

TOP SECRETS of Used-Car Salesmen

An inside look at how dealerships prey on unprepared customers.

If you ever felt like a lamb among wolves when negotiating in an auto dealership, there's probably a good reason. Buying a car can be a complex sales process and the salespeople have well-researched tactical moves that are designed to manipulate the process and, ultimately, how much money you spend. At the least, the typical buyer is an amateur playing against veteran professionals on their home field.

To give you an inside-the-dealership perspective, we talked to 10 current and former used-car salespeople who confided many of the well-honed techniques they or their colleagues use with customers.

"There is no question that, even in the most honest dealership, you're lying to people all the time," said a former salesperson who recently left the industry after working for Audi and Volvo dealerships in the Northeast and asked not to be identified.

The salespeople we talked with described schemes that we've heard many times before: Extended warranties being sold at outrageous markups, staff lying to customers about their credit rating or trade-in value, and dealerships pressuring consumers to buy immediately. Some even said that salespeople have resorted to hid-

ing baby monitors or other eavesdropping devices in their desks so that when they were away from their office, they could listen to their customers' conversations. Even salespeople at top dealerships admit to exaggeration and misrepresentation to entice unwary customers.

"No matter what you do for a living, from driving a sanitation truck to orthopedic surgery, you can't beat me," brags one salesperson who is still in the business.

Repeatedly, those we interviewed told us that the uneducated, young, and those with bad credit ratings are the easiest targets. Several salespeople admitted to making assumptions about customers based on ethnicity or gender. Some presumed, for example, that minorities are less savvy customers and thus tried to charge them more. Some also admitted that dealers try to take advantage of what they see as women's lack of automotive knowledge. One said he targeted women in particular for overpriced extras, such as service plans and anti-theft options.

GETTING FRIENDLY

The salespeople we spoke to say they use a variety of techniques to make negotiating

as confusing as possible and to induce customers to lower their guard.

Stick Bogart, who worked in auto sales in Arizona, says he sometimes would throw his pen away in front of a customer.

"I'd say: 'If you want someone to pressure you into a car deal right now, let me have you talk to someone else,'" says the 41-year-old, who now is an auto advocate for the consumer Web site www.ripoffreport.com. "That's your job as a salesperson, to get people to like you as soon as possible. That way you can take advantage of them when the numbers start to flow."

Bogart remembers one customer who traded in a late-model Toyota minivan worth about \$10,000. The dealership staff so confused her with paperwork, she ended up with only \$1,500 credit for the vehicle.

Duane Overholt, who has owned and worked at dealerships in Florida and Pennsylvania, tells of a colleague who had a collection of pins and rings from the Shriners, Masons and other civic organizations. On a moment's notice, he would don a ring, hoping to win over a customer. Another displayed pictures of a fishing boat, which he'd claim he owned just to strike up a friendly conversation. He would even go as far as promising to take

prospective buyers on fishing trips.

"If a salesman tries to get into personal issues, change the conversation to what your goals are. Take him out of his game plan," advises Overholt, who now runs www.stopautofraud.com, a Web site for consumers and industry whistleblowers.

Most of the used-car dealership insiders we spoke to say they were taught to change the discussion whenever buyers asked about price and other specifics that might make them reject a deal. One method Bogart used was to shift the focus from the vehicle to customers' children.

"You don't ever bring your kids to a dealership when you are buying a car," he

warns. "Babysitters cost much less than what a car dealer can cost you."

The insiders say they often preyed on customers' willingness to divulge too much information, such as the amount other dealers have offered them for their old car. They say customers should refuse to discuss a trade-in until negotiations are complete on the car they're buying.

THE NUMBERS GAME

The former Audi/Volvo salesperson we spoke to said he and his colleagues often

quoted used-car prices that were higher than the amount the dealership really wanted for the vehicle. Then they would offer a one-time "special deal" that was actually near the full asking price.

"I'd say, 'It's going to get me in trouble with my boss, but I can do this today,'" he says. However, he admits, "It's all theater."

Sometimes, he would even have the sales manager come out of his office and give him angry looks, as if he was being too nice to the customers.

10 WAYS TO PROTECT YOURSELF FROM USED-CAR SALES TACTICS

1 Know the value of the vehicle. Know the true value of your candidate car, regardless of what the seller is asking. Condition, mileage, age, equipment levels, and the region all affect vehicle value. Different pricing guide services, such as Kelley Blue Book, Edmunds, CONSUMER REPORTS Auto Price and Ratings Guide, Galves, and the National Automotive Dealers Association (NADA), can list widely varying "book" values. Avoid the high-ball/low-ball game by asking the dealer to use one guide to determine the value of the vehicle for sale and the value of any trade-in you may have. For more information, see "How much is that car worth?" on page 16.

2 Write down your questions. Come in with a prepared list of questions about the vehicle and check them off when they are answered to your satisfaction. Make sure all your questions are answered.

3 Don't flash your cash. The dealership doesn't need to know anything about your finances during the negotiating process. Do not tell them how much car you can afford, or they'll try to take every penny of it.

4 Stay on the subject. Never allow a salesperson to change the direction of the conversation to matters other than car buying. Salespeople often gloss over

important questions, such as vehicle history and price, by changing the subject.

5 Don't be rushed. Salespeople's favorite customers are those who seem to be in a hurry, since they tend to be the ones who do not inspect the car thoroughly or don't negotiate the price. Never go to a dealership acting rushed, even if you need a car immediately—they'll take advantage of it. Many salespeople say they won't pressure or rush you into buying, but they usually do it anyway. If you feel the sales process is moving too fast, tell the salesperson that you'll come back at another time. If the car you're interested in is gone, remember that there are many other cars out there.

6 Be prepared to walk away. Once you've come up with a price you feel is fair, state your offer clearly, and say nothing more. If the seller won't budge, walk away. You shouldn't pay more than what your homework has told you is the worth of the vehicle. If you head for the door, you'll often have a deal you can live with before you reach it.

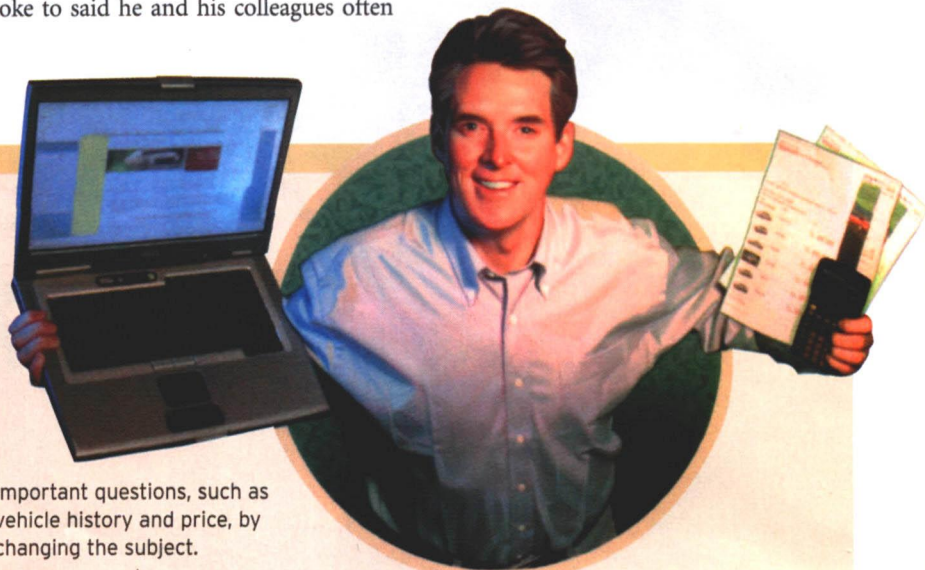
7 Be wary of costly add-ons. Service contracts, glass etching, undercoating, and paint sealants are all unnecessary

add-ons to help the dealership maximize its profits. Don't buy them.

8 Check the vehicle's history. Instead of taking the salesperson's word about the history and condition of the vehicle, get a vehicle-history report from CarFax (www.carfax.com) or Experian Automotive (www.autocheck.com). They can alert you to possible odometer fraud; reveal past flood, fire, and accident damage; or tell you if a rebuilt or salvage title was ever issued for the vehicle.

9 Visit a mechanic. After you make an offer, but before you sign a contract of sale, take the vehicle to a qualified mechanic that routinely does automotive diagnostic work. Don't let the dealer tell you they've inspected the car for you. Deduct any needed repairs that the mechanic finds from your offer.

10 Come with your financing secured. Go to a bank or credit union and be approved for a loan before you go to the dealership. The dealer may even try to beat their rate, which works to your advantage.



Bogart says customers should resist any attempt to rush them into a deal. "The longer you stay there, the lower the numbers are going to go," he says.

He adds that one way skeptical shoppers can find out whether a dealer has reached his lowest price is to try leaving. "If they let you walk, that was the low numbers."

Overholt says he sometimes would tell customers that the dealership, as part of a sale, would pay off the outstanding loan on their trade-in vehicle. Later, however, he would quietly add that cost into the new loan, purposely filling out the contract in a confusing way.

BEWARE THE CREAM PUFF

Most of the salespeople we talked to say they rarely knew the history or condition of used cars on their lot. When customers asked, most admit they just made something up.

A common tale customers liked to hear, according to the former Audi/Volvo salesperson, was that the vehicle was a trade-in from a frequent customer and the dealership regularly serviced it.

Sal Hernandez, who has sold cars in California for 15 years, says: "I would tell them it's so good, one of the mechanics wanted to buy the car."

If the salespeople knew something was wrong, they would often attempt to conceal it. For example, if a vehicle's air conditioner wasn't working, Bogart would roll down the windows. One salesperson said he would often ask dealership mechanics to add refrigerant into a leaky air conditioning system before test drives, a practice he calls "juicing the A/C." These charges typically only last a few days.

Some salespeople told us they failed to tell buyers that vehicles had been in accidents or were repurchased under state Lemon Law programs.

"I sold a car that we knew fell off the lift in service," says Overholt.

The salespeople we spoke with also said that dealerships discourage the practice of letting buyers have vehicles inspected.

"We'd say, 'No need to bother. We have a state-of-the-art facility, and we've taken care of that for you,'" says Hernandez.

Another California salesperson, Ray Kahn, says that in preparing a used car for sale, some dealerships did little more than check the brakes and change the oil.

Moreover, despite advertising claims to the contrary, Kahn says, "they don't do a 120-point inspection on any car."

WORKING THE PAYMENT

One insider told us he routinely tried to focus customers' attention on the monthly loan payment instead of on the vehicle price. By using a long-term loan, dealers can offer a low payment without, of course, mentioning the resulting higher interest charge.

"You get them mentally to agree they can pay that \$500 a month, and they'll do it," says Bogart.

Dealerships then "back into" the amount by charging an exorbitant vehicle price and adding extended warranties, undercoating, maintenance packages, and other items. In extreme cases, customers aren't told their sales contracts have been "padded" with these extras, or the dealer says the items will be provided at no charge in exchange for an immediate sale.

Lawrence Harris, who sold cars for five

years, says the rate the customer sees is often bumped several percentage points higher from the quote by the dealer. The practice, which is allowed by finance companies, pays incentives back to the dealer for this additional profit. On a 48-month loan, a three-percentage point difference can boost the total cost of a \$10,000 loan by nearly \$700.

If the customer questions the rate, says the former Audi/Volvo salesperson, "I'd say: 'I'm really sorry. It's not up to us; it's up to the bank.'" He added that "most people get bumped a little."

BE PREPARED

The only way to insulate yourself from dealership tactics and from spending more than you should, say the salespeople we interviewed, is by going to the showroom prepared with the facts and figures and avoiding the emotion that often takes over when purchasing a car. Beyond that, they say it's also crucial for you to read everything before you sign and to get all promises in writing.

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years in North Carolina, says he recalls one young woman who was presented with a six-year financing package on a 2002 Pontiac Grand Prix. The car was priced at \$24,000, nearly twice what the dealership had paid for it. He says a reasonable selling price would have been around \$17,000.

"The girl was kind of desperate and had bad credit," he says. "I felt bad about it, but she was so excited."

BUMPING THE INTEREST RATE

Dealerships routinely use so-called interest rate bumping, according to the insiders who spoke to us. Though not illegal, the practice can significantly drive up financing costs. Here's how it works: When a buyer asks about a dealer-sponsored loan, the finance manager runs a credit check to determine the best interest rate available for that customer.

"Educated buyers get better deals. Don't be afraid to let the salesperson know you've done your research," says the former Audi/Volvo salesperson.

The salespeople say buyers armed with a laptop computer, calculator, or a list of wholesale and retail prices downloaded off the Internet are less likely to be overcharged, lied to, or subjected to high-pressure sales tactics. The insiders say that it's especially important for buyers to know the value of the used cars they're considering buying, as the used-car market has many more variables involved than the new-car market (see "How much is that car worth?" on page 16). And they say that it's crucial to resist the sense of urgency that salespeople create when they warn buyers that this "one-of-a-kind" used vehicle is likely to be sold imminently to another customer.