

How To Buy A Used Car... Without Getting Ripped Off!

**A Special Report
Compliments Of...**

Nevada Benefits Corporation

Las Vegas

9505 Hillwood Dr., Ste 100
Las Vegas, Nevada 89134
Phone- (702) 258-1995
Fax- (702) 877-0956

Reno

One East Liberty 6th Floor
Reno, NV 89504
Phone- (775) 686-6010
Fax- (775) 201-1326

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Before you start shopping for a car, you'll need to do some homework. Spending time now may save you serious money later. Think about your driving habits, your needs, and your budget.

You can learn about car models, options, and prices by reading newspaper ads, both display and classified. Libraries and bookstores also have publications that compare car models, options, and costs, and offer information about frequency-of-repair records, safety tests, and mileage. Many of these publications have details on the do's and don'ts of buying a used car.

Once you've narrowed your car choices, research the frequency of repair and maintenance costs on the models in auto-related consumer magazines. The U.S. Department of Transportation's Auto Safety Hotline (1-800-424-9393) gives information on recalls.

You have two choices: pay in full or finance over time.

If you finance, the total cost of the car increases. That's because you're also paying for the cost of credit, which includes interest and other loan costs. You'll also have to consider how much you can put down, your monthly payment, the length of the loan, and the annual percentage rate (APR).

Keep in mind that annual percentage rates usually are higher and loan periods generally are shorter on used cars than on new ones.

Dealers and lenders offer a variety of loan terms and payment schedules. Shop around, compare offers, and negotiate the best deal you can.

Be cautious about advertisements offering financing to first-time buyers or people with bad credit. These offers often require a big down payment and a high APR. If you agree to financing that carries a high APR, you may be taking a big risk.

If you decide to sell the car before the loan expires, the amount you receive from the sale may be far less than the amount you need to pay off the loan.

If the car is repossessed or declared a total loss because of an accident, you may be obligated to pay a considerable amount to repay the loan even after the proceeds from the sale of the car or the insurance payment have been deducted.

If your budget is tight, you may want to consider paying cash for a less expensive car than you first had in mind.

If you decide to finance, make sure you understand the following aspects of the loan agreement before you sign any documents:

- **The exact price you're paying for the vehicle**
- The amount you're financing
- **The finance charge (the dollar amount the credit will cost you)**
- The APR (a measure of the cost of credit, expressed as a yearly rate)
- **The number and amount of payments**
- The total sales price (the sum of the monthly payments plus the down payment). Used cars are sold through a variety of outlets: franchise and independent dealers, rental car companies, leasing companies, and used car superstores.

You can even buy a used car on the Internet. Ask friends, relatives and co-workers for recommendations. You may want to call your local consumer protection agency, state Attorney General (AG), and the Better Business Bureau (BBB) to find out if any unresolved complaints are on file about a particular dealer.

Some dealers are attracting customers with “no-haggle prices,” “factory certified” used cars, and better warranties. Consider the dealer’s reputation when you evaluate these ads.

Dealers are not required by law to give used car buyers a three-day right to cancel. The right to return the car in a few days for a refund exists only if the dealer grants this privilege to buyers.

Dealers may describe the right to cancel as a “cooling-off” period, a money-back guarantee, or a “no questions asked” return policy. Before you purchase from a dealer, ask about the dealer’s return policy, get it in writing and read it carefully.

The Federal Trade Commission’s Used Car Rule requires dealers to post a Buyers Guide in every used car they offer for sale.

This includes light-duty vans, light-duty trucks, demonstrators, and program cars. Demonstrators are new cars that have not been owned, leased, or used as rentals, but have been driven by dealer staff. Program cars are low-mileage, current-model-year vehicles returned from short-term leases or rentals.

Buyers Guides don’t have to be posted on motorcycles and most recreational vehicles. Anyone who sells less than six cars a year doesn’t have to post a Buyers Guide.

The Buyers Guide must tell you:

- 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
- **The major mechanical and electrical systems on the car, including some of the major problems you should look out for**
- To ask to have the car inspected by an independent mechanic before you buy

When you buy a used car from a dealer, get the original Buyers Guide that was posted in the vehicle, or a copy. The Guide must reflect any negotiated changes in warranty coverage. It also 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.

When the dealer offers a vehicle “as is,” the box next to the “As Is - No Warranty” disclosure on the Buyers Guide must be checked. If the box is checked but the dealer promises to repair the vehicle or cancel the sale if you’re not satisfied, make sure the promise is written on the Buyers Guide. Otherwise, you may have a hard time getting the dealer to make good on his word.

Some states, including Connecticut, Kansas, Maine, Maryland, Massachusetts, Minnesota, Mississippi, New Jersey, New York, Rhode Island, Vermont, West Virginia and the District of Columbia, don’t allow “as is” sales for many used vehicles.

Three states – Louisiana, New Hampshire, and Washington – require different disclosures than those on the Buyers Guide. If the dealer fails to provide proper state disclosures, the sale is not “as is.” To find out what disclosures are required for “as is” sales in your state, contact your state Attorney General.

State laws hold dealers responsible if cars they sell don’t meet reasonable quality standards. These obligations are called implied warranties – unspoken, unwritten promises from the seller to the buyer.

However, dealers in most states can use the words “as is” or “with all faults” in a written notice to buyers to eliminate implied warranties. There is no specified time period for implied warranties.

Warranty of Merchantability

The most common type of implied warranty is the warranty of merchantability: The seller promises that the product offered for sale will do what it’s supposed to. That a car will run is an

example of a warranty of merchantability. This promise applies to the basic functions of a car. It does not cover everything that could go wrong.

Breakdowns and other problems after the sale don't prove the seller breached the warranty of merchantability. A breach occurs only if the buyer can prove that a defect existed at the time of sale. A problem that occurs after the sale may be the result of a defect that existed at the time of sale or not. As a result, a dealer's liability is judged case-by-case.

Warranty of Fitness for a Particular Purpose

A warranty of fitness for a particular purpose applies when you buy a vehicle based on the dealer's advice that it is suitable for a particular use. For example, a dealer who suggests you buy a specific vehicle for hauling a trailer in effect is promising that the vehicle will be suitable for that purpose.

If you have a written warranty that doesn't cover your problems, you still may have coverage through implied warranties. That's because when a dealer sells a vehicle with a written warranty or service contract, implied warranties are included automatically. The dealer can't delete this protection. Any limit on an implied warranty's time must be included on the written warranty.

In states that don't allow "as is" sales, an "Implied Warranties Only" disclosure is printed on the Buyers Guide in place of the "As Is" disclosure. The box beside this disclosure will be checked if the dealer decides to sell the car with no written warranty.

In states that do allow "as is" sales, the "Implied Warranties Only" disclosure should appear on the Buyers Guide if the dealer decides to sell a vehicle with implied warranties and no written warranty. A copy of the Buyers Guide with the "Implied Warranties Only" disclosure is available here.

Dealers who offer a written warranty must complete the warranty section of the Buyers Guide. Because terms and conditions vary, it may be useful to compare and negotiate coverage.

Dealers may offer a full or limited warranty on all or some of a vehicle's systems or components. Most used car warranties are limited and their coverage varies. A full warranty includes the following terms and conditions...

- **Anyone who owns the vehicle during the warranty period is entitled to warranty service.**
- Warranty service will be provided free of charge, including such costs as removing and reinstalling a covered system.
- **You have the choice of a replacement or a full refund if, after a reasonable number of tries, the dealer cannot repair the vehicle or a covered system.**

- You only have to tell the dealer that warranty service is needed in order to get it, unless the dealer can prove that it is reasonable to require you to do more.
- **Implied warranties have no time limits.**

If any of these statements doesn't apply, the warranty is limited.

A full or limited warranty doesn't have to cover the entire vehicle. The dealer may specify that only certain systems are covered. Some parts or systems may be covered by a full warranty; others by a limited warranty.

The dealer must check the appropriate box on the Buyers Guide to indicate whether the warranty is full or limited and the dealer must include the following information in the "Warranty" section:

- The percentage of the repair cost that the dealer will pay. For example, "the dealer will pay 100 percent of the labor and 100 percent of the parts . . .";
- **The specific parts and systems, such as the frame, body, or brake system, that are covered by the warranty. The back of the Buyers Guide lists the major systems where problems may occur.**
- The warranty term for each covered system. For example, "30 days or 1,000 miles, whichever comes first."
- **Whether there's a deductible and, if so, how much.**

You have the right to see a copy of the dealer's warranty before you buy. Review it carefully to determine what is covered.

The warranty gives detailed information, such as how to get repairs for a covered system or part. It also tells who is legally responsible for fulfilling the terms of the warranty.

If it's a third party, investigate their reputation and whether they're insured. Find out the name of the insurer, and call to verify the information. Then check out the third-party company with your local Better Business Bureau. That's not foolproof, but it is prudent. Make sure you receive a copy of the dealer's warranty document if you buy a car that is offered with a warranty.

If the manufacturer's warranty still is in effect, the dealer may include it in the "systems covered/duration" section of the Buyers Guide. To make sure you can take advantage of the coverage, ask the dealer for the car's warranty documents. Verify the information (what's covered, expiration date/miles, necessary paperwork) by calling the manufacturer's zone office.

Make sure you have the Vehicle Identification Number (VIN) when you call.

Like a warranty, a service contract provides repair and/or maintenance for a specific period. But warranties are included in the price of a product, while service contracts cost extra and are sold separately. To decide if you need a service contract, consider whether:

- **The service contract duplicates warranty coverage or offers protection that begins after the warranty runs out. Does the service contract extend beyond the time you expect to own the car? If so, is the service contract transferable or is a shorter contract available?**
- The vehicle will need repair done in the near future and what are the potential costs. You can determine the value of a service contract by figuring whether the cost of repairs is likely to exceed the price of the contract.
- **The service contract covers all parts and systems. Check out all claims carefully. For example, “bumper to bumper” coverage may not mean what you think.**
- A deductible is required and, if so, the amount and terms.
- **The contract covers incidental expenses, such as towing and rental car charges while your car is being serviced.**
- Repairs and routine maintenance, such as oil changes, have to be done at the dealer.
- **There’s a cancellation and refund policy for the service contract and, whether there are cancellation fees.**
- The dealer or company offering the service contract is reputable. Read the contract carefully to determine who is legally responsible for fulfilling the terms of the contract.
- Some dealers sell third-party service contracts.

The dealer must check the appropriate box on the Buyers Guide if a service contract is offered, except in states where service contracts are regulated by insurance laws. If the Guide doesn’t include a service contract reference and you’re interested in buying one, ask the salesperson for more information.

If you buy a service contract from the dealer within 90 days of buying a used vehicle, federal law prohibits the dealer from eliminating implied warranties on the systems covered in the contract.

For example, if you buy a car “as is,” the car normally is not covered by implied warranties. But if you buy a service contract covering the engine, you automatically get implied warranties on the engine. These may give you protection beyond the scope of the service contract. Make sure you get written confirmation that your service contract is in effect.

The Buyers Guide cautions you not to rely on spoken promises. They are difficult to enforce because there may not be any way for a court to determine with any confidence what was said. Get all promises written into the Guide.

Pre-Purchase Independent Inspection

It's best to have any used car inspected by an independent mechanic before you buy it. For about \$100 or less, you'll get a general indication of the mechanical condition of the vehicle.

An inspection is a good idea even if the car has been "certified" and inspected by the dealer and is being sold with a warranty or service contract. A mechanical inspection is different from a safety inspection. Safety inspections usually focus on conditions that make a car unsafe to drive. They are not designed to determine the overall reliability or mechanical condition of a vehicle.

To find a pre-purchase inspection facility, check your Yellow Pages under "Automotive Diagnostic Service" or ask friends, relatives and co-workers for referrals.

Look for facilities that display certifications like an Automotive Service Excellence (ASE) seal. Certification indicates that some or all of the technicians meet basic standards of knowledge and competence in specific technical areas.

Make sure the certifications are current, but remember that certification alone is no guarantee of good or honest work. Also ask to see current licenses if state or local law requires such facilities to be licensed or registered. Check with your state Attorney.

General's office or local consumer protection agency to find out whether there's a record of complaints about particular facilities.

There are no standard operating procedures for pre-purchase inspections. Ask what the inspection includes, how long it takes, and the price. Get this information in writing.

If the dealer won't let you take the car off the lot, perhaps because of insurance restrictions, you may be able to find a mobile inspection service that will go to the dealer. If that's not an option, ask the dealer to have the car inspected at a facility you designate. You will have to pay the inspection fee.

Once the vehicle has been inspected, ask the mechanic for a written report with a cost estimate for all necessary repairs. Be sure the report includes the vehicle's make, model and VIN. Make sure you understand every item.

If you decide to make a purchase offer to the dealer after considering the inspection's results, you can use the estimated repair costs to negotiate the price of the vehicle.

The Buyers Guide lists an auto's 14 major systems and some serious problems that may occur in each. This list may help you and your mechanic evaluate the mechanical condition of the vehicle. The list also may help you compare warranties offered on different cars or by different dealers.

The back of the Buyers Guide lists the name and address of the dealership. It also gives the name and telephone number of the person you should contact at the dealership if you have problems or complaints after the sale.

The dealer may include a buyer's signature line at the bottom of the Buyers Guide. If the line is included, the following statement must be written or printed close to it: "I hereby acknowledge receipt of the Buyers Guide at the closing of this sale."

Your signature means you received the Buyers Guide at closing. It does not mean that the dealer complied with the Rule's other requirements, such as posting a Buyers Guide in all the vehicles offered for sale.

If you buy a used car and the sales discussion is conducted in Spanish, you are entitled to see and keep a Spanish-language version of the Buyers Guide.

An alternative to buying from a dealer is buying from an individual. You may see ads in newspapers, on bulletin boards, or on a car. Buying a car from a private party is very different from buying a car from a dealer.

Private sellers generally are not covered by the Used Car Rule and don't have to use the Buyers Guide. However, you can use the Guide's list of an auto's major systems as a shopping tool. You also can ask the seller if you can have the vehicle inspected by your mechanic.

Private sales usually are not covered by the "implied warranties" of state law. That means a private sale probably will be on an "as is" basis, unless your purchase agreement with the seller specifically states otherwise.

If you have a written contract, the seller must live up to the promises stated in it. The car also may be covered by a manufacturer's warranty or a separately purchased service contract.

However, warranties and service contracts may not be transferable, and other limits or costs may apply. Before you buy the car, ask to review its warranty or service contract.

Many states do not require individuals to ensure that their vehicles will pass state inspection or carry a minimum warranty before they offer them for sale. Ask your state Attorney General's office or local consumer protection agency about the requirements in your state.

Whether you buy a used car from a dealer, a co-worker, or a neighbor, follow these tips to learn as much as you can about the car:

- Examine the car yourself using an inspection checklist. You can find a checklist in many of the magazine articles, books and Internet sites that deal with buying a used car.
- **Test drive the car under varied road conditions—on hills, highways, and in stop-and-go traffic.**

- Ask for the car's maintenance record. If the owner doesn't have copies, contact the dealership or repair shop where most of the work was done. They may share their files with you.
- **Talk to the previous owner, especially if the present owner is unfamiliar with the car's history.**
- Have the car inspected by a mechanic you hire.

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, there are several steps you can take:

- **Try to work it out with the dealer. Talk with the salesperson or, if necessary, the owner of the dealership. Many problems can be resolved at this level. However, if you believe you're entitled to service, but the dealer disagrees, you can take other steps.**
- If your warranty is backed by a car manufacturer, contact the local representative of the manufacturer. The local or zone representative is authorized to adjust and decide about warranty service and repairs to satisfy customers. Some manufacturers also are willing to repair certain problems in specific models for free, even if the manufacturer's warranty does not cover the problem. Ask the manufacturer's zone representative or the service department of a franchised dealership that sells your car model whether there is such a policy.
- **Contact your local Better Business Bureau, state Attorney General, or the Department of Motor Vehicles. You also might consider using a dispute resolution organization to arbitrate your disagreement if you and the dealer are willing. Under the terms of many warranties, this may be a required first step before you can sue the dealer or manufacturer. Check your warranty to see if this is the case. If you bought your car from a franchised dealer, you may be able to seek mediation through the Automotive Consumer**
- Action Program (AUTOCAP), a dispute resolution program coordinated nationally by the National Automobile Dealers Association and sponsored through state and local dealer associations in many cities. Check with the dealer association in your area to see if they operate a mediation program.
- **If none of these steps is successful, small claims court is an option. Here, you can resolve disputes involving small amounts of money, often without an attorney. The clerk of your local small claims court can tell you how to file a suit and what the dollar limit is in your state.**
- The Magnuson-Moss Warranty Act also may be helpful. Under this federal law, you can sue based on breach of expressed or implied warranties, or a service contract. If

successful, consumers can recover reasonable attorneys' fees and other court costs. A lawyer can advise you if this law applies.

For more information, write to: Consumer Response Center, Federal Trade Commission, Washington, D.C. 20580. Or, call them at (202) 326-2222, (202) 326-2502.

Here Are Forty-four Tips For Choosing The Best Used Car

1. Examine the car's exterior thoroughly. Look for rust, dents, and evidence that portions of the car have rusted out and been repaired with body putty.
- 2. Look under the car for breaks in the frame and signs that frame has been welded.**
3. Check for excessive rusting of frame.
- 4. Examine condition of muffler, tailpipe and exhaust pipe.**
5. Look for signs of oil or transmission fluid leakage under the car.
- 6. Check for signs of fluid leakage from shock absorbers.**
7. Examine condition of tires, including inside surfaces.
- 8. Look for signs of brake fluid leaking on the inside of tires.**
9. Walk around the car and check the condition of window glass.
- 10. Examine the condition of lenses of all lights – front, back and sides.**
11. Test all lights to make certain they are functioning: headlights, taillights, flashers, backup lights, brake lights, turn signals, and so on.
- 12. Push down on the corners of the car, front & back, to check the shock absorbers. If the car bounces up and down several times, the shocks are worn.**
13. Stand back and see if the car is level. If not, the springs may be weak.
- 14. From a distance, look for evidence of an accident, dents, or paint that doesn't match, ripples in the fenders, and so on.**
15. Check the spare tire. If it is cupped or worn unevenly, something may be wrong with the front end and a front tire is being used as a spare
- 16. Make sure the car has a jack in good working condition.**
17. Lift the hood of the car and examine the condition of the belts and hoses.
- 18. Check the battery to see if it is cracked.**
19. Pull out the oil dipstick to see how dirty the oil is.

- 20. Check stickers (on door-posts or under hood) to see when the car had its last oil change and lubrication, and whether it was serviced regularly.**
21. Examine the upholstery, safety belts, and carpeting.
- 22. If the car has seat covers, look under them for wear, tears, and dirt.**
23. Badly worn carpeting or upholstery may be a sign of heavy vehicle usage.
- 24. Check the break pedal for free play.**
25. Turn on all the lights one at a time and check to see they're working.
- 26. Take the car for a test drive over various types of roads.**
27. When test driving, step on the gas and look into the mirror for smoke from the exhaust. White or bluish smoke may mean an overhaul is needed.
- 28. While on the road, test the brakes for pulling.**
29. Be alert for vibrations during the drive, for signs of front-end trouble.
- 30. If the car has manual transmission, be alert for excessive play, grabbing, or rattling of the clutch.**
31. Look for vibrations or unusual noises from the engine, transmission, rear end, or wheels that may be a signal of trouble.
- 32. Push the gearshift through its various positions and see how the car reacts.**
33. Let the engine idle and be alert to noises or vibrations that could indicate a badly tuned engine or one with bad valves.
- 34. Be alert for any unusual odors. These could tell you that all is not well.**
35. If the automatic transmission doesn't shift smoothly or there's hesitation when it shifts, the transmission may need to be repaired.
- 36. Check to see how much power the car has on a hill.**
37. Turn on the heater to see if it works.
- 38. Check out the air conditioning to see if it's working.**
- 39. Turn on the radio to make sure it works.**
40. Make sure the windshield wipers work.
- 41. If possible, run the car through a car wash to see if there are any leaks.**
42. Avoid buying a used car at night, in the rain, or when you're in a hurry.
- 43. Get your own mechanic or a diagnostic center to check out the car, if possible.**

44. Get the seller to put the promises he or she makes about the car in writing!

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Las Vegas

9505 Hillwood Dr., Ste 100
Las Vegas, Nevada 89134
Phone- (702) 258-1995
Fax- (702) 877-0956

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