

# **Buying a Used Car**

## **What is a used car?**

A used car is a car that is not new. Another person owned the car before you.

## **What is a Buyer's Guide?**

The Buyers Guide is a written document that tells you about the used car. The Buyers Guide tells you:

- if the dealer is selling the car with a warranty
- if the dealer is selling the car without a warranty, or "as is"
- what portion of the repair costs a dealer will pay under the warranty
- the major systems on the car and some problems you should look out for
- to have the car inspected by an independent mechanic before you buy
- to get all promises from the seller in writing

## **What is a manufacturer's warranty?**

A manufacturer is the company that made the car. A manufacturer's warranty is a promise from that company to pay for some repairs or services. A warranty is for a specific period of time, usually a few years. You pay for the warranty in the price of the car.

## **What is an extended warranty or a service contract?**

An extended warranty is a promise from the warranty company to pay for some repairs or services after the manufacturer's warranty expires. An extended warranty is not included in the price of the car. It costs extra. An extended warranty is sometimes called a service contract.

## **What is a vehicle history report?**

A vehicle history report tells you about a car or truck. It will tell you:

- who has owned the car
- the mileage
- if it has been in any accidents

## **What is an annual percentage rate?**

The annual percentage rate tells you how much it costs you to borrow money for one year. It includes the interest rate and fees you pay the lender. It is also called the APR.

## **What is a down payment?**

A down payment is the first payment you make when you borrow money to pay for a car. You agree to pay the rest later.

## **Why would I buy a used car?**

A used car is often cheaper than a new car. You can save a lot of money.

## Who sells used cars?

Some car dealerships sell used cars. Sometimes, the person who owns the car sells it herself.

## Where can I find used cars for sale?

You can find used cars for sale:

- on websites or in magazines that advertise cars for sale
- in the classified or automotive section of the newspaper
- at a used car dealership

## Are there rules for selling used cars?

Yes, if you buy a car from a car dealer. A car dealer must put a Buyer's Guide in every used car they are selling.

## How do I know the car works well?

When you find a car you like:

- Review the service records. Did previous owners do the scheduled maintenance on time?
- Get a vehicle history report. [Vehiclehistory.gov](http://Vehiclehistory.gov) has a list of companies that sell vehicle history reports.
- Ask the seller if there are safety recalls that have not been completed. You also can check at [Safercar.gov](http://Safercar.gov). Enter the vehicle identification number to search for recalls.
- Test drive the car in your normal driving situations. Do you usually drive in heavy traffic? Test drive the car in heavy traffic.
- Hire a mechanic you trust to inspect the car. The mechanic will tell you what repairs the car needs and how much they will cost. If the car needs repairs, the seller might reduce the price or pay for those repairs before selling the car to you.

## Do used cars come with a warranty?

Some used cars might still be covered by the manufacturer's warranty. Ask the seller if the warranty is still in effect. If the manufacturer's warranty is not in effect, the dealer might try to sell you an extended warranty.

## Should I buy an extended warranty?

A used car dealer might offer to sell you an extended warranty when you buy a car. Read it to see what repairs or services are covered.

Ask the dealer about the car or truck.

- Do you think the vehicle will need repairs?
- How much would the repairs cost?

Then ask the dealer about the extended warranty:

- Ask if you would have to pay for part of the repairs.
- Ask if the repairs have to be done at the dealership.
- Ask if you have to pay any money if you cancel the extended warranty.

Then you can decide if you want to pay for the extended warranty.

## How can I pay for a car?

You can pay the total price of the car when you buy it. You also can borrow money to pay for the car. That will cost more than if you pay all at once. That is because you will have to pay interest for borrowing the money.

## Where can I borrow money to pay for a car?

You can borrow money from a lender like a bank or a credit union. Compare loan offers from several lenders. Ask:

- What is the annual percentage rate?
- How much will I pay every month?
- How many payments do I have to make?
- What is the total amount I will pay?

Before you shop for a car, ask the lender to pre-approve your loan. That will tell you how much money you can spend on a car.

## What about dealer financing?

Some car dealers offer financing when they sell a car. This is one way to borrow money. Compare the cost of the dealer financing to the cost of a loan from a credit union or bank. Then decide what the best deal is for you.

## Could there be problems with financing a car through the dealer?

Sometimes, a dishonest dealer might try to trick you into paying more than you expected. It can happen like this:

- The dealer lets you drive the car home. A few days or weeks later, the dealer calls. He says you have to go back to the dealership. He says your financing was not approved.
- Then, the dealer offers you a new financing agreement. It might have a bigger down payment. It might have a higher annual percentage rate. These things make the car more expensive.

You might decide not to sign the new financing agreement. Then, the dealer might threaten to take away the car you bought. You might decide not to return the car. Then, the dealer might threaten to file a police report saying you stole it. The dealer also might refuse to return your down payment or refuse to return the car you traded in.

A used car is a car that is not new. Another person owned the car before you. A used car is often cheaper than a new car. You can save a lot of money by buying a used car instead of a new car.

## What should I do before I start shopping for a car?

Decide what kind of car you need and how you will use it. Ask yourself:

- How many passengers will usually ride in the car?
- Do I need extra space to carry bags, tools and other things?

Decide how much you can pay for a car. Think about:

- the cost to register the car in your state
- sales tax
- car insurance

- gas
- maintenance costs

Decide how you will pay for the car. You might decide to borrow money. Compare offers from several lenders. Ask the lender to pre-approve your loan.

### **How do I avoid a problem with dealer financing?**

Ask the dealer if your deal is final. If it is, make sure that is written in the contract.

If the deal is not final, the terms of your financing could change. Get a written promise that:

- the dealer will not sell your trade-in vehicle before the financing is approved
- the dealer will return your down payment if the financing is not approved

If the dealer offers you another deal, you do not have to accept it.

Read the contract before you sign it. Check the financing terms. That means the annual percentage rate, length of the financing, and amount borrowed. Are they what you expected?

### **What if I have a problem with dealership financing?**

If you have a problem with financing you got from the dealer, report it to the Federal Trade Commission (FTC).

- Call the FTC at 1-877-382-4357. Tell the person on the phone what happened. You can give as much or as little information as you want.
- Go online: [ftc.gov/complaint](https://www.ftc.gov/complaint).

Information obtained from: <https://www.consumer.gov/articles/1026-buying-used-car#!what-it-is>