



Steer Clear of These 4 Car-Buying Cons

The Motley Fool

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You can do all the research in the world to [find your dream ride](#). But it's not just the asking price that's on the line. A few missteps at the dealership, and you could watch your credit score and consumer rights get totaled.

Here are some all-too-common scams that trap everyone from gearheads to grandmas while shopping for a car:

Credit score shenanigans. You've checked your pristine credit record ([for free](#)) and are ready to line up some sweet, low-interest financing. But when the dealer checks with the credit bureau, they report that your score is not good enough to qualify for the better financing deals. You know better, because you already checked your score before loan shopping. FYI: It is illegal — i-l-l-e-g-a-l — for a car dealer to lie about your credit score.

Tip: Go in knowing where you stand in the eyes of the lending industry, and report a dealer who fabricates a false score to your state's attorney general's office.

Legitimate credit problems can arise if there are excessive inquiries into your credit rating. [Too many hits can lower your credit score](#). Tip: Tell salespeople that you do not authorize them to run a credit check (they need your written consent to do so) — especially if you have already arranged financing elsewhere, plan to pay cash, or are just going for a test drive.

Dud deals. Those \$0 down, 0% interest, and zero payments for one year deals sure sound generous. But the fact is that many dealers aren't that big-hearted when it comes to auto financing. You might be hit with all the monthly payments — plus retroactive interest — once the year is up, or be contractually forced to refinance the balance of the loan at a higher interest rate.

What about the dealer whose ad says, "We'll Pay Off Your Loan!" Don't kiss your old car debt or lease goodbye just yet. More than likely what the dealer means is that they'll roll the amount owed on your old vehicle into your new loan.

Tip: Watch out for early-termination fees. And if you are in over your head — meaning you owe more than your car is worth — forget about arranging a trade-in.

Broken payoff promises: Another scam related to the trade-in is one where the dealer conveniently forgets to pay off your lender, even though they've already rolled the amount you owe into your new car loan. You don't know that you're behind on your payments until you get a call from the bank that handled your loan. Without proof that the dealer was obligated to pay off the loan for you, you're out of luck.



Tip: According to CarBuyingTips.com, the best way to avoid this scam is to get your title from the bank by paying off the car loan yourself and then use the proceeds to finance your new car purchase.

Not-so-fine print. Thousands of dollars and years of driving pleasure are on the line — and in the fine print. Look for the “mandatory extended warranty” that the finance manager says the bank requires. In some states it’s illegal.

Tip: *Consumer Reports* recommends against buying an extended warranty unless the car has a reputation as a clunker. Scour the bill of sale for “protection package” fees and “dealer prep” charges, which are usually unneeded. Rustproofing and fabric protection are usually done at the manufacturer, so no need to pay extra for redundant work. And finally, don’t buy from any dealer who requires you to sign a mandatory arbitration clause. Your John Hancock on that clause removes your right of redress should a serious problem cut you off at a merge. (Sorry, couldn’t resist one last driving metaphor.)

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