



The Texas Department of Motor Vehicles Smart Buyer Series

Used Cars

Smart Buyer – Tips for Buying a Previously Owned Car

Overview

Purchasing a motor vehicle will be one of the largest purchases you will ever make aside from buying a home. The Texas Department of Motor Vehicles (TxDMV) is dedicated to helping consumers make informed decisions when buying a motor vehicle. TxDMV wants you to be a “Smart Buyer”. The purpose of this series is to provide you with the top tips any buyer will need when searching for, and ultimately buying, a dependable used car from a dealer.

The following basics should be considered before buying a previously owned car or truck:

- Do your homework first!
- Check your finances
- Shop for the best loan
- Check the book value of the used car
- Research local dealers
- Inspect the vehicle carefully
- Check the title history of the vehicle
- Check the buyers’ guide
- Have an inspection performed by a trusted mechanic
- Avoid online purchases of used vehicles
- Negotiate the price, confirm it in writing, get copies of all documents
- Know your rights

Tips for Purchasing a Previously Owned Vehicle

Do Your Homework First!

Check the history, reliability and safety of the models of motor vehicles you are interested in purchasing. Websites such as [Consumer Reports](#), [Edmunds](#), [safercar.gov](#), or [Carfax](#) are great sources of information on used cars. Prepping before you search will save you time, headaches, and money.

Check Your Finances to See How Much Car You Can Afford

Have a realistic idea on how much you can “comfortably afford” to pay for your used car. If you are mathematically challenged, try the Auto Loan Calculator found at [Kelley Blue Book](#). The general suggestion is that you should not spend more than 20% of your monthly take-home pay on a monthly auto payment. Knowing your spending limits will keep you from being talked into more than you can afford.

There Are Two Contracts

It is important to understand that, except if you are paying cash for the new car, all car purchases involve two contracts. One contract is the car purchase or sales agreement where you contract with the dealer to purchase the vehicle. The second contract is the finance agreement or retail installment loan agreement. This is, in many cases, a contract with someone other than the dealer. It is a contract with a bank, a credit union or finance company. You make a promise to make monthly payments, which usually include interest, in exchange for the lender's promise to pay an amount of money to the dealer on your behalf. As part of the contract with the lender, in addition to your promise to make regular monthly payments, you will be agreeing to keep the car fully insured and maintained. You may also be required to promise to not take the car out of the country without the lender's knowledge or approval. These promises by you are to protect the collateral you have pledged to get the money to pay the dealer. The retail installment agreement will also have provisions for when you breach or violate the contract. For instance, the lender will usually be able to insure the vehicle if you do not maintain the full coverage you promised to keep in force. The retail installment agreement will also allow the lender to repossess the vehicle if you fail to make payments. *Make sure you understand all parts of the lending documents!* For more information on retail installment agreements or to file a complaint against a lender, contact the Office of Consumer Credit Commissioner.

If Needed, Shop Around For the Best Loan

Sometimes you can find better loan rates from banks and credit unions than at your local dealer. Shop for the best deal, comparing the annual percentage rate (APR) and the length of the loan. When negotiating to finance a car, be wary of focusing only on the monthly payment. The total amount you will pay depends on the price of the car, the APR, and the length of the loan.

Check the Book Value of the Model(s) of the Used Car

It is just as important to know how much a used car is worth as it is to know how much you can afford. Knowing a used car's book value is a helpful tool when negotiating price with a dealer. Check sites like Kelley Blue Book, Edmunds, the [National Automotive Dealers Association](#), or [TrueCar](#) to obtain a realistic price for the vehicle and to help you determine whether you are getting a fair offer.

If you have a trade-in vehicle, find out how much that used vehicle is worth using sources on the Internet, such as Kelly's Blue Book and Edmunds. Check local and national advertisements to determine for what amount other sellers are selling your trade-in. Discuss the possibility of a trade-in with the dealer only after you have negotiated the best possible price for your new car, and only after you have researched the value of your trade-in. If you cannot get fair trade-in value for your old car, consider selling it privately.

Research Local Dealers

There are thousands of dealers in Texas. The sheer number makes it difficult to know which dealer to choose. Check with the [Better Business Bureau](#), or the [Texas Attorney General Office](#) for useful information on the complaint history of a particular dealer. Friends and family or a trusted mechanic are also good sources for a referral to a reputable dealer.

Inspect the Vehicle Carefully

Once you decide on the model of car and the dealer, take great care to inspect the used car. If you have followed the tips above, you have done your research on the vehicle history, pricing, reliability and safety. With that information in hand, check the vehicle mileage to make sure the odometer has not been tampered with, and

check the interior and exterior for water damage or signs of previous accidents or excessive wear. Always test drive the vehicle to see and feel how the car performs in normal driving conditions. Obtain the Vehicle Identification Number (VIN) for the car.

Check the Title History of the Vehicle You May Buy

Services like [AutoCheck](#) or Carfax are not perfect when trying to track the lifecycle of a used vehicle. They are useful tools, but different states have different reporting requirements that could allow total loss or flood damaged vehicles to be in the marketplace without adequate notice to buyers. Checking the title history may be a way to help learn things about a vehicle you otherwise may not have discovered until after purchase. Use the TxDMV [Title Check Service](#) and, for a fee, you may select from a variety of vendors who can provide information on the title history of the vehicle you are thinking of purchasing.

Check the Buyers Guide For a Warranty

The [Federal Trade Commission](#) requires dealers to place a “Buyers Guide” on all used vehicles. The Buyers Guide tells you whether the vehicle has a warranty and what is covered. Read it carefully. If the car is being sold “as-is,” that means if you purchase the vehicle, there is no promise that the dealer will repair any issues that may arise after the purchase. You are agreeing to buy the car in the condition you find it on the dealer’s lot. If the dealer offers a warranty on some systems, get it IN WRITING. Verbal assurances will not likely be enforceable.

Have the Vehicle Inspected By a Trusted Mechanic

Most buyers are not auto technicians and there can be a myriad of problems with a used car under the hood. A prudent move would be to have a trusted mechanic inspect the vehicle from top to bottom. It would be wise to walk away and find another dealership if the dealer refuses.

Don’t Buy a Vehicle Online From a Dealer without Inspection

Many auto purchases today are completed over the Internet. While it may be convenient, it could be a mistake. If you are going to buy a used car online, follow the tips above, especially the independent inspection. Have a trustworthy auto mechanic inspect the vehicle before you buy if you are unable to inspect in person yourself.

Confirm The Vehicle Price In Writing And Get Copies Of All Signed Documents

Before you sign a contract to purchase or finance the car, consider the terms of the financing and evaluate whether it is affordable. *Make certain the purchase agreement reflects your understanding of the entire deal before you sign.* Before you drive off the lot, be sure to have a copy of the contract and all other documents that you and the dealer have signed and be sure that all blanks are filled in.

Know Your Rights

If a used car deal turns out to be a nightmare, you may have legal rights that you can enforce in a court. If you have bought the car from an individual, your avenues may be limited. You could try filing an action in the local Justice of Peace Court. Your chances in any such case will, in many cases, be totally dependent on the written terms of the sales contract, if any. If you bought the car from a licensed dealer, your chances for success may be better. First, try to resolve the case with the dealer. Again, what you have in writing may determine your outcome. Second, you may have a claim you can bring under the Texas Deceptive Trade Practices Act. To pursue such an action you are strongly advised to hire a private attorney, who will first file a demand letter, and, then, if necessary, file a lawsuit. If you prevail in the case, this law provides for recovery of attorneys’ fees. Third, if you purchased the vehicle from a licensed dealer, there may be violations that are enforced by the Texas

Department of Motor Vehicles Enforcement Division. To file a claim against a licensed a dealer, go to the department website at <https://txdmv.secure.force.com/Complaint/>

Please understand that the department does not have authority to recover damages for a consumer, but in some cases, the dealer will decide it is better to “unwind” the deal than to deal with an enforcement action by the department.

Following these tips will make your car search easier. It can save you a few dollars and help you rest easier after your used car purchase. Good Luck!

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Please see other topics in the “Smart Buyer” series to help you make the best decision possible. The staff that developed “Smart Buyer” series is always interested in new ideas or tips that will make this tool more useful for consumers. If you have a suggestion on how to make this “Smart Buyer” or any of the other “Smart Buyer” topic more helpful for consumers, please send your suggestion to our general mailbox at enforcement@txdmv.gov.