

# Buying a Used Car: What You Auto Know

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# Buying a Used Car

## Topics to be covered:

- **Before You Buy a Used Car**
- **Pay in Full or Finance**
- **Dealer Sales and the Buyers Guide**
- **Warranties**
- **Service Contracts**
- **An Independent Inspection Before You Buy**
- **Private Sales**
- **If You Have Problems**
- **FREE Resources from the FTC**



# Buying a Used Car

## Before You Buy a Used Car

- Whether you buy a used car from a dealer or an individual:
  - First determine your needs, then set a budget. The FTC's [budget worksheet](#) at [consumer.gov](#) can help.
  - Test drive the car under varied road conditions.
  - Ask for the car's maintenance record.
  - Determine the value of the vehicle before you negotiate the purchase.
  - Research the upkeep costs for models you're interested in.
  - Examine the car using an inspection checklist.
  - Check whether there are any unrepaired recalls on a vehicle.
  - Get an independent review of a vehicle's history.
  - Consider hiring a mechanic to inspect the car.



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## Pay in Full or Finance

- You have two choices: Pay in full or finance over time.
- Financing increases the total cost of the car.
- The annual percentage rate (APR) tells you how much it costs to borrow money for one year. It includes the interest rate and fees you pay the lender.
- Rates usually are higher and financing periods shorter on used cars than on new ones.
- The more you can put down, the less interest you'll pay over time.



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## If You Decide to Finance

- Make sure you understand the financing agreement before you sign any documents.
  - What is the exact price you're paying for the vehicle?
  - How much are you financing?
  - What is the finance charge (the dollar amount the credit will cost you)?
  - What is the APR (a measure of the cost of credit, expressed as a yearly rate)?
  - How many payments will you make — and how much is each one?
  - What is the total sales price — the sum of the monthly payments plus the down payment?



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## Dealer Sales and the Buyers Guide

- Used cars are sold through a variety of outlets.
- The FTC's Used Car Rule requires dealers to display a [Buyers Guide](#) in every used car they offer for sale, and to give it to buyers after the sale.
- 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
  - to get a vehicle history report and to visit [ftc.gov/usedcars](https://www.ftc.gov/usedcars) for information on how to get a vehicle history report, how to check for safety recalls, and other topics.



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## Warranties

- When you buy a used car from a dealer, the Guide must reflect any negotiated changes in warranty coverage. It becomes part of your sales contract and overrides any contrary provisions.
  - For example, if the Buyers Guide says the car comes with a warranty and the contract says the car is sold "as is," the dealer must give you the warranty described in the Guide.
- Types of warranties
  - As Is - No Dealer Warranty
  - Implied Warranties
  - Full and Limited Warranties
  - Unexpired Manufacturer's Warranties



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## Service Contracts

- A promise to perform (or pay for) certain repairs or services.
  - Although a service contract is sometimes called an extended warranty, it is **not** a warranty as defined by federal law.
  - A service contract may be arranged any time and always costs extra; a warranty comes with a new car and is included in the original price.
- Do you need a service contract? A few considerations:
  - Does the service contract duplicate warranty coverage or offer protection that begins after the warranty runs out?
  - Does the service contract extend beyond the time you expect to own the car?
  - Is the vehicle is likely to need repairs, and how much are they going to cost?
  - Does the service contract covers all parts and systems. Check out all claims carefully.
  - Is there a deductible? If so, how much is it and what are the terms?
  - Does the contract cover incidental expenses, like towing and rental car charges while your car is being serviced?
  - Do repairs and routine maintenance need to be done at the dealer?
  - Is there a cancellation and refund policy for the contract? If so, is there a cancellation fee?



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## Get an Independent Inspection Before You Buy

- For about \$100, you'll get a general indication of the mechanical condition of the vehicle.
- A mechanical inspection is different from a safety inspection.
- To find a pre-purchase inspection facility:
  - Check the phone book under "Automotive Diagnostic Service," go online, or ask friends, relatives, and co-workers for referrals.
  - Look for facilities that display certifications like an Automotive Service Excellence (ASE) seal, and search online for comments.
  - Ask what the inspection includes, how long it takes, and how much it costs.
  - Once the vehicle has been inspected, ask the mechanic for a written report with a cost estimate for all necessary repairs.



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## Private Sales

- Buying a car from a private individual is different from buying from a dealer.
- Private sellers generally are not covered by the Used Car Rule.
- Private sales usually are on an "as is" basis.
  - However, if you have a written contract, the seller must live up to the promises stated in the contract.
- The car may be covered by a manufacturer's warranty or a separately purchased service contract.
  - However, warranties and service contracts may not be transferable.
  - Ask to review its warranty or service contract before you buy the car.



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## If You Have Problems

- If you have a problem that you think is covered by a warranty or service contract, follow the instructions to get service. If a dispute arises, try to work it out with the dealer.
- If you think a car dealer is breaking the rules, report it to the FTC:
  - [1-877-382-4357 \(1-877-FTC-HELP\)](tel:1-877-382-4357)
  - [ftc.gov/complaint](https://ftc.gov/complaint)
- You also can tell your state attorney general's office or local consumer protection office.



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## FREE Resources from the FTC

- Used Cars — [ftc.gov/usedcars](https://www.ftc.gov/usedcars)
  
- Buying & Owning a Car — [consumer.ftc.gov/topics/buying-owning-car](https://www.consumer.ftc.gov/topics/buying-owning-car)
  
- Bulk Order — [bulkorder.ftc.gov](https://www.bulkorder.ftc.gov)
  
- Videos — [www.consumer.ftc.gov/media](https://www.consumer.ftc.gov/media)
  - Buying a Used Car — [consumer.ftc.gov/media/video-0128-buying-used-car](https://www.consumer.ftc.gov/media/video-0128-buying-used-car)
  
  - Spotting Deceptive Car Ads — [consumer.ftc.gov/media/video-0130-spotting-deceptive-car-ads](https://www.consumer.ftc.gov/media/video-0130-spotting-deceptive-car-ads)
  
  - Financing a Car — [consumer.ftc.gov/media/video-0129-financing-car](https://www.consumer.ftc.gov/media/video-0129-financing-car)



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- Questions?

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