

The Motor Trend Secondhand Sentinel

A Buyer's Bulletin for Previously Owned Sheetmetal



Used Car Sales Continue at Record Pace

This year, approximately 25-30 million autos will change owners here in the U.S., and roughly two thirds of them will be of the pre-owned variety. While these road veterans range in character from the legendary school-teacher's specials to the equally notorious ramblin' wrecks, four out of five will share one common trait—namely serving as the primary form of transportation for those who purchase them.

The sustained popularity of used cars is attributable to a combination of economic factors, primarily the perpetually spiraling sticker prices on new models, and brutal interest rates. Since most new cars lose a far greater proportion of their original value during the first two years of their lives (in some cases, over 50%), a quality used-car not only offers substantial savings going in, it also permits a smart buyer to enjoy the secondary benefits of lower monthly payments and decreased insurance costs.

Hertz, America's largest rental-car company, regularly publishes extensive data on the entire used car market. The company's latest figures, which cover model year 1980, found the typical used car to be 3.23 years old and have about 32,000 miles on the odometer. In 1980, Hertz pegged the cost of an average specimen at \$3794. Despite a projected rise in mean age, the firm now estimates that the cost of a vehicle on today's market would be between \$4000 and \$4500, and may go higher. New or used, the motorcar remains the second largest single investment many of us will ever make.

The Hertz study indicates that a vehicle changes hands three times during its lifetime, first owners usually parting



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company with their cars sometime during the middle of year three. Statistics show that 40-45% of all new cars sold (except those stolen or wrecked) continue on the road for at least 10 years after their original purchase. Ownership and operating costs on a used car generally run anywhere from 12% to 50% below those incurred with a comparable new vehicle, and maintenance costs don't start to rise disproportionately until the car nears its seventh year or 70,000 miles of service. In many cases, these costs comprise such a modest and relatively stable segment of total operating outlays that even a few fairly aged candidates may still warrant your consideration.

See SALES, pg. 80

A Question of Values: What's It Worth?

The value of a used car, its worth on the market, is not something that can be determined with absolute precision. It is a function of the car's make, age, condition, and your desire to own it. Aside from these factors, the price of a used car will fluctuate in response to such intangibles as the price of gasoline and the public's taste at a given moment. For example, after the gas crunches of 1973 and 1979, big cars dropped in value considerably; in the late '70s, convertibles jumped in cost because they weren't making them anymore. Economic and political events have as much of an impact on car prices as they do on the stock market.

Prices will vary from day to day, and it's important to be armed with the latest information if you're contemplating buying a used car. The easiest way to begin gathering the comparative figures you'll need is to follow the ads in your local newspaper and to check the prices on nearby car lots. See VALUE, pg. 80

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VALUE, from page 79

It is also advisable to consult one of the used car guides on the market. Some of these are regional, the *Kelley Blue Book* covers the West, for instance; but there is one publication, the National Automobile Dealer's Association (NADA) *Official Used Car Guide*, which is available nationwide. The NADA book comes out every month and its 350,000 copies go out to lending institutions, insurance companies, government agencies, and car dealers. They are also available in many public libraries.

The NADA book goes back seven years and, in the words of a spokesman, "tries to cover anything sold in any quantity at all." Car prices are determined by monitoring 150-200 wholesale auctions each month, canvassing dealers, and personal contact with sources throughout the country by NADA staff people.

As comprehensive as it may be, the NADA book and others on the market make no claims to being the final word on the price of a car. "All the guide books will be fairly accurate for the average car," one knowledgeable source says.

In the end, price will be determined by a specific car's condition, option package, and, not least of all, the buyer's ability to bargain.

—Fred M.H. Gregory

SALES, from pg. 79

Buying rationale remains as wide-ranging as the number of individuals in the market. Everything depends on one's particular needs and ability to pay. Solid values can be found scattered throughout the entire used-car spectrum. You can opt to ante a slight premium for a bona fide cream puff or substitute a measure of elbow grease for cash and take on a promising fixer-upper. Either way, there's always going to be some degree of calculated risk involved. By putting forth a modest effort you can minimize your vulnerability and maximize your long-term enjoyment.

Planning is the most critical part of any used-car deal. The first step involves determining what specific types of cars will conceivably meet your criteria. The size and body style of the vehicle, primary intended purpose, and mpg considerations should all shape your thinking, along with the questions of future parts and service availability. At the same time, you must realistically appraise the level of monthly payment or lump sum cash outlay you can take on. Locating outside funding is a year-round pastime; haggling over used-car prices is best done by shopping at times when the normal sales vol-

ume is low and commissions harder to come by—specifically in the late fall or winter months, or after a major run of bad weather.

A thorough researching of promising vehicles and specific financing opportunities is then in order, because in this poker game you play far more effectively when you know who's holding what before any money changes hands. Buying a used car naturally involves some compromises, so it becomes doubly important to explore all possibilities before committing to a specific vehicle or sales contract.

The MT Secondhand Sentinel is designed to enlighten you in the fundamentals of operating within the used-car market. To stack the odds in your favor and remove some of the unnecessary risk, we'll examine each major functional area, and offer some basic advice along with a number of less obvious suggestions for beating the system. Every transaction is unique, and striking the best bargain will require paying attention to all the details. Just remember that the guiding tenet is to shop diligently every step of the way, because the ultimate success or failure of your quest depends to a great extent on how well you do your homework. Happy hunting.

How To Rd a Wnt Ad

The quick answer, of course, is with skepticism. Those cryptic little mousetype messages, reduced to the comprehensibility of Gaelic or a set of military marching orders by the classified advertising encoders of the *Daily Bleat* (or *Reaper* or *Claron-Bugle-Watchdog* or whatever), often make promises they can keep. But just as often they emit a powerful odor of mendacity. Or perhaps an even more common odor, the one associated with barnyards and pastures.

By applying a jaundiced eye as you sift through the disemvoweled language of the used-car wants, you can, at the very least, save yourself a lot of telephone message units and, at best, a lot of money and/or headaches.

For example, if the ad is down there among the ordinary private party listings but concludes by offering "E-Z Credit," it indicates the presence of a low-end dealer who makes his money by sharkish interest rates and marginal cars. Avoid these operators; strictly sleaze city. A variation on this theme is the dealer who uses the classifieds to announce he's loaded with inventory due to new-car trades and is slashing prices "to the bone." Not only is this heavy new-car action unlikely considering the kind of years most new-car dealers have been suffering lately, but these guys are simply not there to give cars away. Any time you deal with a dealer, you must consider not only his own profit motive but his apparatus as well. The private party has no showroom

or lot overhead of any kind, and consequently you're likely to find yourself a better buy in this area.

This requires a bit more patience, of course. And it also requires timing. Although you'll probably be screening the classifieds daily, the best editions are Friday and Sunday. Friday papers usually get all the new ads that will run through the weekend. If it's an a.m. paper, you can usually get a first edition Thursday night early enough to jump on anything that sounds particularly juicy (although you should be cautious about making a final decision at night). Sunday wants will carry a few additional ads, and you can usually get hold of these classifieds quite early Saturday. Don't be afraid to call at

marginal hours—11 p.m. or so. The good stuff is going to disappear pronto, so the earlier you're on the scent the better.

Then there's the matter of employing your jaundiced eye to good advantage. After all, the seller wants to present his offering to best advantage, and just might exaggerate the virtues of his old sled. No rules are universal in this business, but there are some classified entries that ought to set off your personal alarm bells. A few suggestions follow.

RNS GD, NDS MINOR BODY WRK—Good chance it looks like it was customized with a ball peen hammer or, more likely, by a bus.

LOOKS GD, RNS FAIR—No longer a question of whether major engine work is imminent but when. Could be something as simple as a valve job, but more likely the main bearings are on the verge of becoming Wheaties.

RNS GD, USES SOME OIL—Good bet only if you need something capable of laying down a smokescreen.

RBLT ENGN—Rebuilt by whom? The seller's brother-in-law Clyde? Using kitchen implements? And when? If the seller lists a rebuild as an incentive, make sure he's got documentation.

DRVN ONLY WKND—Probably a recent retiree from the local half-mile oval. **STORED LST 5 YRS**—Maybe so, but why? Was it because that's when it stopped running? Also, find out how it was stored. Was it prepped for long inactivity? Or merely parked? →



Dealing With the Dealers

If the saying, "A fool and his money are soon parted" had been coined in this century instead of the 16th, it might have gone on to say, "especially at a used-car lot." Here the used-car shopper comes up against the pros, and they will rarely show mercy to someone ill-prepared to deal with them. At the same time, there are distinct advantages to buying from a person who sells cars every day. You're not likely to find a spectacular bargain, but if you proceed cautiously, you may well find a good car at a decent price.

Two kinds of dealers handle used cars:

WNT AD, from pg. 80

MUST SELL—Swell. But for how much? And why? This entry is frequently just a come-on and does not necessarily indicate a desirable level of desperation on the part of the seller.

\$5000 FIRM!—Check the paper again in a week. If he's still there, that firm \$5000 could have softened by \$500 or so.

\$5000 OBO—We think this probably means the seller may take a musical instrument in trade. If you don't have an oboe, maybe he'll take a lute.

ASKING \$5000—Meaning he'll take substantially less.

MK OFFR—Can be a good opportunity, if you're solidly in touch with the market, but quite frequently the "MK OFFR" advertiser has a solid figure in mind. Save yourself some time by exacting this number *before* going out to see the car.

DIVORCE FORCES SALE—You may find yourself dealing with a committee: the seller, his lawyer, and *her* lawyer. Usually the opportunity for a bargain is limited here.

ALL-NU RBBR—Make sure you're not paying an unnecessarily high premium for a set of chain-store bias ply cheapies.

NU PAINT—Don't expect 10 coats of hand-rubbed lacquer. And what is that NU PAINT covering up?

NDS NU BRAKES—Knock \$300 off whatever he's asking right now.

TRNSMSSN NDS WRK—This usually means the inside of the transmission, auto or stick, looks like the bowels of a trash compactor. Ad should read, "TRNSMSSN NDS REPLCMENT."

LO MILES—Behind "the check is in the mail," this is the biggest lie of all. Check the service stickers on the inside of the door, if they haven't disappeared (the stickers, not the doors), or check the service record, if there is one, against that "LO" odo total. Does the appearance of the car tally with the claimed mileage? If you have any doubt, take a walk.

—Tony Swan

new-car dealers, who have manufacturer affiliations and are forced into the used-car business by the trade-ins they accept; and independent used-car dealers who buy and sell only pre-owned automobiles. To the shopper, there are some differences between these two types of dealers, but they also have much in common. Most obviously, any dealer is in the busi-

ness of selling cars; he wants to be in that business tomorrow; and he must have at least some sense of future accountability. That's not to say there are no sleazy types at used-car lots. But no merchant can play too dirty for too long and remain afloat. As a local business, a dealer of some size will likely have a history you can research by telephoning the Better Business Bureau or a consumer affairs agency.

One good reason to get a car at a dealer is the relative convenience of the transaction. These guys know everything involved when a car changes hands, and they can do a lot to facilitate the process. Licensing and registration are handled as a matter of course, and any inspections of the car the state may require will be taken care of. Also, dealers have close contacts at banks and finance companies, and some even carry their own contracts—although their rate to you will hardly be the most favorable.

New-Car Dealers

Prices tend to be the highest here, but the potential benefits may compensate. For the new-car dealer, used cars are merely



Dealing for Dollars



With the cost of money now hovering stubbornly between the ridiculous and the absurd, it's become absolutely imperative to explore every possible avenue for funding your veteran vehicle. The first rule of applied used-car financing stipulates that the recipient of a loan never enter into any time agreement without knowing exactly how much is being borrowed, from whom, for how long, and the rate at which it will have to be paid back. To any borrower, the most significant figure is the annual percentage rate (APR). This dictates the amount of interest dollars per year that one must pay on the principle borrowed. The APR is computed by multiplying the stated monthly finance charge by 12. In today's world of 16%-plus prime rates, you can expect APRs on used-car loans to run from about 17% (if you're lucky) to over 25%, depending on the source of financing.

A corollary to this axiom is that you should never seek to finance a downpayment. The additional interest charges incurred by floating 100% of the purchase price pushes the real cost of borrowing so high that you're better off postponing the transaction until you can amass a suitable cash supply.

The specific terms of a used-car loan will be determined by your financial status and cash flow capabilities as well as the price of the vehicle itself. The more you put down at the time of purchase, the lower the total cost of the car will be

when measured in absolute terms. Unfortunately, few buyers in today's market can afford 4-digit cash outlays, and many of those who can are better off buying on time for personal tax purposes.

Anyone who does plan to seek outside financing should first inquire about borrowing against some type of personal asset, either a savings account, life insurance policy, or real property. Using any of these channels may require your willingness to lock up specified assets during the loan period, but those who qualify can generally borrow at "bargain" rates.

For many people, credit unions have proven to be excellent sources of used-car financing. These organizations are known for their relatively liberal lending policies and favorable interest rates. Depending on the union, loans can be of the secured or unsecured variety, but the latter will add several percentage points to the APR in order to compensate for the added risk. Besides offering interest rates that are preferable to virtually all other outside financing sources, credit unions usually allow a borrower to pay off a loan early without incurring any penalty. Besides the normal membership requirement, a credit union will often require a slightly larger down payment in order to secure the deal. For the moment, the biggest problem faced by most credit unions is that the high prime rates have made it

See DOLLARS, pg. 84

