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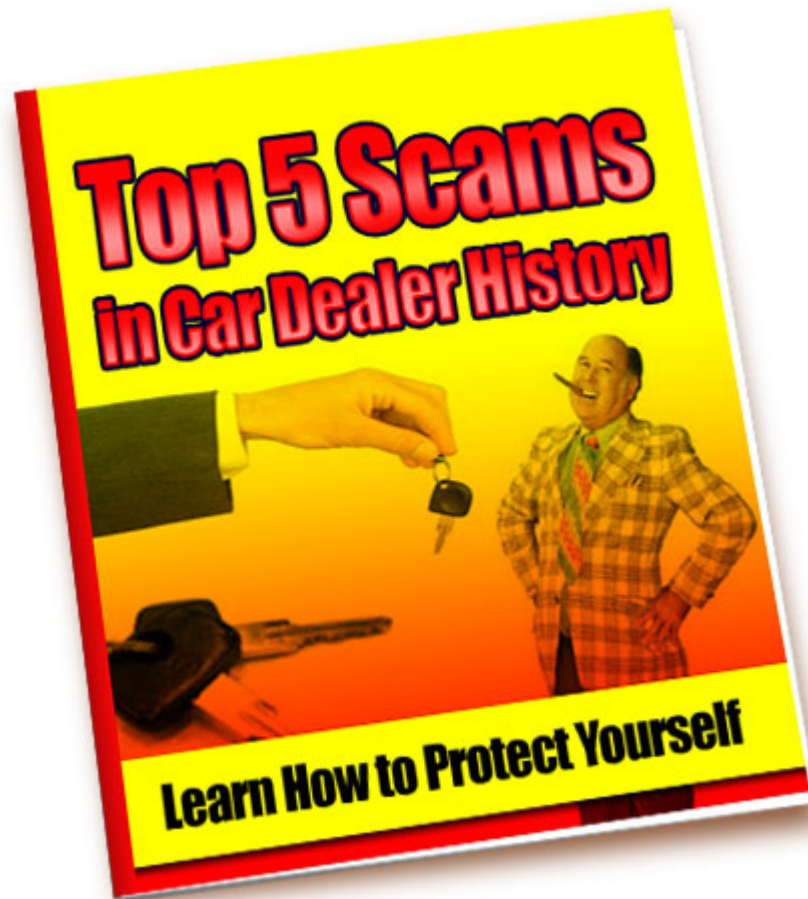
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The Good, the Bad, and the Very Bad: Top 5 Scams in Car Dealer History



Well, of course, there are lots of honest salesmen around. In fact, I'm sure most of them are. But that's not exactly saying that there aren't scammers hidden among the bunch – the proverbial wolf in sheepskin, so to say.

The credit bureau website has over 10,000 visitors daily and most of them are consumers who have been scammed by car dealers. They go online to report the scam, but the damage has been done. Their money is gone.

When looking to buy a car or looking for an auto financing company to finance your car, be very wary of the sites that you visit. Scam websites are nabbing

hundreds of victims daily. They could be anything from fraudulent ads to escrow websites and phisher sites that do nothing but steal your identity along with your credit card number, bank account number, the lot. If you are lucky, you won't encounter these scams. But you may stumble upon a few and might fall for one of them.

Before we tell you all about the top scams fraudulent car dealers use on you, just keep this in mind: The "car loan" your car dealer offers you at the dealership is not really a car loan. In the car business, they are known as Retail Installment Sales Contracts or RISC (pronounced "risk" and you can see why).

A RISC is not a service that your dealer provides for you. It is a product and they are selling it to you. Once you sign the RISC with them, they will sell it to a bank or a lender, who will in turn provide the financing. Now, it's a basic rule in finance that the more hands get to your money, the more money you will lose. The financing you obtain from RISC passes through two different sets of hands first before getting to you. What does the basic rule say about that? The higher APR they charge you, the more money they make. So it is entirely up to you then to take them up on their offer or outright refuse.

Most victims of car dealer scams are those car buyers who decide not to finance their new cars through an independent auto financing company. That is why it is always a good idea to look for other auto financing options before you go to the dealership.

NUMBER 1: *Scammed Through Forced Credit Application*

The keyword here is "forced." Of course, it's a given that the car dealer will offer you credit to finance your car. It's even likely that they will persuade you into doing just that. There's no problem with that. That's part of their job and customer persuasion is one of their many talents. But to force you, the car buyer,

into a credit application you do not want, now that's something that requires more underhanded means.

This is how the scam works. First you decide not to finance your own car. Or even if you do decide on that, when you get to the finance office of your car dealership with your approved bank draft or money order, the manager still asks you to sign a credit application. They will say any of the following things to trick you into falling for the trap:

- “State law requires that you fill out a credit application.”
- “Everyone that buys a car through this dealer fills out a credit application.”
- “It's company policy.”

Now, of course, if you did your research beforehand, this kind of stuff would never even happen. You would know firsthand that the manager is trying to scam you and you should abandon the deal right then. Don't wait for them to convince you, otherwise.

A state statute that requires a cash buyer to fill out a car loan credit application is never going to happen. It's sheer idiocy, not to mention unjust and unfair to the buyer who's paying in cash. What's more, if you are making a full payment, then there is absolutely no reason your dealer should make you fill out a credit application. If you do that, they are only going to run your credit report, which would result in lowering your credit score.

Cut off whatever deal you have going with them right then and look for other dealers out there offering a better, and most importantly, *honest* bargain. Remember that the other party to the deal is you and you deserve a say in the

matter. If the dealer forces you to do something you don't want, why would you do it? Walk out. People like that don't deserve your money.

NUMBER 2: *The Car Lease Payoff Scam*

“No matter how much you still owe on your loan or lease, we'll pay it off for you!”

Sound familiar? This and varieties of this ad are very common on the radio and newspaper. Basically, all scams rely on your brain trick you, but this one is the lowest of the low, because the ads imply that your current lease or loan will magically vanish.

That's impossible. You can't jump a lease. It's a contract. If you break it, you would have to answer for penalties and *those* are done in thousands. So really, these scams are atrocious lies.

At first, it may seem as though they are indeed getting you out of your current lease, because well when you break a contract, then you're out of it. But the payoff penalties still apply and when they do, you could get burned. Plus, your leasing company could bring an action for specific performance against you, plus damages for breaking the contract. That means you'd have to pay for the remaining payment on your lease, plus additional fees for damages or injury. That's like multiplying your \$10,000 remaining lease to 5.

The dealers offering this kind of service are not doing anything for you. All they want is your trade in so they can give you far below market value for it, while selling you a new car at a high profit. And then, what they do is they sell in your trade in for a much higher price. So in the end, you get a possible nasty court action; they get all the profit.

Here's a more accurate picture of this kind of scam deal:

Let's say that you are upside down on your car loan, still owing \$10,000 for it. You found an ad that said they will pay off your car loan for a trade in with a car worth \$15,000. You accepted the deal and the dealer pays off your \$10,000 car loan. So now, you owe \$10,000 to the dealer, plus \$15,000 for that new car you are buying. In effect, you are really financing two cars for \$25,000! How did THAT happen?

You see, your payments in loans such as this are spread out over 60 or 70 months. In that length of time, you never notice what's happening because the payments are low and minimal. But when you take a look at the records and add it all up, you realize that you are NOT saving on your car loan; you are even in fact DOUBLING UP your current debt.

The way to avoid this low car deal trick is to stay in a lease until the end. Ride it out. It's already in your mouth; it's not that hard to chew. The only right time to trading in a car is when the car is worth more than what you still owe on it. And don't make the mistake of walking away ahead on a trade in because that has never happened and it never will.

NUMBER 3: *"Forced Warranty"*

The "Forced Warranty" scam is about the oldest one in the bunch that is still in use. It's not always called a "warranty." Some dealers just say that it's a way of buying down your APR so you get a lower rate. Others explain it like they would points in a mortgage. But basically, the scam is like this:

You decided to buy a new car from a certain dealership. You like what they're offering and you like the car so you're now ready to sign the papers. However, before you do, the manager tells you that you MUST include the extended warranty they are offering for \$2,000. Why, you ask? They will say things like "because the bank requires it" or "you have to or you won't get the loan."

Now, if you apply logic to this one, you'd find that you'll outright fail. There is just absolutely, certainly, positively no logic in this kind of deal. Just think, the lender is worried because you may not be able to pay back a loan on a \$25,000 car and so they want you to add \$2,000 to the loan so you will qualify. What the hey! Why not just call you 'stupid' to your face instead of going through this elaborate subterfuge scheme to scam you out of your money?

However, many buyers do fall for this trick. You'll be surprised sometimes just how easy the brain gets tricked, especially if you really, really want a car and are willing to spend atrocious amounts to get one.

So how do you avoid this scam? Simple. Just have them put it into writing. Make sure that you include the phrase to the effect that the warranty "is required to be approved for your loan" or something to that effect. That way, when they sign it, you can show it to your State Attorney and get their opinion of its validity.

NUMBER 4: *Spot Delivery*

Sometimes called the "yo-yo", this scam is characterized by the common occurrence when a few weeks after closing the deal, the manager will call you and says that "financing fell through, we need more money." Well, that just sucks. This is what happens when you sign a contract with the "subject to financing" clause.

I'll tell you why people fall for this scam. Here's what happens: You decide to trade in your old car and the manger says that you got a good APR. No problem whatsoever. So you shake hands. The dealer hands you the key. You drive home happy. Then two weeks and 500 miles later, BAM! They call you to say that they're very sorry but you didn't qualify for the interest rate that they signed you up for.

Can they do that? Can they really ask for additional money when you already signed the papers that stipulated that that's your monthly payment, no extra? The truth is they can. If the contract you signed has the "subject to financing" clause, they absolutely can. The fraud lies in the fact that they knew what you qualified for before you signed. They knew that you didn't qualify but they deliberately misled you into thinking that you did so you will sign the contract with them so they could call you up later, lie to you, and make a profit out of you. Because they would never let you drive off with the car unless they stood a chance to gain something out of it.

When you signed that credit application with them, they know your credit score. If it's above 680, you'll get a low APR. If it's below 680, then expect a higher APR. What's so hard to understand about that? They've been dealing with credit scores for years, how come they didn't know what you or what you did not qualify for? The only answer is that it's a scam.

This scam often works if you have bad credit, so it should be easy to avoid. DON'T FINANCE AT THE DEALER IF YOU HAVE BAD CREDIT. That simple. You can try to arrange your own financing before you get to the dealership. Compare.

NUMBER 5: *The Double Dip Advertising Fee Scam*

This scam is fairly new. It's only started circulating around the net last year. What happens is that the dealer slips in an advertising fee on the vehicle contract. That's normal, isn't it? After all, cars are products. They are not different from shampoo, DVDs, candles, canned goods, etc. Therefore, it's okay to build advertising expenses into the price of the car.

Wrong.

Take a look at the factory invoice of the car (this is why getting a copy of the factory invoice is vital to car buying). You will notice that in most cases advertising fees are already on it. So there is, therefore, no need for the dealer to include advertising fees in to the price. What they're doing in fact was to "double dip" and charge you for advertising twice, because they have already taken into account the advertising fee when they negotiated your car price, but they're charging you that same advertising fee AGAIN and making pure profit out of it.

You can avoid this scam by having them remove the advertising fee from you contract. If the dealer claims that the factory doesn't charge them an advertising fee on the invoice, make them show you the invoice. Or better yet, get your own copy. I'm telling you, it really pays to be a conscientious buyer, especially when it comes to big investments like your car.

There are plenty more things that a dealer can shove right under your nose without you even noticing. We can only show you so much tips on how to avoid one particular scam, one particular scheme. But if you don't do your own homework, chances are you will fall into the trap of paying more for a car. Going to a dealer without knowing what's on your credit report is stupid. You MUST get a copy of your credit report before making any deals.

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