



Region Legal Service Office, Mid Atlantic Legal Assistance Department

Automobile Warranties/Service Contracts

1. **Warranties:** A warranty is issued by the manufacturer or seller of a product to assure the quality of goods sold. The warranty is an agreement to fix problems arising from defects that existed at the time of the purchase and for a certain amount of time after the purchase. There are two types of warranties: express and implied.
2. **Express Warranties:** Express warranties are expressly stated by the manufacturer or seller and are generally listed in the sales contract or on a piece of paper included in the product's packaging. Express warranties might cover the failure of any specific type of part (lubricated, electrical, or moving), failure of the power system (engine and transmission), or failure of the electrical system (computer).
3. **Implied Warranties:** Implied warranties do not need to be expressly stated as they are created by law. Generally, an implied warranty ensures that the product will perform as expected. For example, the brakes should stop the vehicle and the windows should open and close. Implied warranties cover a product for as long as the express warranty or service contract provide protection.
4. **Service Contracts:** A service contract is an extra product that is sold with an item to provide extended, additional, or supplemental protection. It generally protects the consumer from costs related with the failure of specific parts or systems on a product. The sale of a service contract within 90 days of the purchase of a used item creates and reattaches the implied warranty. The seller of an item who also sells a service contract becomes responsible for failures of the product's parts beyond those expressed in the contract. Many car dealerships sell service contracts with their vehicle. If systems beyond those covered in the service contract fail, the consumer has recourse against the seller and/or service contract administrator under the implied warranty.
5. **"AS IS":** A seller who offers an item for sale "AS IS" is denying any warranty on the product being sold. If the item purchased has small or large defects, the seller cannot be held responsible. However, selling a product "AS IS" does not mean that the seller can deceive the buyer by providing false information about the quality, history, or condition of the product. If the product is sold "AS IS" and the merchant later (within 90 days) also sells the consumer a service contract, the full body of implied warranties are reinstated for the item.
6. **Buyer's Guide:** The Federal Trade Commission (FTC) requires motor vehicle dealers to post a document called a Buyer's Guide on all used cars offered for sale. The Buyer's Guide contains important information for the consumer. For example, it lists the various systems and parts on a motor vehicle so that the consumer can ask the seller questions about the status of the various systems and parts. This information should be recorded or documented in case the seller is not accurate or honest. Read more at: <https://www.ftc.gov/tips-advice/business-center/guidance/dealers-guide-used-car-rule>.
7. **For more information:** Read the FTC Guide to Buying a Used Car: <https://www.consumer.ftc.gov/articles/0055-buying-used-car>

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