

Auto Financing Scams

Car dealers are often portrayed as predators just waiting for an unsuspecting customer to come along. This is because many people believe that they are always on the prowl for unsuspecting buyers that are not very knowledgeable about cars. This can be unfair because we can argue that there are car dealers out there who would not cheat just to get an extra profit.

How do you tell the difference?

To avoid becoming a victim of sneaky car dealers, look out for the following auto financing scams.

Yoyo scam

You will be allowed by the dealer to bring the car home as soon as possible. The dealer will take care of the financing, a few days later he will contact you again and tell you that there was a problem with your financing plan. He will tell you to set up a new financing scheme through him which, of course, will be at a higher cost and this will also entail a very high profit on the dealer's part.

Be wary of this trick and avoid it at all costs if you detect it. If you have a bad credit standing, don't have your financing done by the dealer and make arrangements for your own financing. If you ever do avail of the dealer's financing, you should never drive the car back to your home immediately. Wait for at least 24 hours just to make sure that the processing of your financing scheme has been completed already. By allowing 1 whole day to pass by, you are assured that the dealer cannot use this scam on you.

Window etching trick

Window etching is a very common scam. What the dealer will do is to offer to etch the VIN number of your car onto the window of the car for a price. Basically, the price ranges from as low as \$300 to as high as \$1,000. Some buyers think that they did a good job by being able to talk down the price to a few hundred dollars, but unfortunately for them, a few hundred dollars is still a good amount of money. The best way to avoid this kind of scam is for you to buy an etching kit that you can do on your own. This is available in most auto shops and costs around \$20. See how much they profit from you!

Preparation fees

For preparing your car, the dealer will often add an additional preparation fee to your bill. Just to conduct a test drive, replace fuses, or take the car's plastic cover off will have your bill increasing by at least \$500! If you visit other shops, you can get the information that these add on costs are already included in the MSRP as set by the manufacturer. Some dealers automatically add it to the buyer's order to make it look mandatory. To take care of this scam, you can ask the dealer to classify it as credit (it should be identical to the amount of the preparation fee) on the following line. If the dealer does not agree to this, you can just simply walk away from the dealership.

Market adjustment

The dealer will convince you that the vehicle you want is selling like hot cakes and very popular. In order to sell you the vehicle, they will do some "market adjustments" amounting to a few thousand dollars. This is usually indicated by a tag near the MSRP tag set by the manufacturer. Even if the car you want is very popular and is very much in demand, if it is in stock you should not be tempted because getting a "popular" car is not worth it if you have to pay a few thousand dollars more. You should never pay more than the MSRP set by the manufacturers. If you do, then you are allowing others to take advantage of you.

Warranty extension

Although this type of scam is old already, it is still being used and there are many who fall for this trick. What happens in this kind of scam is that when you make a loan for the car, the dealer will tell you that you are required to purchase an extended warranty because it is one of the conditions of the bank. There is a simple way of avoiding this scam. Ask the dealer to specify clearly in writing that the extended warranty is required for the loan to be approved. The dealer will most probably find a way to have it excluded. If he persists in including the extended warranty, do not do business with this guy and go to other dealerships.

These are some of the most common auto financing scams that are utilized by some car dealers. Always keep these in mind if you are going to buy a car. If you or a friend were treated fairly by a dealer in the past, consider using the same dealership again. It's a good indication that they do care about their customers and aren't just looking for a "fast buck."

Think very carefully and do not buy on impulse. Good luck to you and go get that car!

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About the Author

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