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## Buying a Used Car

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# FINANCIAL FITNESS

## Fact Sheet

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## BUYING A USED CAR

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For every new car sold each year, it has been estimated that three used cars will change hands. Each year Americans spend about \$85 billion to buy more than 17 million used cars. But the used-car marketplace can be confusing and full of pitfalls. A buyer without savvy can easily buy repair headaches instead of reliable transportation. Why then, do so many car buyers take a chance on a used model? Price. Thanks to depreciation, a new-car buyer will see his/her vehicle's value plummet by 20% to 25% a year for the first two or three years. If you're looking for the most car your dollars can buy, it's logical to investigate the used car market. A good used car saves on the initial cost and will slow depreciation.

### IN SEARCH OF A "CREAM PUFF"

Before you begin to look for your used car, decide what model and type of car will best meet your needs. In general, if you do not intend to trade every year or two, you're better off buying a low mileage car in good condition. And you must be the judge of how good the condition of the car is and how important the year, make, or model is to you. A good clean, low mileage, 4-year-old car may be worth more than a year-old model that has been used and abused.

Your money usually goes farthest with a small or medium-sized sedan. Sporty cars, luxury models, and convertibles remain pricey even when used, and

many are loaded with fancy options that add to the cost. Performance cars may also have led a hard life.

If you want to save valuable time, decide what you want before you look for the car. You can learn about car models, options, and prices by reading newspaper ads, both display and classified. Also, your local library and bookstores have magazines that discuss and compare used cars as well as provide information about frequency-of-repair records, safety tests, and mileage.

Each April issue of Consumer Reports is devoted to car purchases; look for "Best and Worst Used Cars" and "Reliability of Used Cars" articles.

For an idea of going prices, check the "N.A.D.A. (National

Automobile Dealers Association) Official Used Car Guide," updated monthly and available at most public libraries and banks. The Guide gives prices for models in average shape and with average mileage (about 15,000 a year) as well as prices for optional



equipment. Remember, all of these are based on averages. But they are reasonably accurate measures because it is the dealers themselves who paid the prices listed to stock their used car lots. Other lists show the average bank loan value. This can serve as the basis for how much of the purchase price your bank or credit union will finance. In all cases, the figures quoted are based on other cars, not the one you are considering, so don't depend on them for anything more than a guideline. You can, however, use these prices to judge the "price break" between the wholesale price the dealers paid and the retail price that you will pay. Usually, the "price break" allows you to make an offer lower than the asking price of the car which the dealer can accept without losing money on the sale.

Another source for estimating the value of a used car is the Kelley Blue Book. Check your local library, financial institutions, or web site [<http://www.kbb.com/>].

## CHECK THE CAR PEDIGREE

Carfax, a company out of Fairfax, Va., sells detailed information on used cars and trucks. With the VIN or Vehicle Identification Number, they will track the 1981 or newer vehicle's history using their database of 190 million vehicles. Included in the car pedigree are odometer discrepancies, any liens, if wrecked or damaged by flood, salvaged, recalled by the government or a manufacturer, or returned under

the state's lemon laws. The price for ordering a car pedigree is \$12.50 on their computer web site

[<http://carfaxreport.com/>].

Without a computer you can dial 800-FINDVIN (800-346-3846), to order a report by

phone at a charge of \$20. You can also receive the report by fax or e-mail. Be sure to have your credit card and 17-character VIN number ready to speed the processing time.



By phoning the National Highway Traffic Safety Administration's Auto Safety Hotline (800-424-9393) you can find out if cars of the model year you're considering have ever been recalled, and for what. To see if a particular car was involved, get the car's VIN number. You can check on GM, Chrysler, or Ford cars at a local dealer; with other makes, check through the manufacturer. You can then ask the seller to show you documents confirming that the defect was fixed.

## BUYING FROM A DEALER

New-car dealers who also sell used cars usually are more expensive than independent used-car lots, but it's there you'll often find late models in good shape that the dealer got as trade-ins. The

best cars on the lot are usually the ones of the make the dealer sells. These dealerships have service facilities, usually offer a warranty, and have a fixed address where you can complain in case of problems.

The stock at independent used-car lots may be cheaper, but the quality of the merchandise may be more doubtful. If you do not have first-hand knowledge of the dealer—whether a new car lot or a used car dealership—you should ask for names and addresses of previous used car owners who bought more than 6 months ago. A good, reliable dealer will give you this information. Then contact these people and find out how they were treated after the sale, what kind of service they got, and whether or not the car was as reliable as it was represented to be.



## BUYER'S GUIDES

If you go to a dealer for a used car, look for a "Buyer's Guide" sticker on the window of each car. Required by the Federal Trade Commission's Used Car Rule, the Buyer's Guide tells you:

The terms of any warranty, including its duration, systems covered, and the percentage

of repair costs the dealer will pay.  
Prominent statement saying that if the dealer is selling the car “as is,” the customer must pay for any repairs needed after the purchase.  
A suggestion that the consumer have the car inspected by a mechanic before buying it.  
What some of the major problems are that may occur in any car.  
Information about the availability of service contracts.  
A suggestion that consumers ask the dealer to put all promises in writing.

The FTC rule covers passenger cars, light-duty trucks and vans. “Demonstrator” cars also must have “Buyer’s Guides, but not motorcycles and most recreational vehicles. Individuals selling fewer than six cars a year are not required to post Buyer’s Guides. Whenever you purchase a used car from a dealer, you should receive the original or an identical copy of the Buyer’s Guide that appeared in the window of the vehicle you bought. The Buyer’s Guide must reflect any changes in warranty coverage that you may have negotiated. It becomes part of your sales contract and overrides any contrary provisions that may be in that contract.

## **BUYING FROM A PRIVATE OWNER**

Many people sell their used cars privately through newspaper advertisements. If you decide to look at privately advertised cars, keep in mind the advantages and disadvantages of buying this way. You may get a good car for less money than from a dealer, or you may buy from the original owner who can tell you all about the car. Ask about the car’s condition and mileage. Ask if it has ever been in an accident. Ask how long the seller has had the car, where it came from, and why it’s being sold. A response may hint at a problem you’d rather not deal with. Ask if the seller is, in fact, a dealer. If so, and the newspaper ad hasn’t clearly disclosed the fact, you have an indication of doubtful ethics.

Do not buy from a private owner who cannot supply you with service records, service station, or dealer references, and records of original purchase. If

the private seller is not the original owner, you probably will have no way of knowing anything about the care of the car before this person bought it. A private owner very rarely offers any kind of service inspection guarantee—in most private sales, the car is sold “as is.” Without a written contract with specific repair provisions, the private seller has no further responsibility for the car. You’ll have to handle the registration paperwork yourself. You’ll generally need to do that before you can drive the car away. Be sure your bill of sale notes the car’s mileage.

Depending upon its age, the car may be covered by a manufacturer’s warranty or service contract. However, warranties and service contracts may not be transferable, or there may be limitations or costs for a transfer. Before you purchase the car, ask the seller to let you examine any unexpired warranty or service contract on the vehicle.

There are a few other sources of used cars to consider—banks, credit unions, and other lenders sometimes offer fairly new, repossessed cars in newspaper ads. Auto-rental agencies often sell off recent, well-equipped cars from their fleet. The cars may have covered a lot of ground, but they have generally been well kept. Most agencies will show you the maintenance records and will often give you a limited warranty.

## **THE ON-SITE INSPECTION**

At your Utah State University County Extension Office you can borrow a video, “Getting a Car on the Road: What to Look for When Buying a Used Car,” to help you understand more about the procedure for inspecting a used car. Don’t use the mileage on the odometer as your only criterion. Keep this rule in mind when you check out the car. Mileage can be an unreliable measure of a car’s conditions, so do yourself a favor and don’t look at it until you’ve judged the condition of the car by other factors. Also, some unscrupulous sellers illegally roll back the odometer.

You can tell a lot about the car without driving it one inch. When you inspect a car, start by asking if the seller will let you look at repair bills. At the least, check the service sticker on the door jamb to see if the

car has been maintained diligently. The older the car, the more important the inspection. Take a friend along to help. Do your checking on a clear day; rain, darkness, or even the glare of a car lot's lights can mask some symptoms of trouble. When you see a car that meets your year, make, and model requirements, here's what to look for:

**Fluids.** When the engine is cold, check the radiator to be sure the coolant isn't rusty. In cars with an automatic transmission, be sure the transmission fluid is pinkish and smells a bit like chestnuts; dark brown, odorous fluid indicates trouble.



**Leaks.** Look on the ground or pavement under the car for dark stains or puddles. Check the car's under side; wet, oily stains on the engine or transmission indicate trouble. Look for greenish-white stains on the radiator; those indicate pinholes. Watch for leaks or stains around the brake cylinders, the brake hoses, the valve-cover gaskets, and other engine parts.

**Body.** While you're looking under the car, check the frame for fresh welds or heat-discolored areas. With old cars, look for fresh undercoating. Topside, take note of body panels that don't quite match the color of the rest of the car, or fresh paint on a car less than about 3 years old. These signs all suggest that the car may have been in an accident; be sure there's no structural damage, if the car otherwise seems like a good buy. Remember, a good body shop can make an old clunker look like new—look beneath the paint and polish to be sure the car body is sound and original.

**Rust, if unchecked, is automotive cancer.** Look for visible rust in the wheel wells, the rocker panels beneath the doors, the door edges, and the trunk floor and lid. Check for rusted-through spots on the frame. Lift carpeting and the trunk mat to check the sheet metal underneath. Blistered or flaking paint also hints at rust.

**Tires.** Worn-away treads on a "low-mileage" car can mean the odometer has been rolled back or disconnected. Uneven wear suggests an accident or an

alignment problem. Don't forget to check the spare, and be sure all the gear for tire-changing is in the car.

**Suspension.** Push and pull on the top of each front wheel. If the wheel moves or clunks, the suspension joints or bearings are apt to be badly worn. Bear down on each fender with your body weight, or step on the corners of the bumpers, then release quickly. If the car bounces up and down more than once, new shock absorbers may be needed.

From about 10 feet behind the car, take a look at the back end. If one side is lower than the other, one of the springs or suspension mounts may need a fairly expensive repair. Check the end of the tail pipe. Black, gummy soot in the tail pipe may mean worn rings or bad valves (that is, an oil-burning engine), and expensive repairs later on. A low front end, seen from the car's side, indicates a similar problem.

**Interior.** Look for traces of water leaks in the trunk and passenger space, and around the windshield and rear window. Sniff a few times—a musty odor can also betray leaks. If it has rained recently, run your hand over the carpeting to detect damp spots. If a trunk floor has deep depressions at the sides, work a hand down into the hollow to check for puddles.

**Try out all the interior hardware**—Window controls, safety belts, seat adjustments, and the like. Examine doors, windows, and trunk lid for close fit and ease of opening and closing. These are signs of a well-made and well-kept car. Turn on the ignition and check the oil light, wipers, washers, radio, heater, air-conditioner, and any other gauges, controls, and accessories. Check the seats for comfort, sagging springs, and tears. Move the front seat back and forth to various positions to be sure it locks in place each time. Switch on the lights and signals while your friend watches to see that they work. Inspect the rubber pedal covers; they shouldn't be heavily worn or brand-new on a low-mileage car.

## THE ROAD TEST

If the car still looks good, it's time to take a test drive. Here's what to check:

**Steering.** Unlock the steering wheel before your turn on the ignition. The wheel should not have more than 2 inches of play. Try turning at various

speeds. If there is too much sway, stiffness, or a “clunking” noise when you turn the wheel, better have the front end checked—and have the seller replace the front shock absorbers. As you drive, see if the car steers precisely, without play or vibration.

**Engine.** The car should start easily and pick up smoothly, without skipping, hesitation, bucking, or undue noise. It should keep up with freeway traffic as it goes up grades in top gear. An engine that knocks or pings may simply need higher-octane fuel or a tune-up. Then again, it may need much more. Clicks like castanets from the upper part of the engine suggest valve problems.

**Transmission.** It should work smoothly and quietly in reverse and all forward gears, and it shouldn’t slip as you drive. A manual clutch shouldn’t grab suddenly and make the car buck or jerk. As you let out the pedal, the clutch should start to engage near its floored position.

**Brakes.** Apply these firmly on a deserted road at 45 mph, but don’t lock the wheels. The car should stop quickly, evenly, and in a straight line in each of three successive stops, and the brakes shouldn’t vibrate or grab. Now pull over and step firmly on the brake pedal for about 30 seconds. If it feels spongy or continues to sink, the brake system may be leaking.

**Alignment.** Drive straight ahead, through a puddle if possible, and with your friend outside and watching from behind. The front and rear wheels should move precisely in line. A car that moves slightly crabwise is apt to have a frame bent in an accident. Reject it.

**Oil use.** After the engine has warmed, drive at highway speed and take your foot off the accelerator for a few seconds. Then press down hard as your friend watches the exhaust. Blue smoke means burning oil, a warning of expensive repairs. Billowy white smoke, especially on a warm day, indicates that water is getting into the combustion chambers, probably from a crack in the engine or cylinder head. (But white vapor when first starting in cold weather is perfectly normal. At any time, black smoke generally means that the carburetor needs adjustment.)

**Handling, noise, comfort.** Drive at 30 to 40 mph over a bumpy road. Is the ride comfortable? Does the car steer poorly, hop to one side, squeak, or rattle?

If so, the suspension may need attention. Stop, get out, and listen beside the car as it idles. Sputtering sounds from underneath indicate leaks in the muffler, the exhaust pipes, or the manifold.

If the car still looks promising, it’s time to get a professional opinion. Some sellers will permit you to take the car to an independent mechanic. Others will want you to bring an independent mechanic to where the car is located. If you do not already have a mechanic you rely on, ask someone who knows about cars for the names of competent, reputable mechanics. You can also find mechanics through advertisements, car repair establishments, automobile associations, and auto diagnostic centers in your community.

If undetected problems show up, have your mechanic give you a written estimate of repairs for possible bargaining leverage with the seller. Make sure that a seller who promises to make repairs instead of lowering the price puts the promise in writing—and don’t sign anything until the work is done.

## SHOP FOR FINANCING

Take as much care in finding the best, most advantageous place to finance your purchase as you do in selecting the vehicle itself. Take the seller’s proposed purchase and finance contract, not signed by you, to a couple of banks, a credit union, and a finance company to find out the differences that do exist in the financing industry.

Have a loan officer at each institution fill out a proposed finance contract. Compare all the figures on each proposal: the sales price, the down payment required, the amount of the loan, the interest rate (stated or annual percentage rate), the number of monthly payments, how, when, and where payments have to be made, and the total contract amount—that is, the amount of the loan plus the total amount of the interest. For example, if you buy a car for \$2,000 and make a down payment of \$500, you will have to pay loan interest on the \$1,500 balance. The total interest and other charges added to the original sales price, will show the amount you are actually going to pay for the car.

## CONSIDER TOTAL COSTS

To help you estimate the overall costs of owning and operating a specific car—one you already own or a car you are considering buying—order a simple-to-use computer program known as CARCOSTS, Version 2.0. This program helps the consumer look beyond the monthly payment charge to purchase the automobile.

Gather realistic data from readily available sources: new or used car buying guides or data bases, lenders, insurance agents, trusted mechanics, or knowledgeable friends. After entering 14 input items, you will see the total cash only and cash-plus-depreciation costs per month, per year, and for the full length of time you expect to own the car. You then can experiment with different data, such as the interest rate and amount of loan, or the amount to be set aside for future repairs.

The CARCOSTS program was developed by the North Carolina Cooperative Extension Service. To order, send a check or purchase order for \$10 payable to “Family and Consumer Sciences” to: Janice Holm Lloyd, North Carolina Cooperative Extension Service, NCSU, Box 7605, Raleigh, NC 27695-7605 ( phone: 919-515-9144).

## SOME FINAL WORDS

However desperate your need, never buy a used car in haste. Take the time to shop around, even if you have to rent a car for a few days. Don’t be rushed into a decision because the seller has “another customer who wants the car if you don’t.” And don’t automatically exclude from consideration cars that may show a single problem area. The car may nonetheless be a good buy, if the problem can be fixed. Take into account the total costs of owning and operating a used car.

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