

# CAR BUYING OR LEASING MADE SIMPLE

A GUIDE TO CAR BUYING OR LEASING VEHICLES  
FROM A FRANCHISED NEW CAR DEALER.



**KNOW YOUR:**  
NEEDS, PRODUCT, FINANCES, DEALER, RIGHTS



PREPARED AND DISTRIBUTED BY:  
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AUTOMOBILE DEALERS ASSOCIATION



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# “AN EDUCATED CONSUMER IS OUR BEST CUSTOMER”

- SY SYMS

Multiple makes and models...countless options...dozens of dealerships...extended service contracts...budget calculations...price negotiations...trade-ins...financing...

So many factors go into the selection and purchase of a car or truck today that prospective buyers, regardless of how auto-savvy they may be, should always educate themselves before going to a showroom, or contacting an Internet buying service. The one piece of advice that consistently pays off is:

## **BE YOUR OWN CONSUMER ADVOCATE: DO YOUR HOMEWORK!**

In short, use any and all resources available to help you get the vehicle of your dreams.

- Check out recent automotive trade magazines, consumer publications and manufacturer and franchised dealer Internet websites;
- Collect brochures on your favorite makes and models;
- If you are interested in a used vehicle, or are considering a trade-in, gather current market facts and figures from the N.A.D.A. Used Car Guide ([www.nadaguides.com](http://www.nadaguides.com));
- Take advantage of the services available to research the history of the used car you're looking at, to avoid surprises later on;
- If the timing is right, visit your local auto show (s), where you can look, touch, and examine a wide cross-section of vehicles under one roof;
- Choose your dealer wisely and use your accumulated knowledge to maximize your working relationship with your salesperson;
- Test drive each vehicle with your driving habits and conditions in mind; and finally,
- Buy from a licensed, franchised dealer. Franchised dealers offer consumers the greatest number of consumer protections required by the Department of Motor Vehicles, the Office of the Attorney General, and regional Consumer Affairs agencies.

# STEP #1: KNOW YOUR NEEDS

Before heading out to purchase or lease your new or used car or truck, it's vital to define your ideal vehicle. The primary areas to consider are:

## Size

- Compact
- Mid-size
- Large
- Minimal trunk space
- Maximum trunk space
- Roof rack
- Do you have specific interior space needs?
- Is your garage/driveway space adequate?

## Style

- 2-door
- 4-door
- Hatchback
- Luxury
- Station wagon
- Sport Utility Vehicle (SUV)
- Minivan
- Bucket or Bench seating
- Split rear seat
- Leather or Cloth
- Handicap Accessible
- Crossover
- Color (Both interior & exterior)
- Crossover

## Usage

- Primary vehicle
- Secondary vehicle
- Business travel
- Pleasure vehicle
- Daily commuting
- Long trips/vacation

## Function

### Engine Power

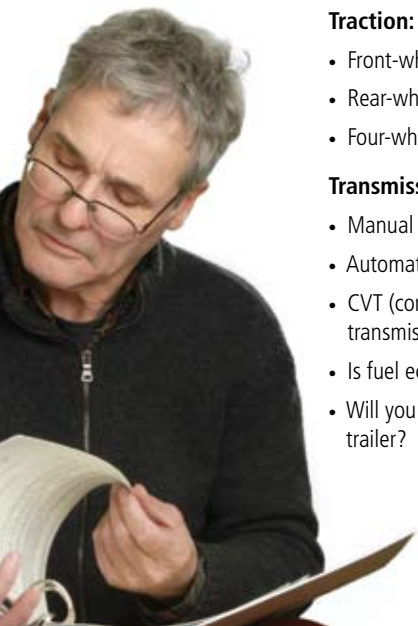
- 4 Cylinder
- 6 Cylinder
- 8 Cylinder
- Gasoline
- Diesel
- Alternative Fuel (hybrid, electric, etc.)

### Traction:

- Front-wheel drive
- Rear-wheel drive
- Four-wheel drive

### Transmission:

- Manual (for fuel economy)
- Automatic (for ease in traffic)
- CVT (continuously variable transmission)
- Is fuel economy important?
- Will you be towing a boat or trailer?



## Safety

- Anti-lock brakes
- Night vision
- Fog lights
- Automatic seat belts
- Navigation System
- Child proof door locks
- Backup warning system
- Air bags (front & side)
- Daytime running lights

## Comfort

- Air conditioning
- Power steering
- Tinted glass
- Adjustable steering wheel
- Remote trunk release
- Adjustable/Power/Heated seats
- Cruise control
- Power windows
- Remote entry

## Special Options

- Extended service contract
- Paint sealant
- Rust proofing or undercoating
- Alarm (Passive or Lo-Jack)
- Sound system (CD, MP3 or satellite radio)
- Theft Deterrent System (VIN Etching)
- Tire/Wheel protection
- Sun roof/Moon roof
- Fabric protection



## STEP #2: KNOW YOUR PRODUCT

### Playing the Rating Game

Once you've established your needs, the next step is to narrow down your choices. To see how a vehicle meets your requirements, you will want to evaluate it in terms of exterior, interior, and drivability. Rate each category 1 through 5, with 1 having the highest rating.

### OUTSIDE INSPECTION

- Paint
- Tires
- Roof rack
- Undercarriage
- Overall appearance
- Windows/Windshields
- Bumpers
- Side View Mirrors

### INTERIOR INSPECTION

- Upholstery & Carpeting
- Controls & Safety Features

### THE ROAD TEST: IN SEARCH OF S.A.T.I.S.F.A.C.T.I.O.N.

\_\_\_\_\_ **Steering:** How does the vehicle react to turns of the wheel?

\_\_\_\_\_ **Acceleration:** Does the vehicle accelerate evenly and with sufficient power?

\_\_\_\_\_ **Transmission:** Does the vehicle shift smoothly?

\_\_\_\_\_ **Instrumentation:** Is the instrument panel easy to read while driving?

\_\_\_\_\_ **Seats & Seat Belts:** Are they comfortable?

\_\_\_\_\_ **Foot Brakes:** Do they engage quickly and stop the vehicle smoothly?

\_\_\_\_\_ **Accessories:** Do turn signals, mirrors, headlights, gearshift, horn etc. meet your standards?

\_\_\_\_\_ **Climate Control:** Do both the air conditioner and heater work effectively?

\_\_\_\_\_ **Turning Radius:** Is the vehicle easy to maneuver and park?

\_\_\_\_\_ **Interior Lighting:** How does it measure up in terms of brightness and location?

\_\_\_\_\_ **Operation:** Is driving the vehicle a pleasurable experience?

\_\_\_\_\_ **Noise Level:** How quiet is the overall ride?

## STEP #3: KNOW YOUR FINANCES



When does the “greatest vehicle bargain in the world” cease to be a bargain?



When it exceeds your budget.  
The rule of thumb is:

- 1: Be realistic and always focus on your bottom-line.
- 2: Consider your payment options: leasing, paying cash, or financing.
- 3: Take your time making your final decision.

### APPLYING FOR CREDIT

Today, most of new-vehicle purchases rely on some form of credit, often arranged through the selling dealer. Dealer financed loans or leases offers a number of advantages:

- 1: The convenience of one-stop shopping
- 2: Competitive rates
- 3: Access to multiple sources for credit
- 4: Access to exclusive financial incentive programs from the manufacturers.

### BUYING VS. LEASING

You'll probably want to buy if:

- 1: You drive more than 15,000 miles a year.
  - When you purchase a vehicle there are no mileage restrictions. A lease contract will normally lock you into a specific mileage limit, usually 10,000 – 15,000 miles a year. You will also pay a charge per mile for any mileage exceeding the contractual amount.
- 2: You want to own the vehicle.
  - Buying allows you to obtain title to the vehicle. In a lease transaction the title remains in the lessor's name.
- 3: You plan to modify the vehicle in some way.
  - Most lease contracts restrict lessees from making modifications to the vehicle.



You'll probably want to lease if:

- 1: You prefer lower monthly payments and desire flexibility in designing a payment schedule;
  - Leasing allows you to in effect "rent" the vehicle for a limited period of time. Since you are only paying off the vehicle's depreciation during the lease term, plus "rent" charges, monthly payments are lower!
- 2: You like to drive a "new" vehicle after two, three, or four years of operation.
  - Lease contracts allow you to simply return the vehicle at lease end. However, most leases include a purchase option.
- 3: You want to put little or no money down.
  - Most lease offers ask for little or no money down. Whereas a financed purchase frequently requires a substantial down payment (up to 20% of the total price). Leasing allows you to invest that money elsewhere.

## Balloon Financing -

*WHAT IS IT?*

Balloon financing allows you to make payments as you would in a lease – based on the depreciation of the vehicle, not the total cost - resulting in lower monthly payments than traditional financing. At the end of the financing term, you have four options:

- 1: Refinance the remaining cost,
- 2: Buy the vehicle by paying the outstanding balance (the balloon)
- 3: Sell the vehicle to pay off the outstanding balance and keep any profit for yourself,
- 4: Return the vehicle and pay the agreed upon disposal fee, plus any other charges that may apply.

**Whether you buy or lease, remember to consider all of your options and make the choice that best suits your needs.**



## BUYING

To be well prepared, you'll want to put together a **personal purchase plan**. But before you start crunching numbers, keep the following in mind: your trade-in+, scheduled maintenance++, and consumer elected options

The next step is to determine exactly what you can afford in the way of:

Price of vehicle  
(include service contract) \$ \_\_\_\_\_

Tax, registration, and  
state inspection fee + \_\_\_\_\_

**Total** = \_\_\_\_\_

Less down payment or trade - \_\_\_\_\_

Less Rebates/Coupons - \_\_\_\_\_

**Total amount financed** = \_\_\_\_\_

Annual percentage rate (APR)\* x \_\_\_\_\_

Length of loan (# of months) ÷ \_\_\_\_\_

Monthly payment = \_\_\_\_\_

Cost of insurance (monthly) + \_\_\_\_\_

Fuel & maintenance (monthly) + \_\_\_\_\_

**Using these figures as a guide,  
this is your total estimated  
monthly expense:** \$ \_\_\_\_\_

\*Many banks include an amortization program on their websites. This will allow you to calculate your monthly payment based on annual percentage rates.

+Trade-in advantages: Trading in your old vehicle to a franchised dealer can save you time, effort and advertising expense. Also, you will save on sales tax because the trade-in is subtracted from the price of the new vehicle before the sales tax is computed!

++Scheduled maintenance: Be sure to read your owner's manual for your vehicle's service schedule.

## LEASING

Those considering leasing should also determine what they can afford on a monthly basis. By completing the worksheet below, you will be able to come up with a rough estimate of what your monthly expenses will be. Do keep in mind, however, the key word here is "rough", as no two leasing programs are exactly the same.

Gross Capitalized Cost*	\$ _____
Capitalized cost reduction**	- _____
Residual value	- _____
Rent Charge (Interest Rate)	+ _____
Length of lease (# of months)	÷ _____
Monthly payment	= _____
Cost of car insurance (monthly)	+ _____
Fuel & maintenance (monthly)	+ _____
Using these figures as a guide, this is your total estimated monthly expense:	\$ _____

\*Gross capitalized cost includes: negotiated cost of car, sales tax+, registration, inspection, bank/acquisition and documentation fees, service contracts, gap insurance and any outstanding prior credit or lease balance.

\*\*Rebates, down payments, or trade-in.

+Sales tax on a lease is calculated by multiplying the monthly payment by the lease term, and the tax rate. (example: \$200 monthly X 50 months X .85 = \$850)





#### Additional considerations when leasing a vehicle:

- First monthly payment and a refundable security deposit are generally required upon delivery.
- Early termination of a lease always involves additional costs. Review your lease contract carefully for early termination fees and other charges.
- Under the terms of a lease agreement you will be charged for excess mileage above the amount specified in your lease agreement.
- You must return the vehicle to a designated drop-off point and you will be responsible for **unreasonable** wear and tear.

**Make it a point to inspect the Parts Service area. Be sure you are comfortable with the professionalism and organization of the service department.**

## STEP #4: KNOW YOUR DEALER

Before choosing a dealer, consider the following:

### Location

Is the location convenient?

- After you buy or lease your vehicle, you'll want to establish a relationship with your dealership's service department. To ensure maximum performance and durability you will need to follow the routine maintenance schedule according to the owner's manual. Therefore, you may want to consider a franchised dealer close to your home or workplace.

### Service

- Does the service department have convenient service hours?
- When necessary, is a loaner car after rental provided at a discounted rate?
- What is the average wait for a service appointment?
- Does the service department ever feature special coupons, promotions, etc.?
- Are technicians ASE (Automotive Service Excellence) certified?



## Reputation

- How many years has the dealership been in business?
- Is the dealership a member of a respected trade organization such as the Greater New York Automobile Dealers Association?
- Does the dealership have a “Satisfactory” rating from the Better Business Bureau?
- How did the dealership score on their last manufacturer CSI (Customer Satisfaction Index)? An auto dealership’s reputation is based on friendliness, honesty, and good customer service. Talk to people you know who have bought cars from a particular dealership to get a sense of its dependability and responsiveness to customer needs.

## REMEMBER...

Dealers invest time and money in training, state-of-the-art equipment, and building a strong customer base. They know that satisfied customers mean repeat business – and repeat business is, after all, key to maintaining a successful, long-term operation.



## STEP #5: KNOW YOUR RIGHTS

### The ABC's of Buyer Protection

When you purchase a new or used vehicle from a *franchised* dealer in New York State you are automatically covered by a number of Federal and State protections **unavailable through private sales**.

#### New Car

- Repairs under warranty will be honored by the selling dealership or any other franchised dealership in that manufacturer's network. Even if the selling dealership goes out of business, the manufacturer will honor your warranty.
- If the vehicle is sold or registered in New York State, you are protected by New York State's New Car Lemon Law, which offers warranty protection for the first two years or 18,000 miles, whichever comes first.

#### Used Car

- The dealer must disclose in writing whether the vehicle was used as a police car, taxicab, rental vehicle, or a driver education vehicle.
- With New York State's Used Car Lemon Law (as of the date of this printing), if the vehicle has:
  - more than 18,001 but less than 36,000 miles you receive a 90-day or 4,000 mile warranty, whichever comes first.
  - If the vehicle has more than 36,000 but less than 80,000 miles you receive a 60-day or 3,000 mile warranty, whichever comes first.
  - Between 80,000 and 100,000 miles you receive a 30-day or 1,000 mile warranty, whichever comes first.

Under 18,000 miles the provisions of the New Car Lemon Law apply. Vehicles with more than 100,000 miles or that cost less than \$1,500 are exempt from the Lemon Law.

- The New York State Department of Motor Vehicles requires that every used vehicle sold by a dealer must be safe for use on the public highways (Certificate of Adequacy).

## BUYER BEWARE .....

- Generally, there is no right to cancel a purchase once you have taken delivery of the vehicle. The so-called “Three Day Cooling Off Rule” (changing your mind within 3 days of purchasing) does not apply if you, as a buyer, voluntarily go into a dealership to purchase a vehicle.
- The window sticker (Monroney Label) showing the Manufacturer’s Suggested Retail Price (MSRP) must be affixed and visible in a window of a new vehicle.
- The New York State Damage Disclosure Law requires that a consumer be notified of any significant pre-existing damage to a new vehicle **PRIOR TO SALE AND DELIVERY**.
- Optional products such as extended warranties, service contracts, and anti-theft items are **not** mandatory and should not affect your interest rate, or the ability to qualify for financing.
- According to New York State law, the dealer has 30 days from the estimated delivery date to deliver a new vehicle. If the vehicle is not delivered within this time frame, the buyer is entitled to cancel the deal and receive a refund of their deposit.
- A demonstrator vehicle is titled as a new vehicle when initially sold to a consumer. Mileage is not a factor in determining whether this type of vehicle is new or used.
- Misleading statements in advertising the product being sold are covered under the Office of the Attorney General and local Departments of Consumer Affairs laws and regulations.
- A used vehicle must display the Federal Trade Commission’s (FTC) Buyer’s Guide, disclosing relevant information about the vehicle.

If you are unable to resolve a problem involving a new or used vehicle from a licensed dealer; there are government and private agencies available to assist you. These include the New York State Office of the Attorney General, regional Departments of Consumer Affairs, the New York State Department of Motor Vehicles and the Automotive Consumer Action Program (AUTOCAP).



## AUTOCAP

AUTOCAP is a free mediation service specializing in the resolution of complaints between franchised new vehicle dealers and their customers. Consumers are welcome to call with questions on sales, service, and warranty issues on new or used vehicles.

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You can reach AUTOCAP toll-free by calling 1-800-522-3881.

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- Before signing any agreement **READ IT – BE SURE YOU’RE GETTING EVERYTHING YOU AGREED UPON.**
- Signed contracts are binding on both the customer and the dealer. **NEVER SIGN A DOCUMENT WITH BLANK SPACES!** Also make sure you get a copy of the contract(s) at the time you sign.
- When your vehicle is presented to you at the time of delivery, **INSPECT AND TEST-DRIVE IT AGAIN.** If there are any adjustments or corrections to be made, have them noted **IN WRITING.**
- Maintain your vehicle according to the manufacturer’s schedule contained in the owner’s manual, and keep all repair orders and maintenance receipts to preserve your rights under your warranty.



## Glossary

A layperson's guide to leasing language and sales talk.

### **AMORTIZATION:**

The reduction of a debt by making payments in installments.

### **ANNUAL PERCENTAGE RATE (APR):**

Interest cost of a loan calculated on a yearly basis.

### **APPRAISED VALUE:**

In leasing, the current value of a vehicle at the time of appraisal. Appraised value is important:

- a) if a vehicle is stolen, and
- b) at the end of the lease term.

### **BALLOON PAYMENT:**

A final lump sum payment made at the end of a finance contract. The lump sum payment must be disclosed at the time of the sale.

### **BUMPER-TO-BUMPER WARRANTY:**

Warranty that includes **almost** every part of the vehicle from the front bumper to the rear bumper. Check your warranty manual for a list of covered items.

### **CLOSED END LEASE:**

In a closed end lease the lessee is **NOT** obligated to buy the vehicle. **NOTE:** Some closed end leases offer lessees a purchase option at the end of the lease term, either for a pre-specified amount (residual) or fair market value.

### **DEMONSTRATOR ("DEMO"):**

Vehicle used by a manufacturer, dealer, or distributor primarily for demonstration purposes.

### **DEPRECIATION:**

Reduction in a vehicle's value due to age and normal wear and tear.

**GAP INSURANCE:**

Insurance covering the difference between what is owed on a retail or lease contract and the value of the vehicle upon its loss or destruction.

**GROSS CAPITALIZED COST:**

The total selling price of the vehicle (i.e., negotiated selling price plus optional equipment, extended warranties, etc.). Also referred to as "cap cost".

**LEASE TERM:**

Total number of monthly payments.

**LESSEE:**

Consumer leasing a vehicle from a lessor.

**LESSOR:**

Owner (bank or leasing company) of the leased vehicle.

**MANUFACTURER'S SUGGESTED RETAIL PRICE (MSRP):**

Price at which a manufacturer "suggests" a dealer sell a specific vehicle. Customer cost may be higher or lower, depending on market conditions.

**NEGATIVE EQUITY ("UPSIDE DOWN"):**

Owing more than a vehicle is worth.

**REGULATION "M" (TRUTH IN LEASING ACT):**

If a dealer is arranging a lease for a customer, the dealer must show the terms to the customer **BEFORE** the customer signs the lease agreement. If the customer does not accept the terms, the customer is entitled to cancel the contract and receive a refund of their deposit.

**REGULATION "Z" (TRUTH IN LENDING ACT):**

If a dealer is arranging financing for a customer, the dealer must show the financial terms to the customer **BEFORE** the customer signs the finance agreement. If the customer does not accept the terms, they are entitled to cancel the contract and receive a refund of their deposit.

**RENT CHARGE:**

In a lease contract, the amount similar to the interest or finance charge on a loan or credit agreement.

**RESIDUAL VALUE:**

Predicted value of the vehicle established at the beginning of the lease.



Greater New York  
Automobile Dealers  
Association

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