New Car Buyers Need to Read Fine Print - Updated: June, 2014

Before you go out to purchase that new automobile, you need to know what you are getting yourself into if you want to avoid problems. Just because you signed on the dotted line for your loan and the dealer has given you the keys doesnâ€™t mean that you are the owner of that shiny new car. This little understood fact can create big problems for unwitting consumers.

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Most car dealers have a policy that allows new car buyers to be able fill out the loan application for a new car, and then take delivery of a car immediately. Many large dealerships have the ability to get on-the-spot credit approval for new buyers. But there are many others that donâ€™t have that ability. The truth is that some automobile loans can take days to complete and if the buyer has less than perfect credit, the loan may be denied even though the buyer has already taken delivery of their new automobile. This can result in real problems for the buyer and dealer alike.

Most consumers arenâ€™t even aware that this can happen to them. But it can, and when it does things can get very ugly very quickly. Consumers who find themselves in this situation are normally faced with finding another source of financing on their own or having to return the car. If they do neither of these things the car will be repossessed; something which will further hurt their credit and which may make getting any sort of automobile financing impossible.

Such a turn of events can have even more devastating long term affects. These include making it difficult or impossible to commute to work, making it more difficult to get a job, or even causing someone to lose an existing job because of bad credit. The fact is that an event such as this will hurt people who can afford it the least.

There are however things that consumers can do to protect themselves. And as with any purchase, education is your best weapon.

Consumers will often spend hours negotiating the best deal they can get on a car, but very few consumers spend much time considering the financing for that purchase. While financing may not be very glamorous, itâ€™s the one thing that you really need to understand unless you have an overwhelming desire to be taken for a ride.

A car dealer may not be the best place to get a new car loan. Most dealers mark-up the loanâ€™s interest rate. In turn, this increases the amount of each monthly payment for the car â€“ sometimes significantly. Many dealer-financed loans include something called â€œthe rule of 78sâ€•. This means that there is a penalty to the buyer if you choose to pay off your loan early. Most bank financing doesnâ€™t include this.

Even if the dealer is offering 0% or very low interest, it may pay to shop the loan. That's because most automobile manufacturers offer these financing deals in an "either/or format". You can get "either" a low finance rate "or" a manufacturers rebate. If you select the low-rate financing option, then the dealer will pocket that rebate as their mark-up on the transaction. It may actually pay you to find your financing somewhere else. Even if you have to pay a little more in interest, if the rebate is large enough it may more than offset the dealer financing incentive.

Anyone considering a new car purchase should shop their loan in just the same way that they shop for anything else. This includes checking dealer financing options.

Make sure that you thoroughly read the loan agreement. If you donâ€™t understand something, ask about it and make sure that the answer you get gives you the information you want. NEVER allow someone to tell you â€œdonâ€™t worry about itâ€•. T usually a tell-tale sign that you have reason to worry. And never let someone at the dealer rush you through reading the agreement.

Most states regulate car dealerships and track complaints. Find out which agency in your state is responsible for dealer regulation. Then find out how many complaints the dealers you are considering get or if they are under investigation. If you donâ€™t like what you hear, find another dealer.

Recently, the Consumer Financial Protection Bureau also began looking at dealer financing. There are new rules being implemented to insure that dealers are following credit and anti-discrimination rules with regard to lending. If you suspect that a dealer isn't following these rules, you may be able to file a complaint with the CFPB in addition to your state regulators.

If you feel like someone isnâ€™t telling you the truth or that the deal just isnâ€™t right for you, walk out. You can always come back later or go to another dealer. Just remember that the dealerâ€™s ultimate goal is to sell you the most expensive new car at the highest margin that they can get you into, regardless of whether or not you can afford it. The dealer is doing what is in his best interest. Make sure that when you are finished, you have done what is in your best interest.

And finally, if you have determined that you absolutely need a brand new car and that you are going to use dealer financing but you are unsure of getting the loan, donâ€™t take delivery of the car. Wait until you are notified that the loan has been approved. This one simple act can prevent a lot of hardship and heart ache.
byJim Malmberg
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MY CAR BUYING EXPERIENCE

Written by Guest on 2005-05-18 A COUPLE OF MONTHS AGO MY BOYFRIEND AND iI WERE THINKING OF BUYING A NEW TRUCK. OUR FIRST RED FLAG THAT WE SOULD NOTICED WAS THAT THE DEALER WAS NOT LISTENING TO WHAT WE WANTED, RATHER HE WAS TRYING TO TALK US INTO SOMETHING HE THOUGHT WE SHOULD GET. IN ORDER FOR ME TO HAVE MY NAME PUT ONTO THE TITLE THE DEALER HAD TO RUN A CREDIT REPORT ON ME. I TOLD HIM I WAS NOT COMFORTABLE PUTING MY NAME ON THE LOAN BECAUSE I DID NOT WANT HIM TO RUN A BUNCH OF REPORTS ON ME, DO TO THE IDEA OF PURCHASING A NEW HOME A FEW MONTHS LATER. HE REASSURED ME HE WOULD ONLY HAVE TO RUN ONE. THE FIRST PERSON HE CONTACTED WAS MY BANK. MY MOTHER IN LAW IS A V.P. SHE TOLD THE DEALER SHE WAS OUR BANKER AND NOT TO RUN MORE THAN ONE CREDIT REPORT. HE TOLD HER THAT WAS FINE. A MONTH LATER I ORDER A COPY OF MY CREDIT REPORT AND FIND THAT HE HAD RUN 16 CREDIT REPORTS ON ME THE DAY AFTER WE DECIDED NOT TO GET THE TRUCK. IS THERE ANYTHING THAT I CAN DO?

RE: Car Buying Experience

Written by cat101 on 2005-05-18 Regretfully, not much can be done. You can try to dispute the inquiries with the CRA, but unless the transaction was fraud, they don't usually remove them.

Auto dealer's lending software instantly contacts numerous institutions, who in turn pull the reports. This can happen within 24-48 hours of the dealer's inquiry. I don't believe dealers have ANY control over who will be considering the loan. The systems are fully automated.

Since your mom is in banking, you should of told the dealer that you will get your own financing & used your mom's bank. Sometimes, if you're able to pay cash for the car, you can get even a better deal.

bought a new car

Written by Guest on 2006-02-09 I put a down payment of 3500.00 on a new Sonata 2006, I drove the car off the lot assuming I was financed, I recently called the car dealership and they have not found anyone to finance me yet, I bought the car 1-21-2006, can they keep my down payment if they cannot get me financed, Lisa

RE: Bought a New Car

Written by jmalmberg on 2006-02-09 First, please register with our site.

As long as you are in posession of the car, they can certainly hold onto it. Beyond that, it probably has more to do with what your contract says than anything else.

A couple of things that you should do. First, you need to find out when, or if, they think they will be able to get you financed. Then you need to ask if they want you to try to get financing on your own. You should probably start shopping around immediately.

If neither one of you can get the financing, then you need to return the car to the dealer. This is where things could get sticky. The dealer will probably want to take some form of payment out of the down paymernt for usage and depreciation. You need to read your contract throughoughly to see if these things are covered in it.

I would also get very familiar with your state laws on what dealers can and can't do. Most states regulate auto dealers. These regulations could have a big impact.

Bottom line here is that you want to be proactive, and take charge of this situation now.

Need Help

Written by Guest on 2006-05-01 My name is Todd and I just purchased a 2005 Pontiac Vibe on Saturday, nice car but I got ripped on financing. It was late in the day and they only had two returns on credit offers. I wanted to go through my bank, but they were closed. The first offer was 9.97 from GMAC, the second was 8.99 from CHASE. Everyone I have talked to says that is too high, I have a credit score of 810. Can I go to my bank and refinance or have the dealership switch the financing? The financing charges totaled over $5000.00. Any help would be much appreciated.

Re: Need Help

Written by jmalmberg on 2006-05-01 Todd,

First, please register with our site as it assists us in responding to questions.

I don't know what state you live in but there may be some state laws that will help you. For instance, in California you have up to several days to arrange for your own financing after making a purchase. Some states will even give you a grace period to return your car.

Checking on BankRate.com, with your credit score you should be able to get a rate of around 6.05% on a 60 month new car loan. In fact, eLoan has a deal that has this rate and also offers United Airline mileage with the purchase.

If you belong to a credit union, you can get an even better rate. Mine has a 5.95% rate on loans up to 84 months.

Here is what you should probably do.

First, find out what the law says in your state about arranging financing. This may very well be included in the paperwork you signed when you purchased your car, so read the papers thoroughly. If you can't find the information there, call your state attorney general's office and have them point you in the right direction. They may actually know the answer. If they don't have the information, ask them what state agency regulates auto dealers (most states regulate this industry). You will definately want this information prior to going back to the dealer.

Find out if you have a grace period to return the car. If you do, you may want to take it back and start from scratch. Taking it back may not end your problems however. If you traded in an old car, they may have you between a rock and a hard place. It really depends on whether the law in your state requires them to honor the purchase agreement they made with you, requires them to return your old car to you, or if it allows the dealer to negotiate with you. Again, try to find this out before you go to the dealer.

Finally, after you know your rights, don't let the dealer bully you when you contact them again. If they tell you that you can't do certain things, like arrange for your own financing or return the car, if you are certain that they are wrong then you need to tell them so. If you can, quote the law to them. Make sure that they know that you are an "informed buyer" and that you will not be pushed around. If all else fails, threaten to report them to the state regulatory agency.

Most dealers are reputable and will not force you to resort to threats but it pays to be prepared.

You need to act on this immediately. You may very well have the right to change the terms of your purchase but there is probably a ticking clock involved. You need to find out what your rights are and then act on them today.

Hope this helps.

RE: Need Help

Written by cat101 on 2006-05-02 I would just visit with you banker. Show him the contract & see what he suggests. He should know the rules for your state.

PLEASE HELP ME!!!!!!!!!!!!!!!!!!

Written by Guest on 2006-05-09 I BOUGHT A 2006 HYUNDAI ACCENT MAY 6. I FEEL I WAS PRESSURED INTO BUYING BY THE SALESMAN. I HAVE A CO-SIGNER. I WAS SUPPOSED TO PUT $1000 BUT DID NOT YET. I DROVE OFF WITH THE CAR THE SAME DAY, AND DID NOT RECIEVE A TEST DRIVE. I CANNOT AFFFORD THE PAYMENTS AND RATE IS HIGH. CAN I RETURN THE CAR WITHOUT LEGAL FEES AND IT BEING ON MY CREDIT REPORT???

PLEASE HELP ME!!!!!!!!!!!!!!!!!!!!

Written by Guest on 2006-05-09 I LIVE IN NJ. THE DEALER IS TRYING TO GET ME INTO ANOTHER CAR, I DO NOT WANT ANY CAR FROM THAT PLACE

RE: PLEASE HELP ME

Written by jmalmberg on 2006-05-09 First, please register with our site as it assists us in responding.

You are a victim of "spot delivery". There are laws that protect you but, as I understand the law in NJ (I'm not an attorney), if you signed paperwork (registration docs, a purchase agreement), transfered your old license plates, or have obtained insureance on the new car, you own the car.

You may be able to get some assistance. There are law firms that specialize in dealing with auto dealers. Just searching the internet, I was able to get the phone number (1-800-536-6652) of one in your area. I don't know anything about them but it can't hurt to call.

You do have one big issue however. You said that you had a co-signer. To me, this means that you signed a purchase agreement. It also mean that if you don't pay the amount that you owe, you will not only hurt your credit but also the credit of your co-signer.

You need to let your co-signer know what is going on. I would also talk to an attorney very quickly to determine what your rights are, as well as your obligations.

Some states also have laws that give buyers a 3 day cooling off period. If New Jersey allows this , you can take the car back within three days of purchase, but you need to hurry. Today would probably be the last day that you could do this and I would definately call an attorney first to make sure you understand your rights. If you just go to the dealer and say you want to return the car, they are probably going to tell you that you can't, regardless of what the law says. You need to know your rights first.

Hope this helps.

RE: PLEASE HELP ME

Written by cat101 on 2006-05-09 The 3 day cooling off period normally applies to a select group of situations, ie door-to-door being one. It usually doesn't apply to situations where you go into a place of business & make a purchase.

Here is a link to New Jersey consumer protection laws: http://www.state.nj.us/lps/ca/ocp.htm

You can also contact them at http://www.state.nj.us/lps/ca/ocp/calamap.htm -- just select your county.

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