

Buying a Car: How to be a Smart Negotiator



A car is a major purchase. If you are planning to buy a car, you need to know what kind of car you want and what you can afford. But it is also a good idea to know something about the car sales process.

Watch out for add-on fees. Recently, we discovered that more than a dozen Houston-area dealers were forcing consumers to purchase unwanted gas or maintenance coupons. Dealers ran print and broadcast ads without mentioning that the purchase of a coupon booklet costing hundreds of dollars would be a condition of the sale of the car. Consumers were not aware of this requirement until the charge appeared on the final bill.

My office filed a lawsuit that persuaded dealers to refund the price of the coupons and discontinue the practice of adding on mandatory costs to advertised prices. We are actively discouraging this practice statewide.

Many car sellers try to get buyers to negotiate the sale on the basis of monthly payments. You are better off negotiating the full price of the car. If you agree to a monthly payment, the dealer may actually end up charging you more for the car in the long run.

First negotiate the best possible price for the vehicle. Then figure out the financing.

Beware of diversionary tactics, such as the “four squares.” If the sales person starts to draw out four squares and write numbers in them, he or she may simply be trying to lead you back to working from monthly payments. Keep it simple. The most important number is the total price. After you get a good price, you can look at ways to finance it with the best interest rate and lowest possible monthly payment.

Car dealers can often help you find the best financing, but don’t forget to check with other lenders, such as your own bank, to be sure that you are getting the best deal. Take into account the rate of interest, the duration of the loan, and the bottom-line price of the car when choosing the best terms.

Let’s say you’ve found the car you want for a good price. The dealer has offered a fair price for your trade-in vehicle and financing at a competitive rate of interest, with a monthly payment you can afford. All this had been drawn up on paper. You have read through it carefully, and you are ready to buy. All that is needed is final approval on the financing. The dealer says, “Why don’t you just take it home with you over the weekend. See how

you like it!”

You can’t wait...but you should. Don’t ever leave your old car at the dealership and drive away in the new car until all the paperwork is absolutely final. The financing may fall through, the monthly payment could go up – and your old car could get sold. This is a tough predicament for the buyer and, believe me, it happens.

Make sure you know whether you are buying or leasing. We have received complaints, often from Spanish-speaking consumers who thought they had signed a contract to buy a car but found out later that they were actually leasing the car. Be sure to read the contract carefully before signing it.

Finally if you want the best deal, have patience and be prepared for several waiting sessions. During your negotiations, the sales associate will more than likely have to “check with his manager.” The longer you wait, the more frustrated you get and the more likely you are to agree to any deal. You might want to bring a magazine to read while you wait. You may also want to bring a calculator so you can check the math for yourself.

The majority of car dealers are honest business people. However, if you encounter questionable business tactics, do not hesitate to contact my office.

POINTS TO REMEMBER

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- Watch out for hidden fees
- Negotiate the final price of the car, not the monthly payment
- Don’t take the new car or leave your old car before the deal is final
- Read the contract carefully and know for sure whether you are leasing or buying
- Be patient, shop around, and see what kind of financing is available apart from the dealer

To complain about a car dealer:
Texas Department of Transportation
Motor Vehicle Division
Dealer Enforcement
P.O. Box 2293
Austin, TX 78768
(800) 687-7846
www.dot.state.tx.us

To complain about a car finance company:
Office of the
Consumer Credit Commissioner
2601 North Lamar Blvd.
Austin, TX 78705-4207
(800) 538-1579
www.occc.state.tx.us

Or call the Office of the Attorney General at
(800) 621-0508 or (800) 252-8011
www.oag.state.tx.us



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Information on this and other topics is available on the Attorney General’s Web site at www.oag.state.tx.us.