

If you decide to finance, make sure you understand the following aspects of the loan agreement before you sign any documents:

- the exact price you're paying for the vehicle;
- the amount you're financing;
- the finance charge (the dollar amount the Credit will cost you);
- the APR (a measure of the cost of credit, expressed as a yearly rate);
- the number and amount of payments; and
- the total sales price (the sum of the monthly payments plus the down payment).
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The Federal Trade Commission's (FTC) Used Car Rule requires dealers to post a Buyers Guide in every used car they offer for sale. This includes light-duty vans, light-duty trucks, demonstrators, and program cars. Demonstrators are new cars that have not been owned, leased, or used as rentals, but have been driven by dealer staff. Program cars are low-mileage, current-model-year vehicles returned from short-term leases or rentals. Buyers Guides do not have to be posted on motorcycles and most recreational vehicles. Anyone who sells less than six cars a year doesn't have to post a Buyers Guide.

The Buyers Guide must tell you:

- whether the vehicle is being sold "as is" or with a warranty;
- what percentage of the repair costs a dealer will pay under the warranty;
- that spoken promises are difficult to enforce;
- to get all promises in writing;
- to keep the Buyers Guide for reference after the sale;
- the major mechanical and electrical systems the car, including some of the major problems you should look out for; and
- to ask to have the car inspected by an independent mechanic before you buy.

As Is - No Warranty

When the dealer offers a vehicle "as is," the box next to the "As Is - No Warranty" disclosure on the Buyers Guide must be checked. If the box is checked but the dealer promises to repair the vehicle or cancel the sale if you're not satisfied, make sure the promise is written on the Buyers Guide. Otherwise, you may have a hard time getting the dealer to make good on his word.

Implied Warranties

State laws hold dealers responsible if cars they sell don't meet reasonable quality standards. These obligations are called implied warranties - unspoken, unwritten promises from the seller to the buyer. However, dealers in most states can use the words "as is" or "with all faults" in a written notice to buyers to eliminate implied warranties. In Mississippi, used cars less than 6

years old and driven less than 75,000 miles have an implied "warranty of merchantability" unless this is disclaimed as a special form.

Warranty of Merchantability

The most common type of implied warranty is the warranty of merchantability. The seller promises that the product offered for sale will do what it's supposed to, and that a car will run is an example of a warranty of merchantability. This promise applies to the basic functions of a car. It does not cover everything that could go wrong.

Breakdowns and other problems after the sale don't prove the seller breached the warranty of merchantability. A breach occurs only if the buyer can prove that a defect existed at the time of sale. A problem that occurs after the sale may be the result of a defect that existed at the time of sale or not. As a result, a dealer's liability is judged case-by-case.

Warranty of Fitness for a Particular Purpose

A warranty of fitness for a particular purpose applies when you buy a vehicle based on the dealer's advice that it is suitable for a particular use. For example, a dealer who suggests you buy a specific vehicle for hauling a trailer in effect is promising that the vehicle will be suitable for that purpose.

If you have a written warranty that doesn't cover your problems, you still may have coverage through implied warranties. That's because when a dealer sells a vehicle with a written warranty or service contract, implied warranties are included automatically.

On "as is" sales, the "Implied Warranties Only" disclosure should appear on the Buyers Guide if

the dealer decides to sell a vehicle with implied warranties and no written warranty. Dealers who offer a written warranty must complete the warranty section of the Buyers Guide. Dealers may offer a full or limited warranty on all or some of a vehicle's systems or components. Most used car warranties are limited and their coverage varies.

A full or limited warranty doesn't have to cover the entire vehicle. The dealer may specify that only certain systems are covered. Some parts or systems may be covered by a full warranty; others by a limited warranty.

The dealer must check the appropriate box on the Buyers Guide to indicate whether the warranty is full or limited.

Service Contracts

Like a warranty, a service contract provides repair and/or maintenance for a specific period. But warranties are included in the price of a product, while service contracts cost extra and are sold separately.

If you buy a service contract from the dealer within 90 days of buying a used vehicle, federal law prohibits the dealer from eliminating implied warranties on the systems covered in the contract. For example, if you buy a car "as is," the car normally is not covered by implied warranties. But if you buy a service contract covering the engine, you automatically get implied warranties on the engine. These may give you protection beyond the scope of the service contract. Make sure you get written confirmation that your service contract is in effect.

Spoken Promises

The Buyers Guide cautions you not to rely on spoken promises. They are difficult to enforce because there may not be any way for a court to determine with any confidence what was said. Get all promises written into the Guide.

PRIVATE SALES

An alternative to buying from a dealer is buying from an individual. You may see ads in newspapers, on bulletin boards, or on a car. Buying a car from a private party is very different from buying a car from a dealer.

* Private sellers generally are not covered by the Used Car Rule and don't have to use the Buyers Guide. Private sales usually are not covered by the "implied warranties" of state law. That means a private sale probably will be on an "as is" basis, unless your purchase agreement with the seller specifically states otherwise.

Mississippi law allows rebuilt salvage vehicles to be sold without the fact appearing on the title so you should always do a title search through a private service like Carfax or NADA to see if the car is a salvage vehicle or has other problems. . .

The Tips

1. Check out the car's repair record, maintenance costs, and safety and mileage ratings in consumer magazines or online. Look up the "blue book" value, and be prepared to negotiate the price.
2. Buying from a dealer? Look for the *Buyers Guide*. It's required by a federal regulation called the Used Car Rule.
3. Make sure all oral promises are written into the *Buyers Guide*.
4. You have the right to see a copy of the dealer's warranty before you buy.
5. Warranties are included in the price of the product; service contracts cost extra and are sold separately.
6. Ask for the car's maintenance record from the owner, dealer, or repair shop.
7. Test drive the car on hills, highways, and in stop-and-go traffic.
8. Have the car inspected by a mechanic **you** hire.
9. Check out the dealer with local consumer protection officials.
10. If you buy a car "as is," you'll have to pay for anything that goes wrong after the sale.
11. The Used Car Rule generally doesn't apply to private sales.

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Federal Trade Commission

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Information has been provided by the Federal Trade Commission and Mississippi Center for Legal Services.



USED CARS



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