Car Buying Strategies

Car Buying Strategies

Module Description

Car Buying Strategies is a 60- to 75-minute interactive program suitable for all audiences.

Purchasing a vehicle is a large investment that can have a significant impact on an individual's short-term and long-term financial circumstances. Because purchasing a car can be a complex process, it is important that buyers understand the specific steps involved in making a wise purchase. The Car Buying Strategies module is designed to develop knowledge and skills that will enable learners to conduct adequate research on a new car purchase, to determine how much they can afford to spend on a car and to negotiate effectively when purchasing an automobile.

Learning Objectives

Terminal: Upon completion of the Car Buying Strategies course, learners should be able to:

- Determine how much they can afford to spend on a car.
- Research available vehicles, lenders and sellers.
- Negotiate a fair price on the purchase of a car.

Enabling:

- Learners will name at least three resources to research a vehicle purchase and describe three researching techniques during the *You Tell Me* activity.
- Learners will correctly calculate the total monthly cost of a car and determine whether it is affordable using the *Budget Bottom Line* worksheet.
- During the *What Do You Think?* activity, learners will identify solutions to common dealer sales tactics and develop the skills necessary to negotiate a fair price on a vehicle.

Print Module

Print Module Handouts

REFERENCES

CARFAX. (n.d.). *About Us*. Retrieved March 25, 2010 from CARFAX.com: <http://www.carfax.com/about/car_history/hcabout.cfm>.

Department of the Navy. (2009). *Command Financial Specialist Training Manual*. Commander, Navy Installations Command, Washington D.C.

Department of the Navy. (2007, amended in 2008). *OPNAV Instruction 1740.5B United States Navy Personal Financial Management (PFM) Education, Training, and Counseling Program*. Chief of Naval Operations.

Department of the Navy. (2005). *SECNAV Instruction 1754.1B: Family Support Programs*. Office of the Secretary of the Navy.

Krueger, H. (2009 16-September). *Buying a Car? Watch for 6 Slippery Sales Strategies*. Retrieved March 24, 2010, from USAA.com: <https://www.usaa.com/inet/ent_utils/McStaticPages?key=advice_slippery_sales_pitches_2009>.

Nerad, J. R. (1996). The Complete Idiots Guide to Buying or Leasing a Car. New York, N.Y.: MacMillan Spectrum/Alpha.

Newman, R. (Feb. 10, 2010 10). *6 Myths About Car Recalls*. Retrieved March 22, 2010, from *U.S. News and World Reports*: <http://www.usnews.com/money/blogs/flowchart/2010/02/10/6-myths-about-car-recalls>.

Reed, P. (n.d.). *Negotiating 101*. Retrieved March 23, 2010, from Edmunds.com: <http://www.edmunds.com/advice/strategies/articles/45993/article.html>.

Reed, P. (March 23, 2010). *Shopping for a Fuel Efficient Car*. Retrieved March 25, 2010, from Edmunds.com: <http://www.edmunds.com/advice/fueleconomy/articles/105502/article.html>.

USAA. (Feb. 3, 2009). *Five Steps to Buying the Right Car*. Retrieved March 23, 2010, from www.USAA.com: <https://www.usaa.com/inet/ent_utils/McStaticPages?key=advice_5_steps_buying_right_car>.

Visa. (n.d.). *Buying a Car*. Retrieved March 2010, from Practical Money Skills for Life: <http://www.practicalmoneyskills.com/personalfinance/lifeevents/car>.

Websites consulted:

- www.annualcreditreport.gov
- www.autobytel.com
- www.autopedia.com
- www.autoweb.com
- http://autos.msn.com
- www.bankrate.com
- www.carfax.com
- www.carlemon.com
- www.cars.com
- www.consumerworld.org
- www.edmunds.com
- www.epa.gov/greenvehicles
- www.federalreserve.gov/pubs/leasing/
- www.ftc.gov
- www.fueleconomy.gov/
- www.highwaysafety.org
- www.intellichoice.com
- www.internetautoguide.com
- www.kbb.com
- www.motortrend.com
- www.naag.org
- www.nada.org
- www.usaa.com

MODULE PREPARATION

Materials Needed:

- Car Buying PowerPoint slides
- Car Buying Jackpot PowerPoint game
- Chart paper or whiteboard and markers
- Note paper
- Pens, pencils, paper
- Internet access (optional)

Handouts:

- *Three Deals of Car Buying*
- *Sources of Help — Car Buying*
- *You Tell Me*
- *Financial Planning Worksheet*
- *Deb-to-Income Ratio*
- *Determining Car Payments*
- *The Budget Bottom Line*
- *Leasing vs. Buying*
- *Car Sales Tricks of the Trade*
- *Common Dealership Financing Pitfalls*
- *Questions to Ask Car Dealers*
- *Installment Sale Contract for Titled Vehicle and Equipment*

SUMMARY OF LEARNER ACTIVITIES

- ***You Tell Me*:** An interactive exercise in which learners list everything they know about a topic and the instructor provides the missing content.
- ***The Budget Bottom Line***: A worksheet activity in which learners calculate the affordability and total monthly cost of a vehicle.
- ***What Do You Think***? A discussion-based activity for learners to examine dealer tactics and develop negotiating skills.
- **Car Buying Jackpot:** A game-show style game used to review program content.

CONTENT OUTLINE

1. Welcome and Introduction (10 minutes)
   a. Agenda and Topic Overview
   b. Learner Activity: *You Tell Me*
2. Deal #1: The Purchase (25 minutes)
   a. Know What You Can Afford
      i. Preparing a Spending Plan
      ii. Credit Concerns
      iii. Determining Car Payments
   b. Learner Activity: *The Budget Bottom Line*
   c. Choosing Your Car
      i. Insurance
      ii. Performance and Reliability Research
      iii. Where Will You Buy?
      iv. Determining a Fair Price
      v. What About Leasing?
   d. Negotiation
      i. Negotiation Tactics
      ii. Learner Activity: *What Do You Think?*
      iii. Negotiation Strategies

3. Deal #2: The Financing (10 minutes)
   a. Where to Finance
   b. The Cost of Money: Finance Charges
   c. Contracts
4. Deal #3: The Trade-In (5 minutes)
5. Know Your Rights (5 minutes)
   a. Your Legal Rights
   b. Complaint Resolution
6. Summary (5-20 minutes)
   a. Sources of Help
   b. Optional Learner Activity: *Car Buying Jackpot*

CONTENT

WELCOME AND INTRODUCTION

SLIDE 1

Almost every service member will purchase a new or used car while on active duty. They will spend more of their disposable income on automobiles than on virtually anything else except food and shelter. This module explores how you can save hundreds, if not thousands, of dollars on your next vehicle purchase.

Agenda and Topic Overview

SLIDE 2

Most Americans will purchase a vehicle at some point in their lives. Although it can be exciting to dream and plan for buying a car, there are many opportunities to make unwise choices if you don't learn about the process before you buy. The course is designed to help you save money and hassles on your next car purchase by focusing on the Three Deals of Car Buying —the Purchase, the Financing and the Trade-In. It will also take a look at legal rights you have when buying or selling a car, and the sources of help available to inform and guide you in this important decision.

Trainer's note: On Slide 3, Refer learners to *The Three Deals of Car Buying* and *Sources of Help* handouts.

SLIDE 3

Learner Activity: You Tell Me

Purpose: This opening activity introduces the topics and encourages group participation. Once learners list everything they know about the topic and have reported their answers to the class, the instructor provides the missing content during the instruction on Deal #1.

Time: 8 minutes

Materials: *You Tell Me* handout

Procedure: For a small class, this can be done as a whole-group activity. For large classes, divide the class into smaller groups for optimum participation. Distribute the *You Tell Me* handout and explain to the class that because car buying is such a popular topic, you'd like to get their input on some aspects of buying a car. (Note: You will find that most car buying classes have at least some knowledge of car buying, and getting their input at the beginning of the class will help engage learners in actively participating and sharing.)

Assign each group one question from the handout and instruct the learners to list as many answers as they can. Give the class a few minutes to complete their list. Have the group choose one person to "report out" to the class on their question. (You may want to list the groups' answers on newsprint or a whiteboard to use as discussion points as you facilitate the course.) Explain that these are all important aspects of car buying and that they can use their handout to list other ideas or take notes for the rest of the class.

SLIDE 4

DEAL #1: THE PURCHASE

Many people begin the car buying process by visiting a dealership — which should be one of the last things they do. Unfortunately, the process often ends the same day with the purchase of an inappropriate car at too high a price. Dealers will ask about financing and trade-ins before offering a bottom-line price so that they can mentally calculate their profit to the buyer's disadvantage. You can save yourself hundreds, if not thousands, of dollars on your next purchase by doing some homework *before* you step onto the lot so that you are always in control of the buying process.

To make a successful purchase, there are five things you need to determine **before** stepping onto the lot. They are:

1. How much you can afford.
2. The type of vehicle you want to buy.
3. Where you will buy the vehicle.
4. A fair and affordable price for the vehicle.
5. Whether you should lease.

Trainer's note: Use the lists generated during the *You Tell Me* activity for examples and discussion points during the instruction on these five points.

SLIDE 5

Know What You Can Afford

Before you shop, know how much you can afford to spend each month for the car and its upkeep. To save yourself a lot of money, time and effort, do your homework first to determine what you can realistically spend on a new car. Consider the following:

How much you can spend in total on the vehicle? If you only figure out how much you can afford to pay each month and not the total amount you want to spend on the vehicle, you will probably get the monthly payment you want but risk paying too much for the vehicle overall.

How much you can put down on the vehicle? The more you put down, the less you have to finance and the lower your monthly payment.

How much you can spend per month on a payment? If you only figure how much you want to pay in total, you risk ending up with a monthly payment that you will not be able to afford. Buy the car; never buy the payments.

SLIDE 6

Preparing a Spending Plan

How much you can afford to spend monthly, on a down payment and for total monthly costs and maintenance, can be found in your budget or spending plan. If you already use a budget at home, review it and determine what you can afford to spend on your new car. We will go over ideas that will help in this course. If you don't already have a spending plan, now is a great time to start. The benefits of having one stretch way beyond this car purchase and can affect your entire financial future. Developing a budget or spending plan in advance of a car purchase is a win-win situation!

Trainer's note: Refer learners to the *Financial Planning Worksheet*. Encourage them to complete their budget or spending plan if they don't already have one. Invite them to *Developing Your Spending Plan* or to visit their CFS or FFSC Financial Educator.

Credit Concerns

Debt-to-income ratio: You will also want to know how much of your money currently goes to pay regular monthly debt payments so you don't overextend yourself if you add a car payment. To find this out, compute your debt-to-income ratio. The debt-to-income ratio is a figure used to determine whether a person is carrying a total debt load that is manageable, one that might lead to financial difficulties, or one that indicates a person is in immediate need of debt reduction and significant adjustments in their financial lifestyle. Use it as a guide, not an absolute measure of your ability to take on more debt.

Trainer's note: Refer learners to the *Debt-to-Income Ratio* worksheet and explain how it works. If they have had issues or concerns about their debt, invite them to attend a Credit Management workshop or visit their CFS before they buy a car. Encourage learners to review their credit report as one of the first steps they take in buying a car.

Use the scale at the bottom of the page to determine whether you have "room" in your budget to take on more debt. If your debt-to-income ratio is 20 percent or higher, you may want to hold off on taking on more debt.

Your credit report: Be sure to check your credit report as you work on your spending plan and debt-to-income ratio. A dealership will pull your report, so it is best you look at it first unless you are paying in cash or have pre-approved financing. This way there will not be any surprises. Information on how to get your free annual credit report is included in the *Sources of Help – Car Buying* handout.

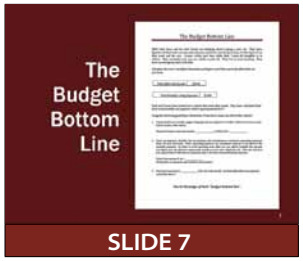
Pre-approved loan: Consider getting a pre-approved loan from your financial institution. This will provide information on interest rates, payments and terms in addition to ensuring you do not overextend yourself once at the dealership.

Determining Car Payments

If you need some help to determine how much a payment would be for a specific loan amount, you can use the handout *Determining Car Payments*. The websites referred to on your "Sources of Help" handout also offer calculators to assist you.

What is a reasonable monthly car payment? Financial advisers usually suggest keeping total car expenses to within 25 percent of your net income (what remains after taxes). Total car expenses include the car loan payment as well as maintenance, insurance, operating expenses (fuel, oil, etc.) and taxes. These operating expenses can sometimes total up to one-third of the monthly payment. To avoid spending more than you can afford, multiply the amount you figure you can afford to spend each month on your new vehicle (the total cost) by .66. The sum will give you a good idea of what the maximum car loan payment is for your current financial situation. (Visa)

Trainer's note: Refer learners to the *Determining Car Payments* handout and ensure they understand how it works. Explain that most credit union, bank and car-buying websites also have calculators that help you determine what a car payment will be based on the amount of the loan, the number of months and the annual percentage rate.



Learner Activity: The Budget Bottom Line

Purpose: A worksheet activity where individuals will learn how to calculate the affordability and total monthly cost of a vehicle.

Time: 10 minutes

Materials: *The Budget Bottom Line* worksheets

Procedure: Give worksheets out to the class. The facilitator can decide whether this will be done as an individual activity or in pairs or small groups. Explain to the class that they will be calculating the budget "bottom line" to determine whether the cost of the vehicle payment and expenses are "affordable" — i.e., will they fit into the budget without creating a budget deficit? You can read the opening scenario to the class or ask for a volunteer to read it.

Part I: Instruct the class to use the information from the scenario, and the budget information provided, to calculate the suggested maximum affordable car payment; they should determine the budget "bottom line." Give the class about 5 minutes to complete the calculations and then go over their answers.

Answers:

$2536 x .25 = **$634**
$634 x .66 = **$418.44**
$2536 - $1845 = **$691**

According to these calculations, the couple has $691 left over each month and therefore can afford both the maximum payment based on net income and the amount the couple estimated for their chosen vehicle.

Part 2: (Optional)

Ask the class to consider whether their decisions would be different if they knew that although the couple's budget showed a budget surplus sufficient to purchase the car, they had a 35 percent debt-to-income ratio? This can be a good way to reinforce the information provided on credit issues prior to the activity.

SLIDE 8

Choosing Your Car

The vehicle you purchase must strike the right balance between wants, needs and affordability. Everyone has different preferences in a vehicle. There are many factors to consider when deciding what to get, including size; manual or automatic transmission; two-, four- or all-wheel drive; use (on or off-road, length of commute, parking conditions); style; safety; ownership and operating costs.

To help you determine what type of car is right for you, USAA (USAA, 2009) suggests that you ask yourself the following questions:

- How many passengers will you need room for and what are their ages?
- Do you need cargo space or towing capacity?
- Do you drive locally or do a lot of long-distance travel?
- Do you use child safety seats? How many? Which type?
- Do any passengers need help getting in and out of the vehicle?

Once you have made some choices as far as the type and style of the car you need, you have another choice that can significantly affect the price — should you get a new car or a used car? Each one has positive as well as negative aspects; there are no absolute answers to the question of a new versus used car. Each buyer must consider their own needs and resources when making the choice.

New Car Considerations:

- **Cost:** Almost always more than a used car.
- **Mechanical problems:** Likely to have fewer than a used car.
- **Depreciation:** The value of a new car diminishes rapidly following the purchase, anywhere from 15 percent to 20 percent in the first year. To get the full value of a new car, many consumers plan to own it for four, five or more years.
- **Warranties:** The average new car warranty is 3 years/36,000 miles, although some automakers have warranties up to 5 years/60,000 miles and few still offer warranties of 10 years/100,000 miles. Extended warranties can be purchased at extra cost. (cars.com)

Used Car Considerations:

- **Cost:** Generally less than a new car.
- **Mechanical problems:** Likely to have more than a new car. Repair costs can add significant amounts to the cost of owning and operating a car. Are you mechanically inclined and able to make your own repairs? Do you have an auto mechanic you know and trust? Have you considered using base auto hobby shops?
- **Depreciation:** Usually less than a new car because much of it may have already occurred.
- **Warranties:** May or may not have any remaining. Service contracts will add significantly to the cost of the car.

SLIDE 9

Insurance

Once you have narrowed your choices to a few models, compare quotes on insurance cost. Sometimes two similar vehicles can have different insurance costs, and that cost difference will help you make a final decision on a model. Moreover, knowing the cost ahead of time enables you to figure this significant expense into the budget. For many junior sailors, the insurance payment can be as much or more than the car payment!

Tips for cutting your car insurance costs include:

- Shop around… Get at least three rate quotes.
- Remember that safety features such as anti-lock brakes, airbags, automatic seat belts, daytime running lights and security systems can sometimes merit discounts on your insurance policy.
- Take a higher deductible to get a lower premium (but make sure you have savings to cover the deductible).
- Go over your policy and drop options or coverage that you no longer need on an older vehicle.
- Check your credit report. Insurance companies now check your credit worthiness before issuing a new policy or renewing a current insurance policy. If you have credit issues, it can affect the cost of your insurance or even your ability to get insured.

- Ask for discounts: low mileage, group, military, good student, etc.
- Avoid lapses in coverage.
- Be a safe driver. A poor driving record can increase premiums.
- Pay the premium up front, if possible, because there may be a fee associated with an installment plan.
- If leasing, read the lease to see if gap insurance is required. If so, shop around for the best deal. If gap insurance is required, you usually have to have collision and comprehensive coverage as well.

SLIDE 10

Performance and Reliability Research

Too many consumers choose their car by the image it portrays. Your goal should be to choose the safest, most reliable and best-performing car for the price you can afford.

Consumer Reports: *Consumer Reports* rates the reliability, safety, performance and fuel economy of cars and is relatively unbiased since it accepts no advertising.

CARFAX Vehicle History Report: CARFAX reports contain information that can affect a consumer's decision about a used vehicle. Some types of information that a CARFAX Report includes are:

- Title information, including salvaged or junked titles
- Flood damage history
- Total loss accident history
- Odometer readings
- Lemon history
- Number of owners
- Accident indicators, such as airbag deployments
- State emissions inspection results
- Service records
- Vehicle use (taxi, rental, lease, etc.)

Source: CARFAX.com

Trainer's note: Gap insurance can provide valuable protection during the early years of your car's life if you have a loan or a lease. If a loss occurs, gap insurance will pay the difference between the actual cash value of the vehicle and the outstanding balance on the vehicle within or based on certain limitations according to the provisions of the loan. Sometimes it will also pay your regular insurance deductible. Remember, however, that each loan and insurance policy differ so it is important to check the provisions of each for exclusions and coverage.

Keep in mind, however, that if body shop repairs or maintenance was performed by a private individual or by the owner of the vehicle, this information will not usually show up on a CARFAX report. So even with a CARFAX report, it still a good idea to have a used vehicle inspected by a mechanic or someone knowledgeable about vehicles before committing to that vehicle.

Other sources: You can also consult Consumers Union publications and the Insurance Institute for Highway Safety. There are many websites that examine the cost and performance issues of vehicles listed on your *Sources of Help* handout.

Fuel economy and "Going Green": With high gas prices and more people getting involved in protecting our environment, you might have considered alternative fuel options as a factor when choosing a vehicle.

According to Edmunds.com, "When you shop for your next car one of your top questions should be, "What kind of fuel economy does it get?" Gas prices are rising and many experts feel they will continue the upward trend indefinitely. Be prepared by making fuel economy your top priority. Of course you will want to get a car that meets your other needs. Still, you may be surprised at how many different models are available that will provide good fuel economy and a long list of attractive features." (Reed, 2010)

Options for fuel-efficient vehicles include:

- Manual vs. automatic transmission
- Choosing the smallest engine possible for your chosen vehicle (i.e. four-cylinder instead of six-cylinder)
- Hybrid
- Electric cars
- Natural gas cars

Recalls: Millions of cars and trucks are recalled annually. Most recalls do not pose an immediate safety risk, but sometimes recalls involve problems that, although rare, could lead to serious safety issues. Research your prospective vehicle thoroughly to see if there have been recalls on that

particular make and model. You also should verify whether the seller or dealership has properly repaired or replaced the defective items.

SLIDE 11

Where will you buy?

Dealerships: Car buyers should research a minimum of three potential sellers. There are no absolute guidelines to follow in selecting a dealer, a salesperson or an individual from whom to buy a car. Do your homework and you should get a good deal no matter from whom you buy. Since buying a new car likely involves choosing a dealership, here are some guidelines to use.

- **Years in business:** Although being in business for a long time does not necessarily mean that the dealer is honest and reliable, the worst of the dealers (in terms of how buyers are treated) seem to go out of business fairly quickly.
- **Complaints:** Check with the Armed Forces Disciplinary Control Board, Office of Consumer Affairs of the Attorney General, the Better Business Bureau and any professional associations to which the dealer belongs for any complaints filed against them.
- **Salespersons and mechanics:** How long have they been with the company? Again, not a foolproof factor, but anything that suggests company stability is frequently a good sign. Take your salesperson for a "test drive"— Are they pushy? Relaxed? Open? Impatient? Responsive? Make sure the salesperson is someone you can work well with.
- **References:** These are sometimes used to impress the buyer, but unless you can get a complete list of everyone who has ever bought a car from them, assume they are giving you the names of persons who will only say positive things. In other words, skip checking their references.
- **Professional membership:** Membership in the Better Business Bureau, National Automobile Dealers Association or National Independent Automobile Dealers Association does not automatically mean a good deal for you. It does, however, give you some reassurance that there are avenues for you to address concerns if they occur.

Private sellers: Frequently, car buyers can save money by purchasing from a private seller. The downside is that there is little or no consumer

protection after the sale and no repair plan. If the car purchaser truly is knowledgeable about cars or can bring along someone who has that knowledge, this may be an excellent source to consider.

Although most of us want to trust others, please consider your personal safety when conducting transactions with a private seller. Be cautious of the personal and financial information you disclose and make sure to take along a friend or family member when test driving or viewing the vehicle. It is also a good idea to arrange to meet at public locations that are highly visible, preferably during daylight hours.

Internet: Many people are conducting successful searches for new vehicles over the Internet. There is a wealth of research available to help you make wise consumer choices. Online car-buying sources include:

- **Direct services:** They will sell you the car and deliver it to your house.
- **Referral:** Your quote is given to a "preferred" dealer who contacts you.
- **Auctions:** You name your price, and dealers bid for your business.
- **Online dealerships:** You browse cyberspace car lots and buy online.

Buying services: Some organizations offer their members buying services, in which the consumer indicates the make, model, year and exact options they want and the organization does the shopping for them. They will present the buyer with several dealers offering the car and the price the dealer offers. The buyer has the option of following up on that offer (which might even be guaranteed) or declining.

Usually this service is offered at no cost to the buyer. Some of these include USAA, NCOA, and Autobytel. The same type of service can be found on the Internet at sites specializing in car-buying information and pricing.

Determining a Fair Price

Auto dealers and private individuals have a right to make a reasonable profit on the sale of a car. What constitutes a reasonable profit? To know this, you must know what constitutes a fair price for the vehicle.

Where to Find Pricing Information

All of the components of pricing a dealer invoice and manufacturer's suggested retail price (MSRP) are available through a variety of resources. Price your vehicle at dealer invoice, subtract any dealer holdbacks or incentives, add 3 percent to 5 percent dealer profit and start your offer there. When working with a dealer who provides you with pricing information, make sure you know the source — it could be biased.

Your best bet will be to do price research on your own from sources you know are reliable. Check out Internet sites, especially www.edmunds.com and www.nada.com. These sites will price a new or used car, and also have information on buying and selling, financing and insurance. Additional resources include:

Public libraries: One of the best sources of information on car pricing, where many of the resources listed below can be found.

Kelley Blue Book and NADA pocket guides: These list suggested retail and loan values for specific makes and models of used cars. Factors such as mileage, options and physical condition of the car affect its value. These guides offer great starting figures. They can be found on the Internet at www.kbb.com and www.nada.com.

IntelliChoice car cost guides: Besides the dealer cost and sticker price, the guides list items such as resale value, economic value, maintenance costs, etc.

Consumer Reports/Consumers Union price reports: Each April issue of *Consumer Reports* is devoted to cars and pricing, and they offer a low-cost service to provide the dealer cost for particular makes, models and options.

Edmund's Car Prices Buyer's Guide: Available in hard copy as well as online, similar to the IntelliChoice guide.

Fair Pricing Terminology

As you start researching a fair price for your vehicle, it helps to understand the terminology dealers and car manufacturers use. These include:

Trainer's note: If time allows and there is an Internet connection in the training room, go to one of the car pricing websites and show learners some features. Practice ahead of time so you will be proficient at demonstrating the site(s).

Trainer's note: Be sure to refer learners to the Internet sites listed on the *Sources of Help* handout.

Invoice price: What the manufacturer charges the dealer (the dealer's cost may actually be less due to rebates and incentives, etc.).

Base price: Cost of the car with the standard equipment and basic warranty.

Destination charge: What the manufacturer charges to deliver the vehicle to the dealer.

Manufacturers' suggested retail price: The recommended retail price as suggested by the dealer and posted on the vehicle. Dealers can sell a car for whatever price they choose. MSRP averages 10 percent to 11 percent higher than the dealer invoice price.

Monroney sticker price: The price listed on the sticker on the car. Includes base price, installed options, destination charges and fuel economy information.

Dealer sticker price: Monroney sticker price plus MSRP of any options installed by the dealer.

Customer rebate: A manufacturer incentive usually in the form of cash or lower interest rates. *

Manufacturer-to-dealer incentive: Extra money the automaker pays the dealer for selling certain cars. May be used to increase advertising, lower the prices and/or increase dealer's profitability. *

Dealer holdback: A bonus amount (usually 2 percent to 3 percent of MSRP) the manufacturer pays to the dealer for meeting sales and customer service goals, regardless of the actual sale price of the vehicles. *

Carryover allowance: Another manufacturer-to dealer incentive to clear out prior-year models. *

* Source: USAA.com (Krueger, 2009)

SLIDE 13

What about leasing?

If you are thinking about leasing instead of buying, you need to understand the difference in the contracts and some of the issues that are unique to people who live the military lifestyle. There are often mileage restrictions, charges for excessive wear and tear, and limits on where you can take a leased vehicle. The next section talks about negotiating skills and legal rights, and these concepts apply to leasing as well as buying. Refer to the *Leasing vs. Buying* handout for specific differences between leasing and buying. Consider leasing only if:

- You can limit your annual mileage. Leases have limits commonly ranging from 10,000 to 15,000 miles per year. If you exceed the limit, you will face high per-mile fees at the end of the lease.
- You take excellent care of your vehicle and do not plan to customize it. When you turn the car in at the end of the lease, you can be charged for any "wear and tear" considered excessive. The car must be in original condition so that the dealer can resell it, so customizing (painting flames on the side, etc.) is out of the question.
- You want to drive a new car every few years and do not mind never-ending car payments. It is often more economical to buy a car and keep it as long as possible. However, if you like a shiny new car every few years, you will end up with continuous car payments anyway.
- You will not have to relocate. Most leases will not allow you to take the car out of the country, and many will not even allow you to move out of state.

Tax considerations when leasing: Remember that when you lease a car, you do not own the car, the dealership does. This is important if you live in a state that requires residents to pay personal property taxes on their vehicles. Although you may be exempt from the taxes as a member of the military, the dealership "resides" in that state and therefore you will be required to pay those taxes as part of your lease. If you leased the vehicle to lower your monthly payment, you may find that you get stuck with a lump-sum tax payment on top of lease payments. Do your homework and check with the Department of Motor Vehicles in your state of residence to find out what the laws and requirements are before you commit to a vehicle lease.

Trainer's note: Refer the learner to the *Leasing vs. Buying* handout. Facilitator may want to be knowledgeable about other areas of "lease-speak" such as:

- ***Capitalized cost:*** selling price of the car, on which the rest of the lease calculations will be based.
- ***Capitalized cost reduction:*** down payment made, which lowers the amount on which the lease is based.
- ***Residual value:*** the predicted value of the car at lease end, after depreciation. The difference between the capitalized cost (after any reduction) and the residual value is the amount the dealer predicts the car will depreciate over the lease term. Put simply, this is the amount paid for the privilege of driving the car over the lease term, plus a finance charge.
- ***Money factor:*** the finance charge (interest) on the lease amount, expressed as a decimal used to figure part of the monthly lease payment.

Negotiation

Negotiation Tactics

Most salespeople are reasonable, honest individuals. Some, however, are not above using techniques intended to pressure you into making a commitment you may not be ready to make. Beware and be aware of these tactics. Should you encounter them, you might choose to tell the salesperson you are aware of their tactics and prefer they not try them, to ask to see a different salesperson or to simply leave. The handout *Car Sales Tricks of the Trade* lists several tactics you should be familiar with.

Trainer's note: Refer learners to the *Car Sales Tricks of the Trade* handout during this discussion.

Put to ride: When a salesperson cannot persuade you to buy today, they may insist that you leave your trade-in at the dealership, keep the new car overnight and drive it home. This way, no other dealership can see your trade-in, your neighbors and relatives see the car, you fall in love with it and have a hard time saying no to purchasing the car when you have to bring it back the next day.

Bait and switch: When a dealership runs an ad with a picture of a well-equipped car and the price of a stripped-down model to entice you to come in. You are then shown the stripped-down model and quickly switched to the well-equipped one with a higher price tag.

Lowballing: This occurs when the salesperson quotes you a price on a car that is lower than the current market price. This is done to assure that you will return before signing with anyone else just to see if the offer still stands. At this point, the salesperson will tell you that they cannot sell the car for that low a price because the sales manager will not allow it.

Highballing: This is the same as lowballing, except that a high trade-in allowance figure is offered to you. Again, you come in later and the manager will not allow it.

Padding: Adding charges that increase the dealer's profit at the time you sign the contract; i.e., undercoating, protection packages, dealer-installed options, credit life insurance, disability insurance, extended warranties, etc.

Good guy/bad guy (Mutt and Jeff routine): When the salesperson plays the role of the "good guy" and the manager plays the "bad guy"

to enhance the image of the salesperson. The salesperson and manager may even stage an argument in front of you, with the salesperson trying to persuade the manager to give you a lower price. Once you believe that the salesperson is on your side, you drop your guard and become an easy mark.

"**Your car**"**:** This refers to when the salesperson keeps referring to the car as "your car" to get you subconsciously to accept ownership of the car. Once accomplished, it is easier to get you to sign the contract.

Learner Activity: What do you think?

Purpose: A discussion-based activity for learners to examine dealer tactics and develop negotiating skills.

Time: Five minutes (to conduct the activity, discussion of the answers will be conducted as part of instruction in the next section).

Materials: *Car Sales Tricks of the Trade* handout, pens and pencils and notepaper.

Procedure: Assign each table or group one of the "tricks" from the handout. Give them five minutes to come up with some consumer strategies to combat these tactics. Ask a group leader to share one or all of the responses. Possible responses include:

- Put to ride: Refuse to take the new car home overnight, and take your trade in off the dealer's lot.
- Bait and switch: Demand to see the manager to express your dissatisfaction. Ask for a large discount. If they are not willing to deal, leave.
- Low- and highballing: When faced with low- or highballing, leave and start working with another dealer!
- Padding: Read the contract carefully, on your own time. Refuse to sign if it is not what you originally agreed upon.
- Mutt and Jeff Routine: Leave the scene and think about the offer overnight before purchasing the car. Comparison shop in the meantime.

- Your car: Keep reminding the salesperson that you have not yet decided to purchase the car and make it "your car."

SLIDE 15

Negotiation Strategies

Why should we negotiate? According to Edmunds.com, there's a lot to be said for brushing up on your negotiation skills.

"If you want to get motivated about negotiating, think of the money you can save. In a $20,000 car, the difference between the sticker and the invoice (dealer cost) is between $1,500 and $3,000. This is the negotiating territory. If you negotiate even a little, you can probably save $1,500 on most cars. If you negotiate actively you might save $3,000 (dealer holdbacks and rebates mean that you can sometimes buy a car for invoice or below). Think about $3,000 for a minute. Think of a thick stack of $100 bills. Or a much thicker stack of $20 bills. This savings can be yours for an hour's worth of negotiating at a dealership." (Reed, Negotiating 101)

Salespeople are trained in the art of selling. In the majority of instances, their pay includes a commission based on the sale price of the vehicle, so they have a vested interest in getting as high a price as possible for the car. When you walk into a car dealership, the salesperson views you as a profit package: you might buy a new car, you might buy high-profit extras in the finance and insurance office, you might finance the car through the dealership, you might trade in a used car they can resell, you might have your new car serviced at the dealership, and you will hopefully become a return customer the next time you are buying a new car. You present quite an opportunity to the dealership, and this can work in your favor when negotiating.

While the salesperson wants to start high, your goal is to get as much car as you can for as little as you can. There are a lot of stories about sleazy salespeople and tactics — do not let them determine your behavior. Treat the sales force and anyone else at the dealership with the dignity you would expect for yourself — but learn how to negotiate and do it effectively.

Remember, the No. 1 rule for all deals is "everything is negotiable!"

Here are some negotiation tips to help you hone your skills:

Information: The salesperson's goal is to get as much information about you as possible. With your name, military status and particularly your Social Security Number, a car dealer can determine what you might pay for a car and, at the least, institute a credit history check (even without your knowledge or permission). You need only give them your first name.

Trade: Do not forget there are three elements to the car deal: the purchase price, the financing and the trade-in. The dealer will try to combine them and you need to keep them apart. Practice saying the phrase, "That's not important right now."

Money down/deposit: Do not advertise how you will pay for the car. Again, use the phrase "That's not important right now." If they ask for a deposit, do not pay it (unless you are absolutely certain you will buy the car). Research clearly shows that people who have put down a deposit are much more likely to buy the item, even if they prefer something else! You will have to return even if you change your mind and may have trouble getting your money back. If the car you were looking at actually is sold, they will find another for you to purchase, so do not feel pressured.

Discounts: If the salesperson offers a discount, ask if it will apply a week later (in many cases, it will). If they do not bring up the subject, ask for one. Even the "one price/no haggle" dealers might discount options, etc. You never know unless you ask.

Like the car: One of the goals of the salesperson is to get you to say you like the car. The sooner an emotional connection can be established between you and the car, the more likely you are to buy it.

Shop twins: Some models have identical twins on other car lots with different nameplates on them. If a car you are interested in is one of them (for example, the Chevrolet Suburban, GMC Yukon XL and Cadillac Escalade ESV are twins — triplets, really; the Dodge Dakota and Mitsubishi Raider are twins, also) be sure to consider its twin and choose the one for which you can get the best deal.

Paying with cash: Stating up front that you intend to pay by cash could work against you. The dealership and the salesperson make more money when they find the financing for you and lose this profit if you pay cash. If you tell the dealership that you will use 100 percent financing, they may give you a better deal on the sale because they plan to make up the profit on the back end of the deal. This gives them more of an incentive to offer a discount. The best route, however, is to refuse to address financing at all until you have negotiated a fair price.

Options: Dealer-installed options are frequently available at other sources and much cheaper than buying through the dealer. Often, they are unnecessary (like rustproofing), cheaper if done yourself (like fabric and paint protection) and sometimes can even void your warranty (like undercoating). If there are options already on a car that you do not need, tell them to remove the options. Many times, they will just leave them on and not charge you.

Test drive: This is one of the most overlooked steps in buying a car (particularly a used car). When you test drive a car, really test it! Drive it as closely as you can to your actual driving conditions: stop-and-go traffic, long trips, highway acceleration, rough roads, etc. Turn the radio off and listen carefully. Try every knob and switch. Leave the salesperson behind if possible; if not, ask him or her to be quiet and even sit in the back seat. Try to minimize any distractions; for example, you may want to consider leaving any children at home with a babysitter. If you are considering buying a used car, be sure to have a trusted, independent mechanic check it out before you make the purchase.

Extended warranty: Extended warranties or service contracts are more dealer profit than value to the purchaser. They are meant to take over when the manufacturer's warranty runs out. New cars have excellent reliability, often making an extended warranty unnecessary. If you do decide to purchase an extended warranty, shop around. You can usually buy something similar from an insurance company for much less.

Take your time: Never buy the first thing you see. Sleep on such a major decision overnight. There will always be others to choose from if "your car" is sold.

180-degree turn: If you do not like what you hear, do not be shy about turning around and leaving. Remember, it is your money and your decision.

SLIDE 16

Deal #2: The Financing

Remember to negotiate three separate deals: The purchase price of the new car, the financing and the deal on the trade-in. As mentioned earlier, this alone will save you hundreds, if not thousands, of dollars. Things to consider in the financing deal include:

- Where to finance
- The cost of money — finance charges
- Contracts

SLIDE 17

Where to Finance

Credit unions: A good place to look because of their nonprofit status and competitive terms. By law, the federal credit unions can only calculate interest using the "simple" method. Also, your credit union may have an in-house buying service available. You must be a member and have fairly good credit.

Banks: Like credit unions, only for-profit institutions. Usually the next-best option and still require good credit.

Auto dealerships: Usually do not have the amount of cash on hand needed to finance a purchase, so customarily have a relationship with a finance company for this purpose. Consumers who agree to finance a car "through the dealer" frequently find themselves making payments to a finance company, not the dealer. By choosing to use one finance company over another, dealers are frequently paid a percentage of the loan as a commission. This is passed directly on to you, the purchaser, along with the normal cost of financing the loan.

There are some benefits to financing with the dealer, however. It can be convenient (one-stop shopping), and since the dealer probably has multiple finance relationships, they may be able to get an especially good deal.

Trainer's note: Refer learners to the *Dealer Financing Pitfalls* and *Questions to Ask Car Dealers* handouts for additional information on dealer financing.

Ideally, you should arrange your financing ahead of time and get pre-approved for a loan at your credit union or bank. But in the interest of shopping around, it doesn't hurt to see what the dealer has to offer.

Finance companies: Vary widely in interest rates and often cater to credit risks by charging very high rates. Some are affiliated with a particular manufacturer and can have special rates as incentives for certain models.

Internet: Many Internet sites that deal with car buying also deal in financing or have links to financing alternatives.

SLIDE 18

The Cost of Money: Finance Charges

So that you can talk knowledgeably about your financing terms, let's discuss the different types of interest. Interest is expressed as an annual percentage rate but is computed in several different ways.

Add-on interest: Interest for the total amount of the loan is computed for the length of the loan and added to the principal. This is an expensive option, since you pay interest on the entire loaned amount for the entire year, even though you are reducing the balance you owe each month. For example, financing $1,000 for one year at 12 percent add-on interest would result in a finance charge of $120.

Simple interest: Paid on the outstanding balance only and by far the most reasonable to the consumer. Credit unions are required by federal law to charge simple interest only. For example, financing $1,000 for one year at 12 percent simple interest would result in a finance charge of $66.19.

Usury laws: State usury laws limit the amount of interest that can be charged on a loan. Know what the limits are in your state and read contracts thoroughly before signing. The federal Truth in Lending law requires that the annual percentage rate be disclosed in the financing documents. Read the fine print and have contracts checked by an attorney *before* signing.

Contracts

Dealers can make a profit from the sale of the car as well as from extra fees, options and services they add to the contract. Carefully considering which options or services you need ahead of time will help avoid unnecessary expense. If you are not prepared, the first you will hear of some of the extra profit-makers will be when negotiating the contract.

SLIDE 19

Here are some other things to look for when reviewing a contract:

Federal Truth in Lending disclosures: Federal law requires these boxes to have a certain appearance and to include the annual percentage rate, total finance charge, total amount financed, total of payments and the sale price.

Physical damage insurance: This is required but can usually be obtained elsewhere more cheaply. The property liability insurance offered by some dealers is only for their protection and not yours. In the event the car is totaled, it will compensate the dealer for their loss and do nothing for you.

Mechanical repair coverage: If you purchase an extended warranty or service contract, be sure you understand the term or mileage coverage (whichever occurs first and the deductible you are responsible for paying) as well as what is covered or excluded. This is where automotive dealers make the most money. Remember that often these are pure profit for the dealer and overpriced. To receive the covered repairs, you may be required to bring the car to the same dealership; this is not only inconvenient if you have moved away, but it can lead to markups in repair costs so that your cost share is much higher than anticipated.

Car protection packages: Examine these aftermarket items and make sure that, if you really need them, they cannot be obtained more cheaply elsewhere (they usually can).

Credit life or disability insurance: If you are covered by other life or disability insurance, is credit, life or disability really necessary? Often it is expensive for the amount of coverage involved and protects the dealer or finance company. If you are so disabled you cannot work, are you likely to need a car?

Trainer's note: Refer learners to the handout *Installment Sales Contract for Titled Vehicle and Equipment*. Review the relevant areas of the contract as you progress through this portion of the module. You should be thoroughly familiar with the information and how it is written into the contract in order to adequately explain it to the class. Explain that the Truth in Lending box must be easily readable on all financing contracts and completely filled in. Also, point out that this "customer" opted to purchase Optional Mechanical Repair for $720.86. Not only did he purchase it, but he also opted to finance it with his loan. If the buyer did not buy the Optional Mechanical Repair, the total amount financed would have been $5,789 rather than $6,509. The total interest paid would have been $1,147, rather than $1,290, and the monthly payment would have been $289 rather than $325.

Taxes, license, registration, title and processing fees: Try to pay as many of these up front as possible, to avoid having to pay interest on them if they are included in the financing. Be sure they are itemized so that you know which fees are truly the government fees and which are processing fees (pure profit for the dealer). Charges in this category may include sales and use taxes, title fee, registration fee and property taxes. Be on the lookout for junk fees such as delivery and handling (D&H). Although most fees are not negotiable, duplicate fees added by the dealer, such as D&H when you are already paying a destination fee, can be negotiable.

SLIDE 20

There are some strategies to remember when you are going over your contract:

Read the fine print: Someone once said, "the big print giveth, and the small print taketh away!" Read every word on the contract, front and back, and be sure you understand what it says. Get help from your Naval Legal Service Office if you need it.

Power of the pen: If you do not understand or approve of something in the contract, line it out and initial it and have the salesperson initial it. This legally removes the item. Better yet, demand a new contract with the offending items removed.

Do not leave any blanks: Everything should be filled in and items left off should read "$0.00," "N/A," be lined out or otherwise denoted. Something simply left blank could be filled in later to your detriment.

Take to legal before signing: If you are not 100 percent sure of every word in the contract, bring it to Naval Legal Service Office for an explanation before you sign. Again, if the dealer refuses to let you take it with you before signing, walk away — this is a sure sign something is wrong.

SLIDE 21

DEAL #3: THE TRADE-IN

Only after all homework has been done and the purchase price and financing are negotiated should you address your trade-in with a dealer.

Trading in vs. private sale: In many instances, you can get more for your trade-in if you sell it yourself. The dealer cannot give you full retail value

in most cases because they must resell the vehicle and make a profit. On the other hand, trading your car in at the dealership can make for a quick transaction and could save you some tax dollars. If you buy a new car and it costs $20,000, and you trade in a car that costs $12,000, in most states you will only pay sales tax on the difference, $8,000, rather than the full $20,000 (at 6 percent sales tax, that results in a savings of $720.)

What is a fair price? The same methods used in determining what to pay for the car you are purchasing can be used to get a fair price for your trade. Price your used car using resources like the *NADA Book*, *Kelley Blue Book* or *Edmunds Used Car Guide*. These resources will provide you with a price *range* (not a specific price) for your vehicle, from trade-in value to loan value to retail value (aka "blue book value").

What is the dealer willing to pay? Many people choose to trade in their vehicle to avoid the hassle and delay of selling it themselves and accept some loss in the price of the exchange. The pricing guides list "trade-in" values for each model, which are reliable guidelines to determine whether the dealer is offering a fair price. Note, however, that the condition of the vehicle will affect the pricing.

What if you owe more than it's worth? This is called being "upside-down" on your trade or having "negative equity" and often occurs in the first few years of paying for a new car. This occurs because so much depreciation takes place in the early period of ownership. If you really want to trade in such a vehicle, the deficit amount will be added to the price of the car you are purchasing. This will probably leave you even more "upside-down" in the new vehicle. You can see the importance of ensuring the affordability of a new car as a first step in the process, to make sure the last step isn't repossession!

When trading in a car with an "upside-down" loan, consider taking the following steps:

- If you have the means, try paying down your loan as much as possible so that you do not finance more than you absolutely have to.
- Re-examine your reasons for purchasing a car at this time. If you can wait, it might save you many "future" dollars.

- When choosing the car you will be purchasing, try to pick the least-expensive one that still meets your needs to lower your overall loan amount.
- Consider a private sale where you might get more for your vehicle.

SLIDE 22

KNOW YOUR RIGHTS

Your Legal Rights

Consumers have standard rights under federal laws, but their rights in each state vary. Once again, the best legal preparation is to research the car purchase and know what you are agreeing to before signing any contracts.

State lemon laws: Most states have a lemon law, which enables consumers to get a new vehicle or get their money back when the vehicle cannot be repaired to conform to the standards of the warranty. This is for new cars only.

Consumer Leasing Act: A 1976 amendment to the federal Truth in Lending Act requires disclosure of the cost and terms of consumer leases and also places substantive restrictions on consumer leases.

Odometer reading: It is illegal to turn back or reset an odometer, even if a new engine is installed on the car. A statement of the odometer miles is required with every purchase. Average mileage per year in America is 15,000 miles, and the Attorney General estimates that one-third of all vehicles have had its odometer tampered with. The DMV can provide you with the number of owners your vehicle has had, and this information plus the age and condition of the car can help you estimate whether the mileage is suspiciously low.

Used Car Rule Buyers Guide, "As Is" vs. Implied/Expressed Warranty: This sticker is required by federal law to be placed in the window of all used cars sold by dealers. For your protection, an outside mechanic should inspect any used car before you buy, and any promises made by a dealer should be put in writing. Few assurances are provided by "implied" war-

Trainer's note: Check with www.carlemon.com to research the lemon laws in your state and have the information readily available for the discussion on this slide.

ranties, and you want everything to be "expressed." The Buyers Guide sticker states:

- If there is a warranty and what protection the dealer provides.
- If there is no warranty, that the car is bought "as is" and the dealer will not be responsible for any subsequent problems.
- That any car can be subject to major problems and lists them.
- A warning against reliance on spoken promises that are not confirmed in writing.

Magnuson-Moss Warranty Act: A federal law that protects the buyer of any product that costs more than $25 and comes with an express written warranty. This law applies to any product that you buy that does not perform as it should, including cars. This law guarantees a car buyer that certain minimum requirements of warranties must be met and provides for disclosure of warranties before purchase. A consumer may pursue legal action in any court of general jurisdiction in the United States to enforce rights under this law.

State automobile repair facilities act: Many states have enacted laws that deal specifically with businesses that repair vehicles. The rules, which vary from state to state, may deal with issues such as required disclosures on written estimates, unauthorized charges, invoices, disposition of replaced parts and unlawful acts and practices. To find out if your state has an auto repair facilities act, contact your state Attorney General, consult the Consumer Action Handbook or use a search engine on the Internet.

SLIDE 23

Complaint Resolution

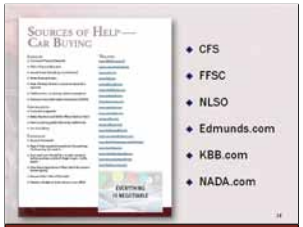
If you experience a problem, you should follow these guidelines:

- Speak to the dealer first. In many cases, they have a reputation to protect and may be willing to quickly resolve problems at this level.
- If the dealer is part of a chain, speak next to the company regional representative, since they also have an interest in preserving the reputation of their good name.

- If the dealer is a member of a professional association like the Better Business Bureau, NADA, NIADA, local area automobile dealers association, etc., they have dispute-resolution processes to assist you.
- If these steps fail, contact the Office of Consumer Affairs of your state Attorney General and the Armed Forces Disciplinary Control Board for investigation and possible prosecution.

SUMMARY

SOURCES OF HELP



SLIDE 24

This class has mentioned numerous resources to help you with your next vehicle purchase. Drop by your local library to look over *Consumer Reports, Edmunds,* the *NADA Book* or *Kelley Blue Book* and the many other resources available. Additional resources are listed on the handout, *The Three Deals of Car Buying*.

Trainer's note: Refer learners to the handout *Sources of Help — Car Buying* and remind them that there are extensive resources listed on this handout. They should use them in their car search. If they are not planning to buy a car any time soon, suggest they keep it filed someplace where they will remember it when the time comes.

Optional Learner Activity: Car Buying Jackpot review game

See "Introduction to the Modules: PowerPoint Games"

Question Bank for Car Buying Jackpot

Categories: Your Money, Deals, Tricks of the Trade, The Trade-in, Legalese

YOUR MONEY

100 **A:** The first step in The Purchase Deal.
Q: What is determine how much you can afford?

200 **A:** The financial tool used to figure out how much car you can afford.
Q: What is a budget or financial plan? (Also acceptable would be the Financial Planning Worksheet, Budget Bottom Line and/or Determining Car Payments.)

300 **A:** The recommended debt load for the average household.
Q: What is 15 to 20 percent?

400 **A:** The best method for the consumer for calculating interest.
Q: What is simple interest?

500 **A:** Maintenance, insurance, operating expenses and taxes should not take more than this much of your monthly income.
Q: What is 10 percent?

DEALS

100 **A:** Where most of the homework and negotiation happens.
Q: What is The Purchase Deal?

200 **A:** The options are to sell it to the dealer, privately or at auction.
Q: What is The Trade-in Deal?

300 **A:** Considerations include where to go, interest rates and contracts.
Q: What is The Finance Deal?

400 **A:** They are professionals, trained and experienced in the art of sales.
Q: What are dealers?

500 **A:** The No. 1 rule for all the deals.
Q: What is "Everything is Negotiable"?

TRICKS OF THE TRADE

100 **A:** Often unnecessary charges such as undercoating, protections packages and dealer-installed options that increase the dealers profit.
Q: What is padding or dealer add-ons?

200 **A:** When you are switched from the advertised, stripped down model to the well-equipped one with a higher price tag.
Q: What is bait and switch?

300 **A:** A high trade-in allowance for the trade or low price for the new vehicle is offered to get you to return for negotiations.
Q: What is highballing and lowballing?

400 **A:** When the customer takes the car home and the salesperson hopes that they will fall in love with it like a warm puppy.
Q: What is put to ride?

500 **A:** When the salesman and manager play "good guy/bad guy" for dramatic effect to win the confidence of the customer.
Q: What is the Mutt and Jeff routine?

THE TRADE-IN

100 **A:** The commonly used quote for market value for a used vehicle.
Q: What is *Blue Book* value?

200 **A:** A popular magazine with an April auto issue.
Q: What is *Consumer Reports?*

300 **A:** When you owe more than what the car is worth.
Q: What is "upside down"?

400 **A:** The difference between trade-in value and retail price in used car publications, why the dealer cannot give full retail value in most cases, and why it is worth selling the car yourself.
Q: What is dealer profit?

500 **A:** Key websites for finding fair new and used car prices.
Q: What are www.edmunds.com or www.nada.com and www.kbb.com?

LEGALESE

100 **A:** The "As Is" sticker required by federal law.
Q: What is the Used Car Rule Buyers Guide?

200 **A:** State laws protecting buyers from defective new vehicles that can't be repaired and conform to the standards of the warranty.
Q: What are lemon laws?

300 **A:** Naval Legal Service Office will give head-of-the-line service if you bring in one of these.
Q: What is an unsigned contract?

400 **A:** The federal requirement that ensures key financial information is highlighted in a contract.
Q: What is the federal Truth in Lending Act?

500 **A:** True or False: State laws regarding automobile issues are uniform across the 50 states.
Q: What is false?

FINAL JACKPOT

A: In order to know your credit rating, this is one of the most important personal financial documents you should review before you purchase a car.
Q: What is a credit report?