



# Buying a Car—Optional Products

From the Office of Minnesota Attorney General Lori Swanson

A car is one of the most expensive items most consumers purchase. When buying a car, consumers are often bombarded with sales pitches for a variety of optional products, ranging from service contracts to mud flaps. Some of these optional products may be overpriced or unnecessary. Consumers may be able to save money and headaches by following these recommendations.

## 1. Scrutinize your purchase agreement.

Make sure that you are paying only for items and services that you have agreed to. Do not be afraid to ask the dealer questions about specific charges. State law requires that if you get a loan to finance your vehicle, the seller must give you a written statement disclosing what the payments would be with and without the add-ons included.

## 2. Is it optional?

Many consumers have complained that they purchased unwanted options, such as service contracts, because the dealer told them they needed to purchase the item as part of the vehicle purchase. Don't be tricked—make sure you understand what items are optional in the purchase agreement.

## 3. Strike a bargain.

Just like the automobile itself, the prices of many optional products are negotiable. If you decide to buy an optional product, bargain for the best deal available.

## 4. Can you buy it cheaper at another store?

Optional car products are high-profit items for dealerships. Many items, such as paint sealant, fabric protector, or accessories may be obtained for a cheaper price from a retailer outside the dealership.

## Service Contracts

Motor vehicle service contracts and maintenance packages are two separate products. Service contracts are sold by both manufacturers and third-party companies. Make sure you understand exactly what company is behind your contract. Consumers should find out what repairs are covered by the manufacturer's warranty before purchasing a separate service contract, to avoid needlessly purchasing duplicate coverage.

Service contracts cover many major repairs to your vehicle. They are likely to cover only mechanical breakdown, not preventative maintenance. Carefully check the contract beginning and ending date. Service contracts are optional products. A consumer does not need to buy a service contract or maintenance package to complete the purchase of an automobile. Consumers should closely review service contracts to determine whether the coverage is worth the cost.

## Maintenance Packages

Maintenance packages are not backed by an insurance policy and typically only cover minor services, such as oil changes, tire rotations, and lube jobs. Some consumers complain that, although they believed their maintenance package would cover repairs, they found the packages useless once their vehicle broke down. In addition, maintenance packages often limit a customer's mobility, because they require the customer to have the vehicle serviced at the dealership where it was purchased.

Some dealers offer maintenance packages on vehicles sold "as-is." "As-is" vehicles are not covered by the used car warranty law, and consumers buying such vehicles assume all responsibility for repairs. Maintenance packages offered with "as-is" vehicles typically do not offer substantial coverage against repairs.

## Protection Packages

Many dealerships offer services such as rust protection, fabric protection, paint sealant, or theft protection. These items may be overpriced and may not produce the desired effect. For instance, “fabric protection” may be no different than furniture/carpet guard that a consumer can buy at a retail store. “Paint sealant” is sometimes just a high quality wax at a high cost. Rust protection warranties may be included in a vehicle’s factory warranty, making the purchase of the optional product unnecessary. These products often include complex exclusions, voiding the protection if the seams become rusted, or if only a portion of the metal experiences rust. Finally, “theft protection” is a product in which the VIN number of the vehicle is etched into the window of the vehicle, or branded on other parts of the car, usually at a significant mark-up in cost. The bottom line on protection packages is that they are often a high profit item for the dealership, but may be a low value product for the consumer.

## Financing

Car dealerships often encourage consumers to finance their purchase through the dealership, rather than an outside financial institution. Dealerships frequently promote their financing packages through television, radio and print advertising. Consumers should be aware that buying financing is just like buying any other accessory or service connected with a car. To get the best deal consumers are encouraged to shop around by checking with their financial institution to find the best rate. Consumers are often able to negotiate an interest rate just as they would negotiate the price for a car. Consumers with higher credit scores receive the best interest rates and most attractive terms, whereas individuals with “less than perfect credit” generally pay more for a loan.

As with other optional products, dealerships often attempt to make money selling financing packages. Therefore, a dealership may offer a consumer a loan at a higher rate than the financial institution would sell it for. For example, a dealer may obtain a loan from a bank at 11 percent and then sell the loan to a consumer at 15 percent, making a 4 percent profit margin for the dealership. This profit margin is called a “yield spread.” When negotiating a loan, consumers should ask their dealer what rate the bank is willing to lend at and which institution the dealer is making the loan through.

## Motor Vehicle Dealerships

Motor vehicle dealerships are licensed and regulated by the Minnesota Department of Public Safety. Consumers who have questions or complaints about a given dealership may contact the Department as follows:

### **Minnesota Department of Public Safety**

445 Minnesota Street  
St. Paul, MN 55101  
651-201-7000  
*www.dps.state.mn.us*

The Attorney General’s Office may be contacted as follows:

### **Office of Minnesota Attorney General**

**Lori Swanson**

445 Minnesota Street, Suite 1400  
St. Paul, MN 55101  
651-296-3353 or 800-657-3787  
TTY: 651-297-7206 or TTY: 800-366-4812  
*www.ag.state.mn.us*