



# 10 Easy Steps to Buying a High Quality Used Car

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# Buying From a Dealer

## 10 Easy Steps to Buying a High Quality Used Car

### Introduction

When I thought about laying the foundation for this guide I knew it would take some time and extensive work to translate my 30 years of experience into something that everyone could use to buy their next used car, no matter where they live and no matter what level of car knowledge they might have. It has taken my talented, hard-working crew and me over a year of work to bring together the 10 Easy Steps and the associated videos, text tutorials, PDF's and checklists. This guide works like no other.

The "10 Easy Steps" brings to you a straightforward format in which to follow. I encourage you to fully read through the guide first, and then when you are ready, follow each step in achieving your next high quality used car purchase. I use these same exact procedures when I purchase cars for my many clients.

This guide is devoted to people who understand that buying a car should not be difficult or painful or mind racking. It should be straightforward and simple without any guesswork needed to know if the car that you see, being sold by a private party or a car dealer is good or not.

These video's and text tutorials are for real people wanting real advice on how to go about the process of purchasing a high quality used car. Start to finish.

Congratulations! You have made a great choice.

This guide is divided into two sections. Before you begin the 10 steps, consider first whether you should:

1. **Buy from a Private Party** or
2. **Buy from a Dealer**

Let's briefly go over the advantages and disadvantages of either choice starting with:

## 1. Why Buy From a Private Party?

There are three main reasons for buying from a private party:

1. You can generally buy at a *lower price* than with a dealer.
2. You can learn the *car's true history* by speaking to the owner. This is valuable. (\*See below)
3. You are *paying cash* or you have *your own financing* for a pre-approved used car loan from your bank or credit union. Check with your lending institution on their requirements for getting pre-approved on a private sale.

### Knowing the Cars True History

Knowing the car's true history is an important aspect to knowing how well the car was cared for. With a private party, what you see is what you get, for better or for worse.

My experience with buying hundreds of cars from both private parties and dealers has taught me that:

1. Meeting the owner speaks volumes about whether they are the type of person that would take good care of a car or not. In short it is easier to "read" the history of the car if you can speak to the owner.
2. Private party purchases are generally safer because if the owner has kept all maintenance records, the entire history of the car will be available to you. A dealer, on the other hand, will go to great lengths to hide previous abuse and it is much more difficult to know the true history of a car.

## 2. Why Buy From a Dealer?

There are two reasons you might need to buy from a dealer:

1. **Dealer Financing** and
2. Buying a car with valuable **Factory Certification**.

Let's talk about these two options and how they might help you:

### 1. Dealer Financing

If you buy a used car from a dealer you have the choice of either financing the car through that dealer or through your bank or credit union.

Dealer financing is easier than acquiring a bank loan in that there aren't as many constraints placed on you as you might have with a bank. At a dealership you may get approved faster and with lower rates than a bank or credit union. If you're unable to get approval from a bank because of a low FICO (credit) score, for example, then dealer financing may be your only option. To check your FICO score, go to [creditkarma.com](http://creditkarma.com).

If you decide on dealer financing read step# 8 (Financing & Negotiating) ahead of time.

## 2. Factory Certification

Factory certified means that a used car has been rigorously inspected and if necessary repaired by the dealer to meet certain standards of quality. If it passes, an extended period of factory warranty coverage is added to the original factory power train warranty and the car is sold as "Certified."

Certainly not every used car on the lot is eligible for certification. For instance, if the car is older or has too many miles, the manufacturer will not allow the dealer to certify it. Every manufacturer has different qualifications and warranty limitations on the certified process. Factory certification is not a cheap add-on feature. It is a high quality factory power train warranty (covering the engine, transmission and drive train) that will be honored by any dealership for as long as it's in effect.

You generally cannot get this type of factory certification from a private party. (Some car manufacturers allow the factory certification to be transferred between private parties, but it is rare.) If this kind of assurance is important to you, then buying from a dealer may be the right choice for you.

**\*A word of caution:** Many dealers will offer to sell you their own brand of extended warranties that may not be worth the paper they're printed on. Do not confuse this with *factory certification*.

Keep in mind that a car that is sold as "Certified" can still have an accident history. You still must screen it for accidents. I will cover how to screen for accidents in my **Inspection Videos** series.

Whether you choose to buy from a private party or from a dealer, I will be there to lead you through this process step by step. In the end you will have the knowledge, confidence and clarity to put your fears at ease.

Get ready to buy your next high quality used car... ***stress free!***

**Ready? Let's begin!**

# **Buying From a Dealer**

## **10 Easy Steps to Buying a High Quality Used Car:**

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### **Step 1: Know What Car You Want**

There are a few websites that will be helpful to begin your search.

To begin with, Consumer Reports ([consumerreports.org](http://consumerreports.org)) uses surveys to rank cars according to a customer satisfaction index. I've taken that list and compiled it with my 30 years of street knowledge and created what I call my Halo List (found on my web site). There you will find the cars that rank the highest in customer satisfaction, safety and reliability.

Next you'll want to research a few sites on **occupant safety**. The US government produces a list of its own ([nhtsa.gov](http://nhtsa.gov)) and the insurance industry has their own crash results ([IIHS.org](http://IIHS.org)). These sites post the results and ratings of crash tests.

**TIP: The Halo List will help you determine which used cars built by each manufacturer are the most reliable.**

## Knowing Which Car is Right for You

Some people spend many hours looking on-line and through magazines “deciding” which car they want. But when they actually sit in the car they find it often doesn’t suit them.

For this reason, I suggest that after you have a list of cars you are interested in, set aside half a day for going to dealerships and sitting in the cars that spark your interest.

Be careful at the dealership at this point because they will try to court you into a sale. Remember that you are there to get familiar with various models of cars and *not* there to buy.

## Step 2: Know How to Find Your Car Online

When searching for a dealer car online, stick with the paid dealer ads on Autotrader.com and Cars.com as opposed to the free listings you get on Craigslist.

There are too many unscrupulous brokers populating Craigslist and I would stay away from this site if looking for a *dealer* car. This pretty much eliminates Craigslist as a source for *DEALER* cars.

It is generally a good idea to search for ads from large, established dealerships rather than small independent dealers since your chances of finding a “**trade-in**” versus an “**auction car**” are much greater. A “**Trade-in**” will have a high probability at being **dealer maintained** whereas an “**auction car**” will have unknown origins and maintenance history. Knowing the cars history is very important.

When you search the ads and find cars that interest you, write down the VIN (vehicle identification number), the stock# or the license plate# if it is included in the ad.

You will need the VIN or the license plate # to do a Carfax report (see step# 4). You will also need the stock # to identify the car when calling the dealer. Dealers normally place this somewhere in the ad copy.

**TIP: Avoid buying your car from on-line auctions such as Ebay, or any other place where you cannot physically inspect the car.**

## **Determining the Cars Value**

There are two valuation guides that you should be using. Most people tend to know about Kelly Blue Book (kbb.com). KBB is “dealer biased” which is the highest valuation. Dealers use it to justify higher prices on their lots.

For a “consumer biased” valuation site go to (edmunds.com). At Edmunds you will find a pricing structure that is based on a more realistic street value. You will want to look at both Kelly Blue Book and Edmunds to get a real world look at what you should be paying.

If the dealer uses the higher KBB price, be sure to bring your Edmunds printout so you will have negotiating leverage.

## **Step 3: Calling the Dealership**

When calling the dealership it's important to ask for the used car fleet manager or internet manager. They have the authority to make a decision on the price without getting upper management approval.

Insist on this person because this is the person you'll be connecting and negotiating with at the dealership. Do not allow yourself to be worked around. Push hard for the right person.

Once you know you are speaking to the right person, refer to the car you are calling about by the stock # from the ad. Don't just call the dealership asking about the silver Camry. They might have 5 silver Camry's in their database.

First find out if the car you are calling about is still for sale. This may sound strange but dealers may leave a car ad up long after the car has sold. They want to get people to call them and they will leave an ad running and may not remove it once the car sells because it's going to continue to generate sales traffic for them.

If the VIN# was not posted in the ad get it from the dealer at this point. You will need it in the next step.

Make sure to double check with the fleet manager whether the car you're interested in is a “trade in” or from an auction. Remember, generally speaking you want a trade-in.

## **Step 4: Checking the Car's History**

First you will need to get a Carfax account. For that go to the Your Car Angel website, click on the **Carfax link** and get an account.

**TIP: A Carfax is your first reliable indicator of whether you should proceed with a car or not.**

As of this writing it costs \$54.99 for an unlimited amount of reports by license plate number and 5 reports by VIN. So whenever possible use the license plate number. The plan is valid for 30 days from date of purchase. If you have any doubts as to the differences between Carfax and Autocheck watch my video **Carfax or Autocheck - Which is Better**

Now that you have the VIN number or license plate number in hand and you've got your account with Carfax, you're ready to check the history of the car.

On the Carfax report you'll be checking for the following things.

1. Whether it's ever been in a reported accident.
2. Where the car was originally purchased.
3. When the car was first registered, otherwise known as the "In-Service-Date"
4. Where it was driven (this will show up on the periodic maintenance and DMV entries)
5. The complete maintenance history of the car (this may or may not show up on the report)
6. How many miles per year it was driven.
7. How many owners the car has had to date.
8. If the car was sold at an auction
9. If the car has a salvaged title.

Make sure to watch my **How to Read a Carfax** video where I explain in detail about the items mentioned above.

## **Step 5: Greg's 7 Trade Secrets**

Before you head out to see the car, watch all 7 Trade Secret Videos on the Car Angel website.

In the **Video Library** under *Greg's 7 Trade Secrets* you will find 7 videos of each of the top criteria in buying a high quality used car listed in order of importance.

Secret #1: The Importance of **No Accidents**

Secret #2: The Importance of **Highway Miles**

Secret #3: The Importance of **Original Owner**

Secret #4: The Importance of **Dealer Maintained**

Secret #5: The Importance of **Garage Kept**

Secret #6: The Importance of **All Maintenance Records**

Secret #7: The Importance of **Timing**

In each of these videos I walk you through and share with you the valuable information you will need for your car purchase.

I will tell you why, for example, *The Importance of No Accidents* is the number one concern when buying a high quality used car.

And lastly you will learn the importance of timing, (number 7 on the list) which does not necessarily reflect the *quality* of the car as much as it deals with the *timing* of your purchase.

View these videos in the order listed to familiarize yourself with each of these important qualities.

## **Step 6: Inspection by You**

Now you are ready to visit the dealership.

When you arrive at the dealership be sure to park on the street as opposed to the guest parking lot. By doing this you stay more in control of the process. It might seem like a small detail but it gives you a distinct psychological advantage.

Find the person you spoke to on the phone, introduce yourself and let them know that you would like to inspect the car.

Because the dealer will be a distraction to the process, it is preferred that you do the inspection on your own without the dealer present. Tell the sales person that you will get back to them after you do your inspection.

Bring an inspection bag of tools with you.

The inspection kit should have in it:

- \* A pair of leather gloves
- \* Latex gloves
- \* A strong, bright flashlight
- \* A blanket to lie on
- \* A rag
- \* Your Carfax Report
- \* Your KBB and Edmunds valuation
- \* FICO score printout

**Also bring the following downloadable PDFs from my website:**

- \* **Basic Inspection Check List**
- \* **Test Drive Check List**

**TIP: It is important to watch all of my short inspection videos to learn how to perform a used car inspection.**

How to Perform a Basic Engine Inspection- Part 1

How to Perform a Basic Engine Inspection- Part 2

How to Inspect a Car for Paint and Body Damage- Part 1

How to Inspect a Car for Paint and Body Damage- Part 2

How to Inspect a Car for Highway Miles

How to Inspect for a Garage Kept Car

How to Inspect a Car for Exhaust Leaks

How to Inspect a Car for Frame Damage

How to Inspect a Car for Front End Damage

How to Inspect the Dashboard Warning Lights

How to Read a VIN Sticker

How Headlight Lenses can tell you if a Car was in a Previous Accident

## **Basic Inspection Checklist**

At the inspection you will want to use my Basic Inspection Checklist.

The checklist was created so that anyone, regardless of their mechanical background, could perform an inspection after watching the inspection videos.

The Basic Inspection Checklist will help you remember all of the areas you need to inspect on the car. The checklist has been color coded with red and yellow flags. Red flags denote “deal breakers” and yellow flags denote “caution – possible deal breakers”. The flag system will help you determine the overall condition of the car and whether you want to move forward in the buying process , need to investigate further or pass on the car.

If the dealer is asking a “premium” for the car because they know the car is in excellent condition, then your job is to check that it is indeed in excellent condition with the help of the checklist.

Remember, **Price**, though important, is not on top of your list when deciding whether to purchase the car or not. First and foremost you are looking for a great car.

## **Test Drive**

After the car has passed your inspection you will take it for a test drive.

Download the **Test Drive Checklist** from my website. It is a comprehensive list of everything you should be observing when out on your test drive.

## **Step 7: Inspection by a Mechanic**

If the car you are inspecting meets all important criteria of *No Accident, Highway Miles, Dealer Maintained, Original Owner and All Maintenance Records*, then chances are you will not need an additional inspection by a mechanic. But if you want further peace of mind you should have a mechanic perform a pre-purchase inspection.

However, do not bring the mechanic into the picture until you have performed the **basic inspection** yourself.

The dealers are usually fine with getting an inspection done by a mechanic but will rarely allow you to take the car off the premises. There are mobile mechanics for hire.

Any repair or service related issue you or a mechanic finds on the car, will need to be addressed in the negotiations. A good mechanic should be able to give you an estimate right away of how much to expect for the repairs.

## **Step 8: Financing and Negotiating**

### **Financing**

In buying from a dealership you have your choice of whether to finance through the dealer, your bank or credit union.

As I said before, dealer financing is usually preferred. However, the dealer isn't just going to hand you the best rate. You need a bit of leverage on your side. In other words, you need to work them a bit.

The best way to do this (if you qualify) is to have a pre-qualified letter by your bank or credit union showing their best rate. Have that quote in your pocket before entering the dealership. The dealership should meet or beat the rate from your bank or credit union. This will also serve as a backup, or "Plan B" in case the dealer financing falls through.

All financial institutions have different criteria in the application process for a car loan so check with your bank before applying to make sure you have all of the information they require.

### **Traditional FICO Score**

Your FICO score is a representation of your risk to the auto lender. It is important for you to know your FICO score before you visit the dealership. If you haven't done so yet, go to a free site called [creditkarma.com](http://creditkarma.com). By knowing your score you are assured that you and the dealer will be looking at the same number.

**TIP: The numbers can vary with different dealers but generally speaking 720 is the magic number.**

**A FICO score north of 720 qualifies you for the best rate that they advertise (Tier 1).**

Lending institutions vary, but between 690 and 720 you *may* or *may not* qualify for Tier 1, but below 690 you will absolutely not qualify for Tier 1 and the rates will go up.

## **Auto FICO Score**

Some dealers, however, use a different scoring system than the one that is available to you. It is called the **Auto Industry Option Score**.

It is weighted with your previous auto loan history and it can work in your favor if you had a previous car loan that was paid on time and in full, but also could work against you if you've never had a car loan or if you *have* had a car loan history but received a negative mark.

You might have a good "traditional" FICO Score, but dealers will score you low because of your low Auto Score. For example, if you are a first time buyer with no auto loan history or have dings on your credit report for missing or late car payments, you will score low and they will downgrade you. Remember the Auto Score puts your previous car loan history as a priority.

This is why you need to have a Plan B. If the dealer squeezes you into a higher rate because of a low Auto Score, you still have a guaranteed rate to fall back on from your bank or credit union which uses the traditional FICO scoring system.

Generally speaking, financing is based on several criteria including your credit score, price, year, amount of miles and even the make of the car. The amount financed by the dealer is based on the *total* amount of your purchase price including taxes, documentation fees and any other fees that get attached to the deal.

If you decide to finance through the dealer they will most likely approve almost 80-90% financing, particularly on a late model car, but if you can afford to pay a higher down payment it will lower your monthly payments. If you intend on financing 90-100% then the dealer might require GAP insurance. (see below)

## **Negotiating**

**TIP: Never Negotiate the Monthly Payments. This is the Golden Rule of negotiating.**

At the dealer you want to negotiate *only* on price. **NEVER** negotiate monthly payments until the price has been set. This alone will keep the negotiation process under your control.

Dealers will use many tricks to try and disguise the true price of the car. That is why you only negotiate on the price and not monthly payments.

A favorite trick is to simply extend the length of the loan in order to bring the monthly payments into your budget. Although the monthly payment looks attractive, you will most likely be overpaying for the car.

Remember that the price of the car is what the payments are based on and that is where you should be doing the negotiating. Negotiate on the price first and then proceed to talk about the financing options. If they keep pushing the monthly payments then keep pushing for the price.

This is where most people get lost and lose control of the process. Do not allow the dealer to control the situation. If you are not comfortable you will want to employ the three most important tools in the negotiating process and those are: **Get Up, Turn Around and Walk Away.**

Not only is this an effective psychological maneuver but it will also help to keep you calm, it will also keep you in total and absolute control. Get the sales persons cell phone number and take a breather from the negotiations. Go out for a cup of coffee. They will not be happy about this but you tell them that you need some time and then simply leave.

Now that you have walked away, you will have the time to figure out what price works for you.

After that breather, contact (by phone) the person you are working with at the dealership and offer your best price. From here on out you will be negotiating by phone. Don't let them ask you to come in and talk about it. Wait until they agree with your price before you come back.

Know that you are in control and use it to your advantage.

Once you've got a commitment on the price, go back to the dealership and fill out a credit application. You will have to fill this out regardless if you are financing or not.

You'll need your driver's license, proof of insurance and a check from your checking account. Have the names, addresses and phone numbers of 3 friends or family members to put down as contacts for the dealer.

The credit application and referrals are required by the dealer because you will be buying the car and pulling it off the lot before any money clears from your account. The dealer needs recourse in case that money doesn't go through. Your references will never be called unless you default on the loan and the dealer is unable to contact you.

After filling out the application the dealer will run your credit report for your traditional FICO Score as well as your Auto FICO Score and tell you which interest rate they are intending on charging you based on one of these scoring systems.

It is your job to compare their FICO score with your own printout and make sure the dealer is using an equal or higher FICO number. Push hard for the "highest" FICO number to get the best interest rate possible.

And remember, if you are not happy with the interest rate offered to you, you can still either fall back on your rate offered by your bank, if it's lower, or simply walk away from the deal.

## **Step 9: Closing the Deal and Handling the Paperwork**

### **The Financing Closer**

After the price and finance rate have been *fully* negotiated and agreed upon and you've given them all of your information (license, insurance and credit application.), you now advance to the closing table, or F&I (Financing and Insurance). There you will meet a different person whose job is to try to **upsell** you on many things. This is called Back-end Profit.

Keep in mind that it is this person's job to create more profit for the dealership and they are usually the most highly paid employee at the dealership.

They will try to pitch you several after-market products such as extended warranties, weatherizing, undercoating, Lojack, anti-theft protection, window etching and the mother-of-all back end profit, the extended warranty.

Sometimes they will make you feel bad if you say no to everything but this is their strategy and they are schooled in the process. They are probably doing this 6 or 7 times a day and they are very convincing. They make a lot of money for the dealership and you should know this.

**TIP: If any of these after-market products are of interest to you, understand that they are highly negotiable. For instance, on just about every car deal I sit in on, I see the price of extended warranties regularly cut in almost half. This alone can save you up to a thousand dollars.**

The dealers will try to hide the price of the product by wrapping it up into the monthly payments. Just like the negotiations on the car price, you want to negotiate on the *price* of the warranties and other products and not the monthly installments.

### **Closing the Deal**

You will be required to sign and initial multiple documents. They are all legal documents that bind you to the contract. The dealer is required to go over every part of the contract prior to you signing. Make sure you understand the documents.

## **Registration, Plates and Insurance**

### **Registration and Plates**

In most states the dealer is required by law to submit all relevant paperwork to the DMV on your behalf. There is a small fee for this step called the **Document Processing Charge** (usually between \$50-\$80). So you generally don't need to be concerned about filing the paperwork with the DMV. Your registration and plates (if they don't stay with the car) will be sent to you by mail within 3-6 weeks. Check with your local DMV for individual state registration procedures.

Other charges that you can expect are sales tax, registration fees, transfer fees and anything else that you agreed to, such as extended warranty or GAP insurance (see below). Other than these items there should be no additional charges on the contract.

At the end of the paperwork process and after signing the contract, you will hand over any money that you agreed to in the form of cash or check. Most dealers are fine with a personal check. After this exchange you are now considered the owner of the car. The dealer will place a copy of the temporary registration on your windshield. Once you receive the actual registration by mail you can go ahead and remove that.

## **Insurance**

After you complete the purchase you will want to contact your insurance company. Most insurance companies will give you a grace period for reporting your car purchase (AAA for instance gives you 30 days but check with your individual insurance). However, it is a good idea to contact your insurance agent immediately after you purchase the car.

The insurance agent will be asking you many things about the car and will want to know the model, year, miles and VIN number. They will also ask you how many miles you intend to put on the car per year. There are discounts in your policy for having a security system on the car as well as discounts if you intend to keep the car in a garage.

If you are financing the car then the lender will require that you carry full comprehensive coverage for your car.

## **Step 10: Protecting Yourself**

### **GAP Insurance**

If you intend to finance nearly the entire amount of the car, the dealer might *require* you to have GAP Insurance (Guaranteed Asset Protection) *GAP Insurance is insurance on the financing aspect not the car itself.*

### **What is GAP?**

Let's assume you purchase a car for \$18,000. If you include taxes, licensing and fees, the final price of the car will likely be \$20,000. Let's say that you want to borrow all (or nearly all) of that as a loan.

If six months later your car is stolen, or you are in a major accident, the insurance company will write the car off as a "total loss". On paper the car is only worth \$15,000 or nearly \$5000 less than what you technically still owe.

You will owe more than it is technically worth because of depreciation and especially if you bundled the car *and* the taxes together in your loan. That means you are out the difference and you will have to pay the balance of the loan back while receiving a lesser amount from the insurance company. GAP insurance covers this "gap".

**TIP: If you intend to finance more than 80% of the *entire* amount of your loan I would suggest looking at GAP insurance. If you are putting a moderate down payment on the car then you most likely will not need to have this extra insurance policy.**

### **Due Bill**

If the dealer had made ANY verbal promises, for example during the test drive you were promised the car would be sold with a full tank of gas or free oil changes, it is at this time that you need to get it in writing.

Any promises made need to be documented on the DUE BILL.  
If it is blank then there was nothing that was promised to you.

After signing all the paperwork you give the dealer the money. It can be in the form of cash, cashier's check or personal check (which in most cases is just fine). You are then free to drive off the lot.

## **Congratulations!**

Your high quality used car should give you years of dependable service. Remember to do regular oil changes and follow the maintenance schedule for your car. Most oil change facilities will check all of your fluid levels and check your tire pressure for you.

***If you have any questions about this 10 step process, please email us at [info@yourcarangel.com](mailto:info@yourcarangel.com)***

***I hope that you are now experiencing a greater understanding of the car buying process as well as on your way at succeeding in getting a high quality used car.***