

AUTO ADD-ONS ADD UP

HOW DEALER DISCRETION DRIVES EXCESSIVE, ARBITRARY, AND DISCRIMINATORY PRICING

© Copyright 2017, National Consumer Law Center, Inc.

Tips for Consumers Considering Purchasing Auto Add-On Products

The current lack of transparency in pricing for auto add-on products makes it difficult or impossible for consumers to protect themselves. The current lack of transparency in pricing for add-on products makes it difficult or impossible for consumers to protect themselves. Until state and federal policymakers and enforcement authorities reform this market, consider the following tips when purchasing a car from a dealer.

- **Avoid buying add-on products when buying a car.** Very often, these products are overpriced and of low value.
- **If you want to buy Guaranteed Asset Protection (GAP) insurance, check with your insurance agent and your bank or credit union prior to purchasing.** Many insurance agents and some banks and credit unions provide GAP insurance directly to consumers, typically at more reasonable prices than dealer pricing.
- **Finance the car directly through a credit union, bank, or other lender, if possible.** Consumers are generally better off if they arrange financing for a car purchase from their own bank or credit union. Make sure to pin down the cash price of the car from the dealer *before* disclosing your financing arrangements—otherwise the dealer might increase the cash price. There can, however, be two advantages of having the dealer arrange the financing:
 - 1) when the dealer arranges the financing, then an FTC rule makes the creditor responsible, along with the dealer, for deception or breach of warranty by the dealer; and
 - 2) a few customers may be eligible for incentive financing (such as 0%) from the manufacturer that other lenders cannot match.

For more information about service contracts, see *Consumer Reports*, “Skip the vehicle service contracts” (July 27, 2011), available at <http://www.consumerreports.org/cro/news/2011/07/don-t-buy-a-troublesome-automotive-service-contract/index.htm>, and the FTC brochure “Auto Service Contracts and Warranties” (August 2012), available at <https://www.consumer.ftc.gov/articles/0054-auto-service-contracts-and-warranties>.