



PREVENTIVE LAW SERIES
BUYING AN AUTOMOBILE



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Buying a new car is usually the second most expensive purchase many consumers make, after the purchase of their home. This handout reviews some of the information you need in order to make a smart deal on a new car and gives you tips on how to avoid problems in purchasing a used automobile.

BEFORE PURCHASE, KEEP IN MIND:

1. Know what model and options you want and how much you can afford to spend before looking for a car.
2. Compare prices of cars at different dealers by reviewing newspaper and internet ads. Know the Kelly Blue Book values of the cars you're considering. (Check these at <http://www.kbb.com/>.)
3. Check the quality of each car and its repair record through available consumer reporting agencies and publications. The U.S. Department of Transportation Auto Safety Hotline (800-424-9393) will tell you if a car model has ever been recalled and will send you information about that recall.
4. Some cars cost more to insure than others, so check insurance rates before buying an automobile.
5. **Before going to the first dealer, try to arrange financing for the purchase through a bank, credit union, or lending institution.** Dealers and lending institutions offer a variety of interest rates, finance charges, and payment schedules, so you will want to shop for terms. If, for example, you need low monthly payments, consider making a larger down payment or getting financing that will stretch payments over five years. Of course, a longer payment period means paying more interest and a higher total price.
6. Before signing any purchase agreement, know the total sales price, the amount of the down payment, the annual percentage rate (APR), and the monthly payment. 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 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 your budget is tight, you may want to consider paying cash for a less expensive car than you first had in mind.
7. Examine the car yourself using an inspection checklist or have the vehicle inspected by an independent third party. Test-drive the car under varied road conditions - on hills, highways, and in stop-and-go traffic. The best test is by taking the car to a trusted mechanic before you sign a contract.
8. **BEFORE SIGNING ANY CONTRACT, SEE AN ATTORNEY and READ THE ENTIRE CONTRACT!**
There is very little we can do after you have signed the contract.

NO COOLING-OFF PERIOD

All potential buyers should be aware that **the three-day "cooling off" period for canceling many consumer contracts does NOT apply** to new and used car purchases unless expressly provided in the sales contracts! **SO, IF YOU BUY AN AUTOMOBILE, DO NOT EXPECT TO RETURN IT WITHIN THREE DAYS AND GET YOUR MONEY BACK!** In the State of California, a used car buyer who purchases a used car for less than \$40,000 must be given an opportunity to purchase a two-day Contract Cancellation Option agreement. Car Buyer's Bill of Rights FFVR 35. However, such an option is very limited and has strict limitations.

WARRANTIES AND LEMON LAW

As for new car purchases, a variety of express and implied warranties are imposed by state law to ensure the safety and performance of the automobile. New cars are covered by the California "Lemon Law" which requires the dealership to buy back or replace any new car that is not satisfactorily repaired after a reasonable number of attempts. The purchaser is free to choose whether to accept a replacement or a refund. The lemon law only applies (i) during the first 18 months you own the car or within the first 18,000 miles on the odometer, whichever occurs first, and (ii) in cases where four (4) or more repair attempts are made on the same problem or the car is out of service for a total of 30 days while being repaired for any number of reasons or if two (2) repair attempts were made for a problem which could potentially result in a condition that "is likely to cause death or serious bodily injury." Civil Code Section 1793.22. Ordinarily, however, the problem must be covered by the warranty, must substantially reduce the use or value of the automobile, the customer must notify the manufacturer directly, and must submit the dispute to a qualified third party dispute resolution program (i.e. arbitration) if available.

Many used cars are sold "as is," which means that there are no express or implied warranties on the automobile. Therefore, if you buy a car "as is," and have problems with it, you must pay for the repairs yourself. The Federal Trade Commission has enacted a "Used Car Rule" which requires used car dealers to tell you whether the vehicle comes with a warranty or not, and if so, its terms and conditions, including the duration of the coverage, the percentage of total repair costs the dealer will pay, and which vehicle systems the warranty covers. Look for a "Buyers Guide" sticker on the window of the car. If the dealer offers a written warranty, you have the right to see a copy of the warranty before purchase. The Buyers Guide also informs you that you should have the vehicle inspected by an independent mechanic, whom you personally trust, before you buy. If the dealer makes oral promises to repair the vehicle, have the dealer put those promises in writing. **Do not rely on spoken promises!**

Finally, used car dealers must ensure that the automobile is in safe working order, e.g. working brakes, lights, etc.

RESOLVING PROBLEMS

In the event of a problem, you should always first try to resolve the problem with the salesperson or, if necessary, the owner of the dealership. Most problems can be resolved at this level. If problems continue after the purchase of a new car, you should contact the local Department of Motor Vehicles office. You may also contact the New Motor Vehicles Board in Sacramento, California, at (916) 445-1888. The Department of Motor Vehicles may also be contacted for assistance with problems in the purchase of a used car from a used car dealer. However, a person who purchases a used car from another individual has little recourse. Private sales are not covered by many state laws which protect consumers. You may bring an action in small claims or municipal court, depending on the amount of the claim. Keep *all* of your documentation for *all* repairs, leases, and purchases!

LEGAL ASSISTANCE SERVICES AVAILABLE AT 32ND STREET AND NASNI

A legal assistance attorney is available by appointment Monday through Thursday from 0800-1100 and 1300-1500, and Friday from 0900-1045. Powers of attorney and notaries are available Monday through Friday at the same times. For more information, please contact the Legal Assistance Office, located in Building 56, Naval Base San Diego, by telephone at (619) 556-2211, or our office at Naval Air Station North Island – Coronado, Building 318 – Second Deck, above the Fleet and Family Support Center, Saufley Road, by telephone at (619) 545-6437.

RESOURCES

Federal Trade Commission: (877) FTC-HELP; www.consumer.ftc.gov/features/feature-0009-military-families

• Consumer Information: www.consumer.ftc.gov; (877) FTC-HELP

• File a Consumer Complaint: www.ftccomplaintassistant.gov

California Department of Consumer Affairs: (800) 952-5210; www.dca.ca.gov

California Department of Motor Vehicles: (800) 777-0133; www.dmv.ca.gov

Better Business Bureau San Diego Field Office: (858) 496-2131; www.sandiego.bbb.org

National Automobile Dealers Association: www.nada.org

Navy AutoSource: (877) 696-2892; www.navyautosource.com

Kelley Blue Book: www.kbb.com