



# Used Car Shopping

From the Office of Minnesota Attorney General Lori Swanson

Some consumers may not have enough money to buy a new car but need a reliable way to get to and from home, work, and other places. They may try to find a good used car. Consumers buying a used car need to be diligent about making sure they're getting their money's worth. Used cars may come with a history of accidents, repairs, rattles, dents, and dings.

The Attorney General's Office encourages consumers to consider the following information when purchasing a used car:

**Research and compare prices.** Internet-savvy consumers can take advantage of car sales and informational websites to learn about safety, reliability, price, and performance of different car models. Learn the prices for different car models to make sure you don't get taken for a ride by a seller.

**Check the reputation of the seller.** Once you have chosen a particular car, contact the Better Business Bureau to check the reputation of the seller. Additionally, the Driver and Vehicle Services Division of the Minnesota Department of Public Safety licenses and regulates car dealers in the State of Minnesota. Consumers may also ask friends and family if they know anything about the seller or have previously bought a car from the seller.

**Obtain the title information and history.** Because some cars have a history of accidents, flood damage, or being totaled, research a vehicle's history to safeguard from possible future problems. Information may be obtained by contacting the Minnesota Department of Public Safety Driver and Vehicle Services Division. You should attempt to obtain information about any flood damage, odometer rollbacks, lemon histories, junked titles, emissions results, or use in a lease or rental program. In some cases, you may be able to contact past owners of a vehicle to discuss its history.

**Inspect the vehicle on your own and through a mechanic.** Even if the previous owner and dealer seem trustworthy and say there's nothing wrong with

the car, have the car completely inspected by a qualified auto repair shop. Salespeople aren't mechanics. You can take the car to an independent mechanic or to a diagnostic center. A body shop is also a good place to stop to see if the car has had body damage or has been in an accident. If the owner won't allow you to have the car inspected, take your business elsewhere.

**Check for a Buyers Guide.** The Federal Trade Commission's (FTC) Used Car Rule requires dealers (who sell more than 6 cars per year) to post a Buyers' Guide in every used car they offer for sale. The Buyers' Guide will tell you the following things: whether the vehicle is being sold "as is" or with a warranty; what percentage of the repair costs a dealer will pay under the warranty; that spoken promises are difficult to enforce; to get all promises in writing; to keep the Buyers' Guide for reference after the sale; and the major mechanical and electrical systems on the car, including some of the major problems you should look out for. Ask to have the car inspected by an independent mechanic before you buy.

**Get a good loan.** You will typically pay a higher interest rate on a used car loan than a new car loan. In addition, lenders typically will not finance more than 80 percent of a used car's value. Be wary of finance companies or car dealers that advertise they can obtain loans for anyone, including high-risk individuals. You will often pay a higher interest rate from these lenders than at other institutions. Banks and credit unions frequently offer the lowest rates on loans, but car manufacturers and finance companies also offer loans. The dealer won't necessarily offer the best interest rate. For example, a dealer may obtain a loan from a bank at 11 percent and then sell the loan to a consumer at 15 percent, making a 4 percent profit margin for the dealership. This profit margin is called a "yield spread." When negotiating a loan, consumers should ask their dealer what rate the bank is willing to lend at and which institution the dealer is making the loan through.

**Three-day cooling off period? A car-buying myth!** Unlike some types of purchases, *there is no*

*legally required three-day cooling-off period* in which to reconsider a car purchase, although some dealers will offer it as a sales tool. In other words, you won't be able to return the car once you drive it off the lot. Therefore, do not sign a purchase agreement for a car unless you're sure you want it.

**Buying a car “as-is.”** Vehicles which are marked “as-is” at a car dealership are not covered by the used car warranty law, and consumers buying such vehicles assume all responsibility for repairs. This means that once you sign the purchase agreement and drive the car off of the lot, the dealership has no responsibility to take the car back or make repairs on the vehicle.

**A word about service contracts and maintenance packages.** Motor vehicle service contracts and maintenance packages are two separate products. Motor vehicle service contracts are regulated by the Minnesota Department of Commerce. Service contracts are sold by both manufacturers and third-party companies. Make sure you understand exactly what company is behind your contract, since many companies that market these contracts are not the “providers,” i.e. the entity that is responsible for paying claims and performing under the contract. Unless the provider is a manufacturer/licensed dealer, it should be registered with the Department of Commerce and have filed information about its financial ability to faithfully perform its obligations. To avoid needlessly purchasing duplicate coverage, consumers should find out what repairs are covered by the manufacturer's warranty and compare them to the service contract. Not only should consumers determine what repairs are included before purchasing the service contract, they also need to determine how deductibles are applied (i.e. whether they are per repair or component) and whether pre-approval is needed for repairs. After carefully reviewing the terms, consumers can decide whether the coverage is worth the cost. Service contracts are optional products. A consumer does not need to buy a service contract or maintenance package to complete the purchase of an automobile. Consumers should closely review service contracts to determine whether the coverage is worth the cost.

Maintenance packages typically only cover minor services, such as oil changes, tire rotations, and lube jobs. Some consumers complain that, although they believed their maintenance package would cover repairs, they found the packages useless once their vehicle broke down. In addition, maintenance packages often limit a customer's mobility because they require the customer to have the vehicle serviced at the dealership where it was purchased.

**Other optional products.** Car dealerships offer a variety of other optional products to go along with the purchase of a car. Optional products are “high profit” items for car dealerships. Many items, such as paint sealant, fabric protector, or accessories may be obtained for a cheaper price from a retailer outside the dealership. Some consumers have complained that dealers talked them into purchasing optional products that they did not want or need.

Although you can't guarantee that you will know everything about a car if you take these steps, you will have gone a long way toward it. The following agencies can provide more information for you in your search for a used car:

**Federal Trade Commission**  
Consumer Response Center  
600 Pennsylvania Avenue NW  
Washington, D.C. 20580  
877-382-4357  
[www.ftc.gov](http://www.ftc.gov)

**Minnesota Department of Public Safety**  
Driver and Vehicle Services Division  
651-215-1328 or TTY: 651-282-6555  
[www.dps.mn.gov](http://www.dps.mn.gov)

**Minnesota Department of Commerce**  
85 East Seventh Place, Suite 500  
St. Paul, MN 55101  
651-539-1500  
[www.mn.gov/commerce](http://www.mn.gov/commerce)

For additional information, to file a complaint, or to request a copy of *The Car Handbook*, contact the Minnesota Attorney General's Office.