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.