. Review the buyer's order to ensure everything is added or subtracted in the correct order, and do the math yourself: Selling price (-) Trade-in (+) Taxes (+) Fees (+) Payoff on trade-in (-) Rebate (-) Down payment = Your Cost. If there are additional charges and fees above the customary delivery prep fee, then mark through them and tell the salesperson that you won't pay it.**

**FINANCING and PRODUCT STUFFING**

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>The salesperson will hand you off to the finance manager whose job it is to prepare your loan documents and to explain all warranties and rebates. The finance person will ask you to sign several forms and agreements.</p>	<p>Read and understand what you are signing. Have everything explained. Make sure the salesperson fills out every blank on every form you sign, <u>especially where dollar amounts are supposed to be.</u></p> <p><b><i>NEVER sign forms or agreements that are blank, contain blanks, are for "free" products, or the salesperson does not fully explain.</i></b></p> <p>Remind the finance manager that you are aware the <u>lender</u> will run a credit check and the dealership is not authorized to run one on the lender's behalf.</p> <p><b><i>If you plan to finance through an independent lender or pay cash, then now is the time to let them know.</i></b></p>	<p>Signing a document that is blank or contains blanks is one of the quickest ways to be victimized by a fraudulent practice. Again, be alert because the finance manager may try to skip over important disclosures or have you blindly initial or sign them.</p>

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>When the finance manager discovers you intend to finance through your own lender, he may refuse to accept a deposit or check from your lender, or he may try to renegotiate the price of the car.</p> <p>The finance manager will give you options on interest rates and terms (the length of the loan) and maybe their special programs of a choice between a rebate and low or 0% rate.</p> <p>The finance manager will ask you to purchase aftermarket products. He may also ask you to sign documents for “free” products and services. <sup>4</sup></p>	<p>If your lender is an online bank, then point out that the lender is FDIC insured and they are in business to lend money. If they still refuse and will not meet or beat the lender’s rate, then leave and go elsewhere.</p> <p>If you are financing through their lender, ask if the quoted interest rates are the best the <u>lender</u> will give you. If they answer ‘it’s the best rate the <u>dealership</u> will give you’, then ask to see the <u>lender’s</u> rate sheet. <sup>1</sup></p> <p>If you use your own lender, or if you are use the dealer’s lender and the rebate is \$1,500 or greater, then take the rebate and negotiate a low rate. <sup>2</sup> Stay clear of 0 – 0 – 0 programs.</p> <p>We strongly recommend you <u>Do Not</u> purchase or accept aftermarket products. If you absolutely must have them, then purchase them from an independent source. <sup>5</sup> . However, if you decide to buy them from the dealer, then ask what the products and services are, what they do, what they include and <u>exclude</u>, and how much you are paying for them <u>over the term of the loan</u>. Write down their responses. It may be important later on.</p>	<p><u>Do not</u> be intimidated or afraid to walk away from the deal, if they refuse to accept a deposit or check from your lender or if they insist on renegotiating.</p> <p>If they are not willing to show you the lender’s rate sheet, then they are probably quoting you a higher rate than the lender approved in order to make a profit off the financing. <u>Do not be afraid to walk away from a deal if they refuse to show you the lender’s rate sheet.</u></p> <p>Be wary of special programs like the 0 - 0 – 0 program. It will cost you more than a conventional loan if you don’t plan to pay the car off within the first year. <sup>3</sup></p> <p>When it comes to aftermarket items, don’t be afraid to say ‘you won’t pay for this or that’. They are rarely worth the price you pay for them and they are never free. Be sure to calculate the total cost over the term of the loan and <u>do not</u> forget to add the interest. Lenders <u>do not</u> allow the dealer to add some aftermarket products and services to the loan agreement, so the dealer must add them in a way that is not noticeable to the lender. Be wary of what the finance manager asks you to sign.</p>

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>He may tell you the lender requires you to buy an extended warranty with the car.<sup>6</sup></p>	<p>Don't take the bait...tell him you do not want one and will not pay for one if he cannot show you something in writing from the lender.</p>	<p>This tactic is illegal in some States, but salesmen use it often because it is hard to prove without written evidence. Lenders usually don't require them.</p>
<p>The finance manager <i>may not</i> tell you about factory rebates or special financing deals, or he may tell you about them and ask you to sign a blank rebate form.</p>	<p>Ask the salesperson to identify <u>and clearly explain</u> all rebates that may apply.</p>	<p>The dealer is required to reveal all factory rebates that you qualify for. Do not expect them to do it. They generally follow the <i>'If you don't ask, we don't tell'</i> rule. Do not sign a rebate form that is not completely filled out. They will do this so they can keep all or part of the rebate. Ask for a copy of the rebate form.</p>

**AUTHOR'S COMMENTS:**

1. **You purchase the car from the dealership but you borrow the money from the lender with the dealership being the intermediary. You have a right to know the interest rate the lender approves, not the rate the intermediary approves. The rate the finance manager quotes you may not be the same rate the lender approves. In fact, the dealership's rate may be as much as ten points higher than the lender's rate. The difference goes into the dealership's pockets. You have to decide how much profit you are willing to let the dealership make off your financed deal. Do the math on the amount they will make over the length of the term.**
2. **0% rates are usually for 36 month terms or shorter. If you qualify for the 0% rate, then you probably have excellent credit. If the rebate is \$1,500 or greater, then you can end up with a better deal by taking the rebate and accepting a longer-term loan at a low rate.**
3. **0 - 0 - 0 Programs have become very popular. They work like this... For the first year, you pay \$0 down , 0% interest and 0 payments. However, when the year is up, you have a higher payment at a higher rate for five or six years or you may have a requirement to refinance after the first year. You will find it very difficult, if not impossible, to refinance the now used car with 0 equity for a reasonable interest rate. The result is that you end up paying a lot more for the car than you would have using traditional financing, you end up in a minus equity position in about three years, and you have a car that you cannot trade-in without taking a huge loss.**
4. **As profit margins on the sale of new and used cars get smaller, dealers rely more and more on the sale of aftermarket products to increase their profits. Watch for products**

and services that are ‘packed’ or ‘bundled’. The dealer combines products such as etch, theft-protection programs, car care maintenance plans or other products and add these ‘packed’ products to the deal. The dealer packs products to hide them from the lender and consumer. The dealer will often ‘bundle’ products together. The dealer calls it ‘Menu’ selling and it is another way for the dealer to add products you don’t need or the lender would not approve. The dealer will not give anything away for free. This is another way for them to commit a fraud on you. If they want to give you something free, then it is an indication they are charging you more for the car than the lender will approve.

5. Do not buy a maintenance plan on a new car without verifying it will not duplicate coverage of the OEM warranty or any extended warranty you may have purchased.
6. It is best to purchase an extended warranty from the OEM warranty company and before the OEM warranty expires. If you do, then be sure it does not run concurrently with the OEM warranty. It is a little more expensive, but it is less likely the coverage will overlap.

### CONTRACT SIGNING

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>The finance manager finally presents the loan agreement to you for signing. He may embellish information on the loan agreement in order to improve your chances for approval. He may also ask you to sign a second loan agreement that is blank, has blanks or contains different calculations. He may attempt to legitimize it by telling you that your monthly payment rate is ‘locked in’ but that they will shop for a better rate and will fill in the amounts when they know them.</p>	<p><u>Don’t</u> let anyone convince you it’s all right to embellish or falsify information on a credit application or allow anyone else to falsify information for you. <u>Don’t</u> sign additional contracts for any reason. <u>Don’t</u> let the finance manager hurry you through the signing process. Have him explain them one at a time and request copies of every document you sign or he presents to you for your signature.</p>	<p>You never have a valid reason to provide false information intentionally on a loan agreement. It is unlawful and you could be prosecuted for doing it. It also gives the dealer an out if they are caught doing it, or they can use it for leverage to pressure you into a more expensive deal if the lender rejects your application. Finally, if you decide to file a lawsuit against the dealership later, you are likely to see the dealer using that document against you. <sup>1</sup></p> <p>It’s incredible how many people are trusting enough of the finance manager to sign a blank loan agreement.</p>
<p>The finance manager may not explain that signing the loan application authorizes the lender to run a credit report.</p>	<p>Signing the loan agreement authorizes the lender to run a credit check on you. When you sign it, note the time and</p>	<p>If you find out later that the dealer ran a credit report on you, this will be your time stamp to verify when you</p>

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>The finance manager may not read or explain the three disclaimers typically contained in the loan agreement. The arbitration agreement, the right to refuse insurance disclaimer, and the Do not sign if blank... disclaimer.</p>	<p>date on the document, and ask the salesperson to initial it.</p> <p>Be sure to look for all disclaimers on the loan agreement and be sure he explains them to you.</p>	<p>actually approved it.</p> <p>If the finance manager neglects to explain the disclaimer sections of the loan agreement, ask why, note his response, <i>and then begin looking for blank forms and for hidden products and services.</i></p>
<p>The finance manager may ask you to sign a separate arbitration agreement.</p>	<p>The arbitration agreement contained in the loan agreement can be valid. <u>Do not</u> sign a separate arbitration agreement for any reason.</p>	<p>There is no valid reason to sign a separate arbitration agreement. They restrict your legal rights to sue the dealership even if you discover you were a victim of consumer fraud. <sup>2</sup></p>
<p>The finance manager will ask you to sign all applicable documents, some will have multiple parts and others will be single-page forms. He may fold some documents before you sign them or take documents and insert them into a folder while keeping others out for you to review.</p>	<p>Be alert, ask why he is folding documents and jot down his response. Insure you receive copies of all single-page forms signed. <i>Count the number of times you sign your name and verify you can account for each one before you leave.</i></p>	<p>The finance manager can easily hide paperwork or slip it in without you being aware of it. Folding and storing paperwork is a tactic used to draw your attention away from documents they are trying to hide or <u>do not</u> want you to review. Review every document carefully and ask questions if you are not clear what its purpose is. The finance manager knows you should have copies of every form you sign, so ask yourself why they have single page forms. Remember, it makes it more difficult to question a document later if you don't have evidence it exists.</p>

**AUTHOR'S COMMENTS:**

1. Many dealerships take advantage of the car buyer's overall lack of knowledge of the car-buying process and encourage their employees to increase company profits by using

unethical and illegal selling practices as a normal way of doing business, confident that the buyer will not know he is being victimized.

2. **NOTE:** You pay all arbitration costs up front, which could amount to thousands of dollars on a simple claim. This typically dissuades you from ever seeking arbitration. In a recent court ordered arbitration. The arbitrator pre-billed the plaintiff \$8,400 that the consumer would have had to pay up front to have the mediation. The consumer could not afford to pay \$8,400 up front. Some attorneys take these cases on a contingency basis, meaning they receive payment if you win. However, they are reluctant to risk spending large sums of money on a risky case, even if there is a high probability you can win the dispute. The dealership knows about the high risk and cost of mediation and uses it to their advantage. In summary...all of the risk and cost to you and none of the risk or cost to them. In many cases the up front cost to file a lawsuit is less than a mediation.

### TAKING DELIVERY

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>The finance manager hands over the keys for you to drive your new automobile home and asks you to sign a 'Spot Delivery' form. The finance manager may bury the 'Spot Delivery' form among other papers where you may not see it.</p>	<p><b><i><u>Do not take delivery now. Put a deposit on the car and set up a delivery time after final approval from the lender.</u></i></b> Tell the finance manager that you insist the deposit be fully refundable if the deal does not go through. Then go home and review all of your paperwork to see if it makes sense. Take your questions back to the dealership and have the finance manager answer all of your questions before you drive the car off the lot.</p> <p>If you must take delivery, then read the spot delivery form and all other documents carefully. <b><i><u>Do not</u></i></b> sign documents that contain verbiage that restricts your legal or ownership rights.</p>	<p>It's not yours yet! The lender can refuse the deal. The sale is not final until the lender approves the loan and pays the dealership. If you decide to back out of the deal and you <b><i><u>do not</u></i></b> drive the car off the lot, then you can retrieve your deposit.</p> <p>The spot delivery form is actually a <u>bailment agreement</u> that makes you responsible for the condition of the car until the lender approves the loan. However, it may also contain language that binds you to the deal regardless of the final terms and conditions of the loan, or permits the dealership to keep your deposit, trade-in,</p>

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>The finance manager may not give you documentation on aftermarket products you purchase with your car.</p>	<p>You may have to request documentation on aftermarket products and services from the dealership in writing.</p>	<p>add penalties or other charges if you <b><i>do not</i></b> accept the final agreement.<sup>1</sup></p> <p>Be sure to ask for specifics on coverage, schedules and exclusions, especially if the finance manager included them in the price or gave them to you free.<sup>2</sup></p>

**AUTHOR’S COMMENTS:**

- 1. YOU DO NOT HAVE A THREE-DAY GRACE PERIOD TO BACK OUT OF THE DEAL IF YOU DRIVE THE CAR OFF THE LOT.**
- 2. Do not be fooled with the statement ‘included in the deal’. You pay for it somewhere because the dealer never gives anything away for free, they simply add the ‘free item’ to the cost of the new car at full retail.**

**APPROVAL / REJECTION**

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>The lender will approve or reject your loan.</p> <p>If the lender approves the loan, the finance manager may call you back to tell you there is a problem. They may not actually say the lender rejected the loan, but the implication will be there and they may ask you to sign an amended agreement with higher terms or calculations or they may ask you for a larger down payment.<sup>1</sup></p>	<p>If the finance manager asks you to return to renegotiate, ask to see the lender’s “Bank Approval / Conditional Approval Report” or other evidence that the <b><u>lender</u></b> rejected the loan and the reason they rejected it. If the dealership cannot produce a document <b><u>from the lender</u></b>, then you should presume the dealership <b><i>is making one last attempt to make more profit off you</i></b>, and then you need to decide if you want to deal with this dealership.</p>	<p>Most lenders can approve a deal within three hours, but it may take longer depending on the time and day of the signing.</p> <p>Asking a buyer to return to sign or re-sign documents is a tactic the dealership may use with minorities, new car buyers, the elderly, and on buyers with credit problems. They do it to make a little more profit on your deal. If you refuse to renegotiate, they may try to pressure you to renegotiate.</p>

SELLING TACTIC	YOUR DEFENSE	REASONING
<p>If the lender does reject the loan, the dealership will have to renegotiate the deal with you or the finance manager may rework the deal without ever notifying you of a problem. <sup>2</sup></p>	<p>If the finance manager notifies you, then you need to decide if you want to renegotiate or go elsewhere. <sup>3</sup></p> <p><i>When the lender sends your loan package to the dealer to be reworked, and receives it back with changes, the lender assumes you agree with all changes that the dealer made to it.</i></p>	<p>Again, if the lender rejects the deal, the dealership may (without your knowledge) rework the numbers or add products to inflate the value of the car and resubmit the reworked loan agreement to the lender (sometimes with a forged signature). <sup>4</sup></p> <p><b><i>IT IS UNLAWFUL FOR THE DEALERSHIP TO AMEND ANY PORTION OF ANY AGREEMENT YOU SIGN WITHOUT YOUR KNOWLEDGE AND APPROVAL.</i></b></p>

**AUTHOR'S COMMENTS:**

1. The majority of time, the reason for a 'conditional approval' is because the dealer is asking the lender to lend more money than the car is worth. If you are asked to come back because the lender did not approve your deal, don't let the dealer pressure you into adding additional products and services or putting more cash down. Instead, insist they reduce the price and payment. You have a right to walk away from the deal or renegotiate at this time if you did not sign a spot delivery form. Remember, they can't afford to take the car back from you.
2. The lender returns approximately 35% of all funding packages with approval contingent on the dealer meeting certain conditions.
3. If you took spot delivery on the car, you may have surrendered your legal right to your deposit and may have lost the trade-in car because the dealership has already sold it. If that is the case and the dealership will not let you out of the deal, then you might want to put everything on hold and consult with us to see if we can help you.
4. Most finance managers have a sophisticated computer program that allows them to input the payment they get you to accept along with the rate and payment the lender approves. The computer then backs into the amount he needs to charge you for aftermarket products and services. It is easier for the dealer to hide a warranty from the lender when you purchase a used car.

***FOLLOW UP***

ACTION ITEM	YOUR DEFENSE	REASONING
<b><i>Save Everything!</i></b>	<b><i>Do not let the dealership remove the window stickers. Remove them yourself and save them.</i></b> Also, do not throw your documents in the glove box and forget them; protect yourself and retain all documents associated with the purchase. File them away safely with your notes and the window stickers you removed.	These can be extremely valuable if a dispute surfaces down the road.
<b><i>Review your paperwork!</i></b>	Review all paperwork after you have had a chance to think about what was said and/or done during the negotiations and what you actually ended up with.	Aftermarket products added to the deal are often included in the loan agreement. The lender may understand the products to be one thing when, in fact they are something else. <b><i>Many of these products will have refund policies that would pay off if you terminate the loan early.</i></b> If you are not told the products exist, then you never get to use them or receive refunds for them when you trade in the car. The only way to protect yourself and the lender is to have an automotive consumer fraud expert advise you on what you actually paid for.
<b><i>Retrieve your documents!</i></b>	Before you put everything away, request copies of all documents the lender has on file for your loan including the loan agreement, warranties on file, rebate forms, etc.	Contact us and we will assist you in requesting these documents from your lender. It generally takes four weeks.
<b><i>Compare your documents!</i></b>	Compare the documents you received from the lender to the documents you saved and filed.	Carefully compare the agreement you signed at the dealership to the copy the lender sends you. If there are differences in the numbers or signatures, you are probably a

ACTION ITEM	YOUR DEFENSE	REASONING
<p><i>Review your credit history!</i></p> <p><i>Write us!</i></p>	<p>Four weeks after buying your car, request a credit report from the credit bureau to see if anyone made an unauthorized credit check on you.</p> <p>If you think the dealership victimized you with any automobile purchased, or leased within the past four years, then send us an email telling us of your experience.</p>	<p>victim of a fraud. Be especially alert for forged signatures and evidence of added or falsified information. Also, compare the numbers on the lender's copy of the loan agreement to the buyer's order and the loan agreement signed by you at the dealership. Verify that the loan agreement reflects the rebate. Finally, check the price of the warranty. If it is more than \$800, then there is a good possibility the dealership bundled two or more products and labeled it a warranty.</p> <p><i>If you find evidence of an unapproved credit check, the requester must be able to produce written permission signed by you.</i></p> <p><i>Maybe We Can Help! Access the consumer section on our website to find out how we can assist you. <sup>1</sup></i></p>

**AUTHOR'S COMMENTS:**

1. Everyone from top management down to the lowly salesperson competes for incentives in the way of cash, trips, and expensive gifts in addition to commissions based on the number of cars sold. There is a tremendous amount of pressure to maximize profits on every sale. Sometimes, dealerships allow their employees to use deceptive and illegal selling practices where ethical practices would not produce the desired results. The dealership is a master at deflecting blame away from the dealership and towards its employees. If the dealership is caught committing a fraud, they will attempt to negotiate with you for less than the amount they owe you (e.g., If they are caught taking \$2,000 from you, they will offer to pay you \$1,000 as a goodwill gesture to make you happy, and they still make \$1,000 off you). In serious cases, the employee is prosecuted and the dealership receives a 'slap on the wrist'. However, they are rarely caught.

## Author's Comments

**W**e do not intend for the *Car Buyer's Primer*<sup>™</sup> to be a weapon for you to use against the dealership, but rather to be a tool for you to use to protect your rights if someone uses or attempts to use a fraudulent sales practice on you and to provide you with enough information to negotiate for a fair deal.

**N**ot everyone makes it in the automotive industry. A good salesperson is not necessarily an honest salesperson. The dealership pays employees well, but only if they produce results. Most will eventually give in to the pressures of the dealership to generate more profit.

**T**here are two things to remember about the salesperson. 1) He may be a great guy, but he is also an employee of the dealership which commands complete loyalty and he is only interested in making money for himself and the dealership. 2) He is a messenger... not a decision-maker. He has no leverage with management and cannot do or say anything that will result in a better deal for you.

**B**e prepared to be victimized. During a recent investigation, the Office of the Attorney General for the State of Florida found 34% of deals reviewed at one dealership involved the use of fraudulent sales tactics or predatory lending practices. That number represented retail sales only. With lease and fleet sales added, we estimate the industry number is closer to 65%.

**T**he dealership is more likely to target first-time buyers, minorities, the elderly, and buyers with credit problems, but we have reviewed hundreds of documents where consumers who are knowledgeable and careful buyers have been victimized without their knowing it. Fraudulent deals we have uncovered to date range from a few hundred dollars to highs measured in the thousands. In fact, three attorneys we work closely with were victimized on average \$3,060 each.

**I** recently reviewed documents for an attorney who leased a new car. He knew the salesperson. In fact, the salesman had previously sold him numerous cars, and was certain he would not do anything unethical. Being somewhat knowledgeable on predatory lending practices, he instructed the salesperson not to add any aftermarket products. He even crossed through the product line on the buyer's order (\$299 charge) and he (the attorney) signed it. On the surface, he did everything right. However, when we received the documents from lender, we discovered the dealership made unauthorized changes adding an Etch warranty to the buyer's order. Someone from the dealership signed the reworked buyer's order and noted "agent for" beside the signature, with the \$299 charge included this time for the warranty while the lenders copy of the retail installment contract (loan agreement) indicated the cost was \$565. Further research revealed the "friend" charged the attorney full retail for the car and received a \$330 commission.

**I** hear the same complaints day after day. One I hear often is the buyer who responds to an advertised special but does not qualify to receive it. What the customer doesn't

know is that even if they do qualify, dealership personnel may lie to him, saying his beacon score is too low to qualify for the special rate or deal. They rely on most people not knowing their credit score and chances of their being caught lying is small.

**W**hen you buy a car, the finance manager gives you a copy of your loan agreement but you never see the paperwork that he sends to the lender. When you leave the dealership, you remember only the payment you agreed to and not the loan content. The payment book you receive from the lender matches the payment you agreed to. However, the finance manager may have changed the content of your loan without telling you. This usually happens if you agree to a higher payment or purchase price for a car than the lender is willing to finance, the finance manager may add products and services to the deal to maintain the original payment and profit. When the dealership changes the content of your loan agreement, the lender assumes you approve it, when in fact you may not even be aware of the changes.

**T**he sales manager has a tremendous amount of influence over the earning ability of sales personnel. They determine the types and amount of bonuses, and commissions each will receive. If a salesperson objects to using a 'dealership-approved' selling practice, the sales manager will likely adjust his or her income accordingly.

**T**he dealership benefits three ways when a salesperson commits fraud under the guise of being a "good employee". 1) The dealership buys the salesperson's loyalty. 2) The dealership buys the salesperson's silence with implied or direct threats of prosecution or termination. 3) The dealership has a scapegoat if the dealership

is caught committing a fraud or the employee speaks out.

**T**he finance director processes every loan the lender approves for the dealership. He will change the content of a loan package to meet the requirements of the lender while maintaining the payment the buyer previously agreed to. My experience has been that the finance department makes changes that affect the loan agreement on 90% of the returned deals without telling the buyer.

**D**o not believe the salesperson who tells you they will pay off their old loan to get your business. It simply does not happen. They add the old loan into your new one and give you a longer-term loan to hide it.

**I**t never surprised me that the dealerships rip off the consumer, but it amazed me that so many of them rip off their own employees without batting an eye and the employees let them get away with it. It appears it is okay to rip off everyone except the dealership.

**I** worked for many dealerships that advertised cars that were non-existent or had already been sold, or for a particular model that we only had one of in stock, or advertised a car that existed but we were not allowed to sell. Trust yourself. Be prepared. Do not depend on advertisements. Make your own sale by doing your own research.

**D**uring my years in the automotive industry, I have seen and heard it all. What shocked me the most were buyers that came in so unprepared that they did not even know they had good credit. We targeted those buyers because we knew we could sell and finance them a car for whatever we wanted. Find

out what you qualify for before you go to the dealership.

**T**he typical car buyer expects the dealership to make a profit selling cars, and everyone will agree they need to earn a profit in order to stay in business. Where the auto sales industry differs from other industries is the amount of effort spent by dealerships to maximize profits on every transaction.

**V**arious government agencies regulate the industry but it is so large that monitoring it is difficult. I found through first-hand experience that regulatory agencies have, in the past, failed to protect the consumer because many of their examiners and investigators have preconceived ideas of what fraudulent activity is and who the perpetrators are. Either they did not know where to look for illegal activity or they chose not to prosecute the dealership when they uncovered a fraud. They tend to discount reliable tips that a fraud has occurred even when there is indisputable documentation to support the tips. In their defense, they base their ideas on the limited amount of information they see. In other words, the dealership gives the warranty regulators a portion of the documents processed on a particular deal, and it often differs from what they give to the insurance regulators. Therefore, no regulatory agency sees what the complete deal looks like, and they unknowingly protect the dealership from accountability because they do not know where to look or what to look for. Furthermore, the regulatory agencies often fail to cross-reference their documents and information.

**I**f anyone upgrades wheels, tires, stereo or any other item and lists it on the supplementary sticker, then be sure the

dealer is willing to credit you for the original items. Also, be alert for duplicate items listed on both the supplementary and factory stickers.

**I** worked with a coworker that had several fishing pictures on his walls. He invited every customer to spend a day out fishing on his boat. The only problem was... he didn't own a boat and never went fishing himself.

**M**ost buyers mistakenly believe the dealership tries to keep them from making a serious financial mistake when, in fact, they don't care if you agree to a payment and rate that puts you in a minus equity position three years down the road.

**R**ead the product documentation on car maintenance products carefully to determine what is or is not covered. Be sure the recommended servicing periods are consistent with the OEM warranty or the OEM warranty may be affected. Calculate the true cost of this product. It's not unusual to pay several hundred dollars for what amounts to a few oil changes.

**T**here are advantages and disadvantages of buying and leasing. It is important to have decided which way you want to go before you arrive at the dealership. Do your research... when you decide... stick with your decision. They may try to get you to switch from buying to leasing if it will result in more profit for them. If leasing, the capitalized cost is the selling price of the car less discounts trade-in allowance, down payment and rebates.

*The better prepared you are... the less likely you will be victimized.*

**T**he dealership does not care if you buy a new or used car. Being indecisive weakens your negotiating power.

**T**he longer a car is on the dealer's lot, the more it costs them. They typically want to unload cars that have been on the lot too long, they have too many of a model in stock, have hidden defects, or, with a used car, they paid too much for. Our rule of thumb is *"if they think it's perfect for you, then they probably need to get rid of it"*.

**M**ost Customer-dependent lenders cap the term on loans to 66 months. However, the dealership may use Dealership-dependent lenders that allow terms up to 87 months. Remember to compare apples to apples.

**U**se your own lender or the factory lender if they offer a special program or promotion.

**T**he salesperson can sell aftermarket products and services on the "front end" of the deal or the finance manager can sell them on the "back end" of the deal after you agree on a price or monthly payment

**I**f the dealer adds a warranty or insurance product to your deal and you do not know about it, and they don't bother to register it with the service provider, then you never get to use it, and the dealer makes 100% profit on it.

**I**f you are a monthly payment-buyer, then be aware that the age and mileage of a used car determines the rate and term offered by a lender. Oftentimes, buying a new car results in a payment close to that of a used car because the lender will offer longer terms and/or lower rates.

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I wish to thank you for purchasing the *Car Buyer's Primer*<sup>™</sup>. I hope that you will find it informative and worth every dollar you paid for it. Dealerships have the funding to adapt easily and often; consumers do not. Money collected from the sale of the *Car Buyer's Primer*<sup>™</sup> will be used to fund efforts to make available free services to legal aid providers, to identify existing and new schemes, and to pursue those who advocate using fraudulent selling practices as a normal way of conducting business within the automobile sales industry.

**DISCLAIMER:** The *Car Buyer's Primer*<sup>™</sup> is not intended to cover every situation a car buyer might encounter, nor is it intended to apply to selling practices used by every automobile dealership. Although our research reveals fraudulent selling practices are used throughout the industry, we acknowledge there are many dealerships that operate ethically and honestly and do not use any of the selling techniques identified in the *Car Buyer's Primer*<sup>™</sup>. The *Car Buyer's Primer*<sup>™</sup> may not be duplicated, distributed or sold in part or in its entirety for any reason without written permission from Duane M. Overholt.

*Car  
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Primer*<sup>™</sup>



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