

```
"; if(!alt_ads){ if(1!=0)document.write(sline); }else{ if(1==0)document.write(sline); } //-->
```

[Car guide home](#)[What's hot](#)[Car selection](#)[How to buy](#)[Finance / Insurance](#)[After the deal](#)[Fun stuff](#)[Home](#) > [Auto Loans](#) > [How to buy](#)[SEARCH](#)

Top 10 car-dealer tricks

By [Karen M. Kroll](#) • Bankrate.com

"There's a sucker born every minute," carnival king P.T. Barnum allegedly proclaimed in the fall of 1869. And while Barnum was never known to own an auto dealership (after all, he died in 1891 -- several years before Henry cranked out his first Ford), some might believe his words live on in the heart of every car salesman.

OK -- they're not all shysters, out to rip you off. But most are experienced and aggressive salespeople. So if you're going out to buy a new car this year, you'll want to make sure you know what you're doing.

You'll need to be an educated, assertive consumer. While this requires a bit of research and number crunching, with the volume of information available online and in print, you should be ready to head to the showroom in just a few hours.

Here are the come-ons, misrepresentations and mistakes you'll want to watch for:

The credit cozen

Some dealers may say something like, "With your credit score, you won't qualify for competitive financing rates." Now, this may be true if

Related articles



[Drivestyles of the rich and famous](#) --

Tom Cruise tools around town in a Rover. Check out what other celebs are driving.

- [John Madden: America's coast-to-coast commuter](#) -- He travels 80,000 miles a year in this incredible cruiser fitted with everything from a sauna to a gourmet kitchen.

you've missed some payments or have a pattern of paying your bills after their due dates. However, some dealers will imply your credit is worse than it is so that you think you'll have to pay a higher interest rate.

To avoid being misled, know your credit score before you head to the showroom. Contact the three major credit bureaus and ask for a copy of your credit report. You may have to pay a nominal fee. The credit agencies are: [Experian](#), [Equifax](#) and [TransUnion](#).

The transaction trick

Many people view buying a car as one transaction. It's not, and dealers know this. "There's really three transactions rolled into one -- the new car price, the trade-in value, and the financing," says Brian Reed, Internet director with Capital One Auto Finance, San Diego. "The dealer sees all three as ways to make money."

Treat each of these as separate transactions, and negotiate each one. If you get a new car for \$200 over invoice, but only receive \$1,000 for a trade-in car that's worth \$2,500, you haven't done as well as you could. "You need to manage all parts of the process," says Mary S. Butler, senior editor with cars.com, Chicago.

The payment ploy

A dealer might say, "We can get you into this car for only \$389 a month." Probably true, but how? In some cases, the dealer may have factored in a large down payment, or may have stretched the term of the loan out to 60 or 72 months.

Focus on the price of the car rather than the monthly payment. "Never answer the

- [Thinking about jumping a river?](#) - Get expert advice from famed daredevil, Robbie Knievel.
- [Hot sounds for cool cars](#) -- Is a radio simply a radio? Depends on you. Buying tips for the connoisseur of sound and the rest of us, too.
- [15 must-know finance terms](#)

Top 10 Top Tens
1. The top 10 colors
2. Top 10 dealer lies
3. Top 10 leasing lies
4. Top 10 car-buying mistakes
5. 10 best steals for 2004

Calculators

- [Auto loan calculator](#)
- [How much car can you afford?](#)
- [Should you lease or buy?](#)
- [Which is better - a rebate or special dealer financing?](#)
- [Is a hybrid best for you?](#)

[E-mail this story](#)
 [Printer friendly page](#)

question, 'How much can you pay each month,'" says James Walsh, editorial director with Silver Lake Publishing, Los Angeles. "Stick to saying, 'I can afford to pay X-dollars for the car.'"

The sticker shenanigan

The vehicle price listed on the window is what's known as the MSRP, or manufacturer's suggested retail price.

Who cares? You want to know the invoice price -- the amount the dealer paid for it. Working from the invoice up is much easier than trying to cut dollars from the MSRP.

You should also find out what cars actually are selling for, after taking into account any consumer and dealer incentives. A number of Web sites provide information on the actual selling prices of cars, as well as rebates and incentives. These include Autobytel.com, cars.com, carsdirect.com and edmunds.com.

Of course, some popular cars go for sticker price. The Toyota Sienna minivan currently falls into this group, says Butler of cars.com.

The holdback hustle

Manufacturers often give cash incentives -- sometimes called "holdback" -- to their dealers to encourage them to move slow moving models, says Reed of Capital One. However, this typically isn't mentioned in advertisements.

You'll want to search for holdbacks or other factory-to-dealer incentives available for the car you're considering. While it's not a given that the dealer will apply any of these funds to the car you like, it doesn't hurt to ask.

6. [10 cheapest cars for 2004](#)

7. [10 best, worst for value](#)

8. [10 dealer tips](#)

9. [10 cool gadgets](#)

10. [Top 10 must-have options](#)

The financing four-flush

Some dealers have been known to call customers days or even weeks after they signed a purchase agreement to tell them that the financing fell through. "It's a crock," warns Jeff Ostroff, president and chief executive officer with ConsumerNet, Inc., the Fort Lauderdale-based publisher of carbuyingtips.com. "They can check your financing in 15 minutes."

The goal of these unscrupulous dealers often is to put you into a more expensive car -- another red flag. "If you didn't qualify for \$299 per month, how would you qualify for \$450?" points out Ostroff. To avoid this, you may want to have financing in hand before you head to the dealer.

The insurance illusion

Some dealers may try hard to get you to purchase an insurance policy when you're buying your car. One type, [gap insurance](#), covers the difference between what the car is worth and the amount you still owe on it. Say the car is worth \$10,000 but you still owe \$12,000. If your car is a total loss, a gap insurance policy will cover that \$2,000 difference. Another favorite, [credit life insurance](#), will pay the balance of your loan if you die before you've been able to repay it.

These policies may or may not make sense for you. In either case, you want to understand what you're purchasing, and have the opportunity to decline it and shop around for better prices.

The rate razzle-dazzle

It certainly sounds tempting -- zero percent interest to finance a new car. However, this deal may not be the best one for your pocketbook. For starters, "Most financing incentives are for shorter terms and you need a stellar credit record," says Butler of cars.com. With very short-term loans, such as 24 or 36 months, payments on even a moderately

priced car can be sky high.

In addition, you may be better off finding your own financing, and then taking the dealer rebate, if one is offered. Say you're looking at a \$20,000 car and will get \$4,000 on your trade-in. You can choose between zero-percent financing, or financing at 3.49 percent with a \$2,000 rebate. The term of the loan is 36 months. Over the course of the loan, you'll come out ahead by more than \$1,200 if you take the rebate and the 3.49 percent financing, says Reed of Capital One.

The rollover ruse

Often, it's tempting to want to trade up to a more expensive car -- even before you've finished paying off the car you're currently driving. One way that some car buyers do this is by "rolling over" the remaining payments on your current car into a new car loan or lease.

While this isn't illegal, it's risky. Why? You'll end up owing more on the second car than it's worth. In the parlance of the automobile world, you'll be "upside down" in the vehicle. If it's totaled in an accident, or if you decide down the road to trade it in, you'll end up writing out a big check to cover the remaining amount of the loan.

The balloon bamboozle

Similarly, there's nothing illegal or even deceptive about dealers offering loan periods extending out six or seven years. After all, many cars last longer than they used to, and longer loan terms mean your monthly payments are lower than they otherwise would be.

Still, there's a danger. "These loans take forever to pay off," says Mark Perleberg, lead automotive expert with NADAGuides.com. You're likely to continually owe more on your car than it's worth, because your car is depreciating faster than you're paying it off. If you're considering a long loan period, you may want to consider a less expensive car better

suitable to your budget.

Similarly, some dealers will encourage you to purchase a car for unrealistically low monthly payments now, but with a balloon (inflated or much larger) payment at the end of the loan period. In a few cases, this can be a legitimate way to finance a car. For instance, you may just have graduated and can realistically assume that your income will rise by the time the balloon payment comes due.

Be wary, however. "Make sure you know what you're doing," says Butler. "If you're only paying \$198 a month on a \$35,000 car, there's a reason. Eventually, you have to pay the principal."

How can you avoid all of these come-ons? Educate yourself. "Many dealers are good and honest, but there are some that you need to be more careful of," says Reed of Capital One. "Know what you want to buy and know your alternatives to dealer financing. Then, be careful of the dealer selling you things you don't want."

-- Posted: Dec. 9, 2003

[To Advertise](#) | [Investor Relations](#) | [Free E-mail Newsletters](#) | [About Us](#) | [Press/Broadcast](#) | [Register Your Bank](#)

[Online Media Kit](#) [Create Your Own Ad](#) [Privacy](#) [Partnership opportunities](#) [Order rate data](#) [Contact us](#) [Take Our Site Tour](#)

Bankrate.com ®

11811 U.S. Highway 1, North Palm Beach, FL
33408

Tel: 561-630-2400 ~ Fax: 561-625-4540

Copyright © 2003 Bankrate, Inc.

All rights reserved. [Terms of use](#)

[Saving you money since 1976](#)



* Mortgage rate may include points. See rate tables for details. [Click here.](#)

* To see the definition of overnight averages [click here.](#)