



Common Scams To Avoid When Buying A Car:

How Not To Get Ripped Off When Buying A Car

It's no secret that car dealers have an unshakable reputation for shady deals, dishonest stunts, dirty tricks, tomfoolery, shenanigans, and other undesirable actions that you should prefer never to have to deal with.

Fortunately, not all car dealers are guilty of these dreaded sins. There truly are a group of committed, ethical, honest, good, and professional car dealers out there who are looking out for your best interest.

Unfortunately, a few bad apples have spoiled the business for those of us who run a tight ship and an honest operation.

Because there are a few bad apples out there, our personal advice to you is to arm yourself with as much information as possible about the scams the dishonest dealers try to pull so you can spot them a mile away and run down the street to another dealer who really deserves your business.

The problem is in knowing how to spot the bad dealers and in being able to identify their tricks and scams.

So we've listed the most common scams the bad guys like to pull so you can be on the look out.

Now you'll know – when you see one of these games being played, run the other direction!

SCAM #1: The Add-On Dance: Paint Sealant, Rust-Proofing, & Fabric Sealant

Once you've found the car you love, spent hours researching your options, taken the vehicle for a test drive, inspected the vehicle, negotiated for a fair price, applied for and obtained financing you'll find yourself staring at a dotted line at the end of several pages of fine print.

COMMON CAR **SCAMS** TO AVOID



Most likely you'll be exhausted and worn down and ready to get out of the dealership and on with your life.

This is where dishonest dealerships will extract the last few dollars you have left in your bank account. And these last few dollars often represent a hefty chunk of their profits.

You see, buried in the pile of paperwork will be a few lines that mention one or a combination of paint sealant, rust-proofing, or fabric sealant. These add-ons can range anywhere from \$200 up to \$1000. When performed legitimately, these add-ons can extend the value and life of your vehicle. But all too often, the add-ons are "added on" without your permission. And by the time you get to the paperwork, you're so tired of the whole process that you don't pay close enough attention to notice them.

In some cases, the additional services are not even performed. For instance, you'll pay \$500 for paint sealant when all the dealer did was wax the car. That's not a good deal. Or you'll pay \$700 for fabric sealant just for the prep department to spray \$30 worth of ScotchGuard™ on the seats.

Even worse, you may pay for rust-proofing that was included in the factory paint job. You could have – and should have – received it for free. Of course, car dealers are running businesses just like any other. All dealers deserve to earn an honest profit – and valuable add-ons can be a win-win situation for the customer and the dealer. But the add-ons should be clearly explained – and their benefits should be obvious – so that you, the buyer, can make up your own mind about whether or not to purchase the add-ons.

If you think you may be interested in any of these protectant add-ons, I encourage you to research the third party options beforehand and compare those options to what the dealer is offering. If it's a fair value, go for it. But don't pay any dealer \$600 extra to spray your seats or wax your car. To avoid being ripped off by this scam, be certain to carefully read all of the paperwork – line by line – and point out any additional items you didn't agree to.

If you do see add-ons you didn't agree to, or feel like you're being forced to make a decision, this should be a red flag that the dealership or salesperson you're working with is not as honest as they need to be.

It might be time to reconsider.

SCAM #2: Bump & Grind

This little gem is a classic "negotiating" tactic used in car dealerships across the country and probably the world.

It goes something like this:

You finally find the vehicle you're looking for and you decide to make an offer. In your mind the offer is a little low – but still seems fair. You're willing to move a little bit, but don't want to show your cards.

COMMON CAR **(SCAMS)** TO AVOID



So you present your offer to the salesperson. He shakes his head and explains that he's on your side, of course, but he thinks he might get fired if he went to his manager with your offer. He goes on to ponder the situation and decides that if you would just increase your offer by a little bit – maybe \$200 – he thinks he could take it to his manager. Being the reasonable person you are, you agree to increase your offer by \$200. Heck, you were willing to pay a little more anyway.

That's BUMP #1

Now comes the grind. The salesperson disappears for 10 minutes or so. He says he's going to go talk to his manager.

In our experience, this means he's going to take a coffee break, a restroom break, a TV break, or a smoke break. He may talk to his manager, but it will most likely be to tell a joke or talk about last night. All the while, you're sitting there believing he's in the office "grinding" away for your benefit trying to work out the best price. You may even think to yourself that you're a great negotiator and really have these guys working for your business.

Think again.

A few minutes go by and he comes back to where you're waiting. "Ahh shucks," he says. "I thought \$200 would do it, but I guess I was being a little optimistic, it's gotta be more like \$500 or the boss won't even consider it." At this point you have so much invested that you're no longer willing to walk away. So you agree. Maybe you even split the difference.

Here's BUMP #2.

This game can continue round after round through the price negotiation, to the trade appraisal, to the credit approval, to the add-ons. In the end, much like a casino, the house always wins. When you spot the bump and grind routine going on, that's a sure bet that you'll wind up paying more than you wanted to. Here's how you can avoid the bump and grind scam.

For starters, you may want to indicate the fact that you're wise to typical car dealer games. Explain that you don't think they're THAT kind of dealer, but that you'll be on the look out nevertheless. Another surefire way to end the bump and grind cycle is to negotiate directly with the sales manager. By doing that, you'll effectively shut down their negotiating engine and they'll be forced to deal with old-fashioned face-to-face selling.

That's what you deserve.

SCAM #3: The Credit Crunch

After you've found the car and the price has been negotiated, you'll usually enter the credit approval phase. This is where you complete a loan application, which is forwarded to the finance department for approval.

COMMON CAR **(SCAMS)** TO AVOID



These days, approval can be rapid. And smart, honest dealers develop strong, valuable relationships with lenders locally and nationally in order to provide their customers with the best financing choices available. But the dirty bird dealers use the finance process as another way to squeeze more dollars out of your bank account.

Here's how it works:

The salesperson returns with your application looking all disheveled and frustrated. She explains that your credit wasn't exactly as good as they thought it would be – and that they weren't able to obtain financing through their preferred source. Your heart sinks and your face turns red. You're embarrassed. And you're worried that you may have wasted all of this time and now you won't be able to be approved. Perhaps the salesperson even tells you that she's not sure they'll be able to get you approved.

This is a point of minor desperation for most people.

Then you start to explain your virtues to the sales person. That you pay all your bills on time, how this must be some sort of a mix up or a mistake. She tells you she's going to have one last conversation with the finance manager to see what can be done. She's going to "go to bat for you." Now back to the coffee or smoke break. In the meantime, you're sweating bullets and wondering how you screwed up your credit. At this point you're just hoping you can get approved.

10 more minutes and back she comes.

This time with a smile on her face. "Great news!" she exclaims. "I pushed my finance manager and made him call in a favor with another bank and he's able to get your loan approved!"

Relief.

What she didn't tell you was that the interest rate is 2 points higher than it should be. In many cases, bad dealers will misrepresent your ability to be properly financed – for instance, if you have A credit, they'll tell you that you have B credit, if you have B credit, they'll tell you C. They'll use this as an excuse to mark up your interest rate to above competitive levels. But after the stunt, you feel lucky just to get approved at all – so you'll take the loan no matter what. It's all emotional.

Then you pay the price over the life of the loan through a higher interest rate than you could have been approved for. Once again, car dealers deserve to make money for the service they provide. But you don't deserve to pay an erroneously marked up interest rate.

Here's how you beat this scam:

Get a copy of your credit report before you begin shopping for a car. We recommend you get a copy from Equifax, TransUnion, & Experian (www.equifax.com, www.transunion.com, www.experian.com). You can also check out our free special report called "How To Legally Improve Your Credit" which can be found on our web site.

COMMON CAR **(SCAMS)** TO AVOID



Have a solid understanding of your credit score and what it means so that you won't have the wool pulled over your eyes.

Consider getting a rate quote from your bank or credit union to use as a comparison at the dealership.

A savvy dealer can often beat the rate of your bank or credit union – but a dishonest dealer will convince you that you need to pay much more.

Use a comparative rate as a benchmark.

SCAM #4: Extended Warranty Scam

Once you're settling all of the details and signing all of the paperwork, you'll likely be presented an opportunity to purchase an extended service agreement or warranty. On a new car this extended warranty takes over once the manufacturer's warranty expires. On a used car, this will begin the moment you take ownership of the vehicle, or when any remaining manufacturer's warranty expires – whichever comes first. The dishonest dealer will apply extreme pressure to convince you to purchase the warranty.

You'll be scared into purchasing the warranty; told that you have to make up your mind on the spot or you'll lose your chance to get a warranty. They may tell you the bank requires you to purchase the coverage. When you're buying a car, the last thing you want to think about is future problems, so it's easy to get emotionally wrapped up in this warranty scam.

The truth of the matter is that you have 30 days after you purchase the vehicle to add on an extended service agreement. And the dealership isn't the only place to get an extended warranty. There are other options available to you – both on the Internet and through your car insurance company and potentially your bank. The dirtiest dealers will tack this warranty on to the deal without telling you about it. And of course most people fail to read the fine print, so they miss it, and get suckered into buying something they didn't need or want.

Here's how to avoid this scam:

First of all, carefully read all of your paperwork to make sure you're not agreeing to anything you don't "agree" to.

Once you know the car you want, consider getting some competitive quotes from the Internet. Print these out and bring them to the dealership with you.

In many cases the dealership will be able to offer you a lower price – and still make a decent profit – so they'll be happy.

And if you've done your homework ahead of time, you'll be certain not to pay 2 or 3 times too much for a warranty.

COMMON CAR **(SCAMS)** TO AVOID



SCAM #5: Life Insurance Scam

There you are, sitting in the finance office, dotting I's and crossing T's, barely paying attention. The finance manager slips in a Credit Life Insurance Policy. "It's standard," he explains. "It's simply to protect your family in the case that you pass away before this loan is paid off."

True. This policy will pay off your loan for you if you kick the bucket before you kick the loan. That could be a good thing for your family if you're not otherwise insured.

But it's not standard, and it's not for everyone. Our major point about Credit Life Insurance is that it must be your choice to include it or not. You should request a full presentation of the features and benefits of the policy and talk it over with your family, taking your existing insurance coverage into consideration before making a decision.

Under no circumstance should this be snuck in or presented as a mandatory item.

It's up to you.

SCAM #6: Keys On The Roof

You may have heard a similar story before. It's no wives tail – this really happens. You come into the dealership with your existing vehicle to have it appraised for trade in. An hour goes by and you still haven't gotten your keys back.

Eventually, you're ready to leave – perhaps you haven't struck a deal on the car you want. The sales person explains that the guy who has your keys is at lunch and won't be back for an hour. And his office is locked. So you can't leave yet. "Why not test-drive another car?" This is just a cheesy excuse to keep you around the dealership longer.

They know that the more time you invest, the more committed you become, and the more likely you are to agree to terms you aren't really comfortable with. In the most extreme cases, people have virtually been held hostage at dealerships for hours on end waiting to get their keys back. A lot of "car guys" laugh about this sort of thing, but it shouldn't happen at any respectable dealership.

Here's how to keep this from happening to you:

Bring two sets of keys to your vehicle. If you get into a bad situation, get in your car and drive away. Call the police and tell them that the dealership tried to steal your car. You'll get your keys back in no time flat.

Another variation of this trick is for them to request your driver's license before letting you take a test drive. Then, when you want to leave, they can't find it, etc.

COMMON CAR **(SCAMS)** TO AVOID



Solution: make photocopies of your driver's license and only give them the photocopy. That way it's impossible for them to hold you hostage.

A Final Thought On Scams

We've included these common scams and ways to avoid them. Of course, there are many other scams – but these are the most common – and by learning about these scams, you'll be able to spot the others a mile away.

We would like to point out, however, that the most effective way to avoid these scams all together is to find a reputable, ethical, honest dealer you can trust and depend on.

Someone who has proven his or her commitment to your well-being and satisfaction. Someone who stands up for what is right and demonstrates an unwavering sense of consumer concern. Look for someone who presents them self as an expert in the car business and a consumer-minded person. That's no coincidence. Our team has worked hard to create a car buying experience that is unlike any other. So why not settle your nerves and eliminate the feeling of anxiety that comes along with buying a car.



**This Report Was Prepared By
Mad City Sales As A Free Service
To The People of Madison, WI.**

If you're ready to work with car dealers who really care . . . dealers, FOR THE PEOPLE . . . then please contact us today. We'd be happy to schedule a totally free consultation between you and one of our expert transportation advisors. You can call ahead to set an appointment or show up anytime. We're looking forward to your visit!

~Pat McNamar & Steve Ganser

**Mad City Sales
99 W Beltline Highway
Madison, WI 53713
1-800-941-9189**