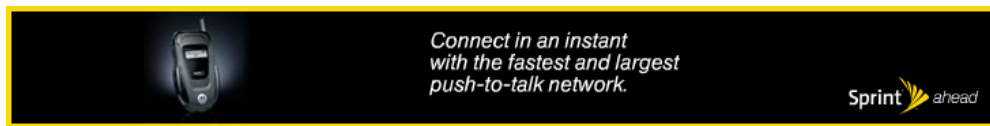


Los Angeles Times



<http://www.latimes.com/classified/automotive/highway1/la-fi-sevensteps2mar02,0,6297651.story?page=1>  
From the Los Angeles Times

## Seven steps to buying a used car

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Is your car a rolling embarrassment? Or maybe it won't even roll anymore. If a fresh set of wheels is on your shopping list but your wallet's feeling wafer-thin, take heart. There may be no better time to buy a used vehicle.

With automobile reliability better than ever, inflation on the rise and consumers feeling pinched, Americans are flocking to used cars. In 2007, we bought 41.4 million of them -- compared with just 16.1 million new vehicles, according to CNW Marketing Research Inc.

This year that gap is only expected to grow. New-car sales are slumping, so dealers are putting greater emphasis on their used-car inventories, offering wider selection and, in many cases, lower prices. At the same time, used cars are lasting longer. Last year the average passenger vehicle in the U.S. was 9.2 years old, a record, according to industry analysis group R.L. Polk.

And considering the options consumers now have in the used-car market -- from "certified pre-owned" cars to no-haggle superstores -- not to mention the wealth of safety, reliability and pricing information online, 2008 offers an unrivaled opportunity to get a great deal on secondhand wheels.

Still, used-car dealers didn't earn their place in the pantheon of villainy for nothing, and decades of rip-offs and other bad experiences have led several generations of Americans to develop a steadfast aversion to even thinking about going used.

It doesn't have to be that way, says George Parker, a National Automobile Dealers Assn. instructor who trains professional used-car sellers. "The process has changed," he says. "Transparency is now the key."

Even if that's the case, you need to be prepared to get the best deal.

### 1. How much to spend?

Before you even think about what car you want, figure out how much car you can afford. There's no magic calculator, but consider this: Financial planners say it's unwise to spend more than 30% of your gross monthly income on housing, which should be your biggest expense. Don't let your car payment get so high that it cramps your ability to pay your mortgage, credit card bills or other recurring expenses.

Now, do you plan to pay all cash? Or will you get a loan?

Paying cash can be wise, particularly if your credit isn't good, because you'll probably have to pay a high interest rate. Drivers with good credit can get low rates -- Capital One is offering 6.09% on a three-year used-car loan, for instance -- so it might make sense to finance and keep the rest of your money in investments or use it to pay down other debts.

Think about the down payment, and try to put down 20% to 33%. But don't empty that piggy bank completely -- it's important to keep some cash on hand for emergencies.

If you want to finance, head to your bank or credit union and get pre-qualified for a loan; whether you use that lender's offer or not, you'll get a sense of what interest rate ballpark you're in. That can give you a leg up in negotiations with other lenders.

Take out the shortest loan you can, since longer ones (some run seven years) end up costing more in interest. Keep in mind that used-car loan rates are higher than those for new cars.

Get your credit report free at [annualcreditreport.com](http://annualcreditreport.com), and pay the fee to get your FICO score -- the number between 300 and 850 that lenders use to determine what interest rate they'll charge you. The higher your score, the lower your rate.

"Cars are the second-biggest purchase most people make," says Steve Schooff of Capital One Automobile Finance. "Do your financial research before you even look at a car."

### 2. What kind of car?

Armed with your budget, head to car-research websites. [Edmunds.com](http://Edmunds.com) and [Kelley Blue Book's site](http://Kelley Blue Book's site) give vehicle information and pricing. Also check automaker sites such as GM's or Toyota's, and subscription sites like [Consumer Reports](http://Consumer Reports).

Say you're interested in a Honda. The Web can tell you what a 2005 Civic is worth, how many air bags it has, its reliability and its fuel efficiency.

"This is your chance to look at all the options, all the features, to get all the facts," says Jim Riesenbach, chief executive of [Autobyte](http://Autobyte.com), which has vehicle info and used-car listings on its site.

For many late-model cars, you can test drive a new one at a dealer to get a feel for it, which helps narrow your choices. Compare the new price of the

car with its used value -- some models depreciate faster than others and can be deals. But too much loss in value too fast may mean problems.

Once you've picked a favorite, search the ads on sites like [AutoTrader.com](#), [Craigslist](#) and [Cars.com](#) (part-owned by Tribune Co., parent of the Los Angeles Times). The ads are from individuals and dealers; it's not always clear which is which. The next step will help you pick between the two.

### 3. Where to buy?

You have two choices on where to buy: a dealer or a private party. Each has advantages and disadvantages.

Dealers are generally obliged by law to guarantee a car for a short period, typically 30 days, even if sold "as is," says Mike Linn, CEO of the National Independent Automobile Dealers Assn. Dealers can help with insurance, taxes and registration.

There are two flavors of dealers: those that sell only used cars and those that sell new cars as well. Experts say the latter are a better bet, as they have their own service operations and are less likely to go out of business. In 2007, new-car dealers sold 14.5 million used vehicles; used-only outfits sold 13.7 million.

Buying from an individual, on the other hand, often yields bargains, says Phil Reed, consumer advice editor at auto website [Edmunds.com](#). And because private parties aren't professional negotiators, "it'll be much less painful." But there are no warranties, and it's hard to get a refund if problems arise.

### THE DEALER ROUTE

**4. A famous trick is to detail the heck out of a car to make it look new, without fixing big problems.** "A steam-cleaned motor and a lot of Armor All don't fix a blown gasket," warns Edmunds' Reed.

That said, most reputable dealers won't sell cars with major issues, because they'll have to fix them. Test drive a car you're interested in; if it doesn't "make horrible noises or feel terrible, then odds are it's just fine," says Dean Cafiero, owner of a used-car lot in Norristown, Pa. "Most dealers don't want junkers on their property."

Still, it's a good idea to have a mechanic look at the car. If the dealer says its own technicians OK'd the car, ask to see their inspection sheets. If they don't have them, insist on having an outside mechanic check it out.

Also, check to see that the vehicle's title is clear and that it's never been in a serious accident. Ask the dealer to look up the car on [Carfax](#) or [AutoCheck](#). Both charge a fee to trace the car's 17-digit vehicle identification number for accidents, service and odometer registrations. Most dealers will check cars on their lot free -- in fact, have them run a VIN check before you go to the lot.

**5. When negotiating with a dealer, don't talk about monthly payments.** Some focus on monthly payments to get customers to pay more than they realize. Other dealers haul out "foursquare" work sheets, which condense all aspects of the deal, from trade-in to financing, into a single transaction. But you need to focus like a laser on the total price of the car.

Rob Gentile, a used-car expert at [Consumer Reports](#), advises buyers to separate every aspect of negotiating.

"First talk about price, then financing, then extras like warranties, and then, and only then, talk about the value of any trade-in car you might have," he says. Otherwise, navigating the price for all of those at once can be confusing at best, and a huge financial mistake at worst.

Because you're already armed with the current market price of the car, you know where to start negotiating. Experts recommend bidding slightly below market price and working up. Don't be distracted by a salesperson who immediately drops \$1,000 or even \$2,000 from the sticker price, calling it a "special sale." These guys are in it to squeeze out every dollar, and you should be too.

Same goes for financing. You know what loan rate you're pre-qualified for, so listen to the dealer's offer and negotiate. Show your quote and ask if the dealer will beat it. Odds are it will, given that dealers profit from financing.

"If you don't like the offer, you can take the contract on the car and go right to your financial institution and they'll cut you a check," says Jerry Neemann, executive vice president of Credit Union Direct Lending, which coordinates car loans for 650 credit unions nationwide.

It's important to have a maximum price in mind before you begin and not to exceed it. If the salesperson won't budge, walk away -- you may find he or she is suddenly more flexible. Once you work out a price, get it in writing.

**6. You've wrangled a fair price for the car, but your work is not done.** It's time for the trip to the F&I (finance and insurance) office, where the dealership makes much of its profit selling loan packages, extended warranties and insurance, anti-theft devices and undercoating.

Experts are divided about the products on offer here -- some say they can be a bargain; others worry about rip-offs. But one crucial fact is among the most overlooked, says Tim Meenan, executive director of the Service Contract Industry Council: You can haggle. "The price of a car is always negotiable, and so is the price of the ancillary products." Dealers, he says, pad the prices of these products, so don't be afraid to make an offer.

Shop around for the products you're interested in at a few dealerships, and compare prices on the Internet. Most dealers offer only a few options for any given product, but there are typically dozens available online.

With manufacturer warranties increasingly long, Kelley Blue Book market analyst Jack Nerad says, it's often not worth buying extra coverage if a few years are left on the original guarantee.

**7. If you buy from a dealer, this couldn't be easier.** It'll take care of all the paperwork, including taxes, licensing and registration. All you have to do is sign here, here and here, and you've got a street-legal vehicle, with license plates on the way.

Of course, that doesn't mean you shouldn't take time to read the contract, particularly if the dealer pressures you to get it over with. In California,

there is no automatic "cooling off" period on cars, so once you've signed, the vehicle -- and any extras you didn't realize you'd just signed for -- are yours. Under state law, however, if the car costs less than \$40,000, you have the right to buy an insurance policy of sorts that lets you return it within two days. (See "Before you buy," Page C1.)

#### PRIVATE SELLER WAY

**4. Before traveling to see a vehicle you've found in classifieds or online,** ask the owner for the vehicle identification number and pay to check it on [Carfax](#) or [AutoCheck](#), services that charge to look up a car's accident and service history. A report can reveal serious problems that can't be seen.

"Buy a one-month Carfax subscription and Carfax everything," says Edmunds.com's Reed. A clean VIN report isn't foolproof, but if hiccups turn up, don't bother making the trip.

Test drive the car and give it a thorough visual inspection for any signs of flooding or accidents. If it looks good, ask the seller if you can take it to a mechanic for a checkup -- at your expense -- because there could be problems you can't spot. If the seller won't agree, walk away. Typically mechanics will charge \$50 to \$150 to inspect a car, a price well worth paying.

Ask the owner for any service records. If the car has had regular maintenance, such as oil changes, chances are it's been well cared for. If he or she doesn't have records, call a new-car dealer of the same brand; using the VIN, its service department can look up any maintenance or repair work on the car done by a dealership. And though it's nice to find a car that's had only one owner, a documented chain of service is the most important detail.

If the car you want is far away, perhaps on EBay, don't despair. A growing number of mobile mechanics make house calls; for as little as \$100, they can travel to the car and check it out for you. The pricing of used cars is highly regionalized, and sometimes it's cheaper to buy a car in a distant area and have it shipped. Four-wheel-drive trucks tend to retain more value in snowy Northern states, and gas-saving sedans are more expensive in urban areas and the South.

**5. If you buy on a site like EBay, there's no negotiating involved, of course.** The winning bid is the price you pay. But for all other transactions -- and last year there were 14.5 million private-party sales nationwide -- the biggest trick is getting the seller to face reality.

Car owners tend to think their baby is worth more than it is. Come equipped with printouts from car-value websites that show exactly what the vehicle is worth, and whip them out if negotiations stagnate. Most of the time, says Kelley Blue Book market analyst Jack Nerad, "sellers are eager to just finish the deal."

Finally, don't forget to figure out who actually owns the car. If the seller hasn't paid off his loan, the car belongs to the bank, and odds are that the bank holds the title. Make sure that the original loan will be paid off, or you could have a real problem.

**6. With private sales, what you see is generally what you get.** The one exception is warranties. If a used car is still under the factory warranty, the coverage applies -- no matter who owns it. Thus, buying late-model cars can be a real plus.

If the owner bought an extended warranty, says Tim Meenan, executive director of the Service Contract Industry Council, you can typically transfer it for a small fee, often about \$25. That rule applies to most kinds of coverage, so ask the seller.

On that note, remember that extended warranties can be canceled for a partial refund. So if you're selling a car with such coverage, consider contacting the provider to get some money back.

**7. If you buy from a private seller, transferring the title and getting the license plates and registration requires some legwork, but it hardly requires an advanced degree.** California's [Department of Motor Vehicles](#) has a devoted to the paperwork involved in a title change, as do most states.

Ideally, the seller of the vehicle will have paid off any loans and will hold title free and clear. If the bank holds the title, you might have to go to the bank and have it signed over there. If you are financing your own purchase, ask your lender for help: Many lenders are, like dealers, equipped to handle the paperwork.

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