



MOUNTAIN POST LEGAL BRIEF

A Preventive Law Service of The Office of the Staff Judge
Advocate

Headquarters, Fort Carson

Keeping You Informed On Personal Legal Affairs



CAR LOAN AND CONTRACT ISSUES

Consider these questions and answers to help you determine your options, rights, and responsibilities in purchasing or leasing a new or used vehicle.

Q: HAVE I BOUGHT THIS CAR?

A: When buying a car in Colorado, make sure that your financing has been fixed and approved PRIOR to driving off the lot. Failure to do so may result in thousands of dollars in fees and forced return of the vehicle. Colorado allows car dealerships to let you “purchase” the car and drive away prior to ensuring that your financing is secure. If this occurs and your financing falls through, you will be forced to return the car and pay fees for the time you had possession of the car and how many miles you drove.

Q: WOULD IT BE BETTER TO LEASE OR BUY A VEHICLE?

A: It depends on your situation. For some, leasing is a better option than buying. Leasing differs from purchasing in the following ways:

- Ownership. If you lease, you have no ownership of the car. You may use it, but you will have to return it unless you have an “option to purchase” clause in your lease. Your monthly lease payments leave you with nothing to show at the end of your lease.
- Early Termination Fees. Most leases contain a clause requiring you to pay a charge if you terminate the lease early.
- Mileage. Most lease agreements restrict how many miles you can put on your vehicle. You often are limited to around 15,000 miles per year. If you exceed the lease’s mileage limits, you usually must pay additional charges.
- Limits on Where You May Take the Vehicle. For military personnel, this often is the most problematic. Most leases restrict the locations to which you can move the vehicle.

Q: I AM LEASING OR PLAN TO LEASE A VEHICLE, BUT I MAY PCS IN A YEAR OR TWO: ANY PROBLEMS?

A: No. The Servicemembers Civil Relief Act allows servicemembers to terminate a lease early without penalty if the service member has orders to PCS or deploy for more than 90 days.

Q: I DON’T KNOW WHETHER THE DEALER’S FINANCING OFFER IS A GOOD DEAL: WHAT SHOULD I DO?

A: You have several options, and you, as the customer, are entitled to find out who can give you the best deal. Contact other lenders (*i.e.*, banks) directly, and see if they can beat the dealer’s offer. Compare the proposed Annual Percentage Rates (APRs) and length of the loans to determine who can give you the best deal. *Remember – lending institutions view you as a customer just as much as the car dealer does.* You should carefully determine the APR offered, as well as the length of the loan. Have the dealer or other lender work out the numbers with you to determine your monthly payments, as well as the total amount of money you will have paid when the loan is paid off. If a prospective lender doesn’t want to provide you this information, you should consider looking elsewhere. Visit the Consumer Finance Protection Bureau (CFPB) website at <https://www.consumerfinance.gov/consumer-tools/auto-loans> for additional tips.

Q: HOW DOES SHOPPING AROUND FOR A LOAN IMPACT MY CREDIT SCORE?

A: Shopping around will generally have little to no impact on your credit score. In some cases multiple applications for loans over a long period may lower your score, but generally any inquiries made by lenders for credit scores within a period of 14 to 45 days will count as only one inquiry. Do your rate shopping in a short amount of time.

Q: HOW DO I KNOW IF I AM GETTING A GOOD DEAL ON MY TRADE IN?

A: First, determine the value of your car. Check such sources as the Kelly Blue Book or Consumer Reports to determine how much your car is worth, considering its age, condition and mileage. Next, when looking for your new car, find out the dealer’s absolute lowest offer for the car you’re looking at – *don’t mention you are thinking of trading in*

until the dealer has quoted you his lowest price. Many times, consumers find that they can receive more for their trade-in by selling it themselves, rather than trading it in. If the dealer doesn't quote you what you think is a fair price for your trade-in, consider selling it yourself. You should also make sure you know the payoff amount from your current lender before going to the dealership. If you owe more than the worth of your current car you may want to consider delaying any purchase rather than rolling your negative equity into a new loan.

Q: WHAT ARE TRADE IN DISCLAIMERS?

A: Normally, when you trade in a car, the dealer will require you to sign a disclaimer to disclose, when appropriate, whether the car has ever been wrecked or whether the car's odometer has ever been adjusted. The dealer requires this because, when he resells the car, he may rely on the information you provided when he informs potential buyers of the car's history. Pay careful attention to these disclaimers, and record the information accurately. If you have questions about what you are signing, you should contact the Legal Assistance Division and arrange for an attorney consultation.

Q: DOES COLORADO HAVE A LEMON LAW FOR CAR PURCHASES?

A: Yes. However, it only applies to new – rather than used – cars. The lemon law only applies to cars, pickup trucks and vans: it does not cover motor homes or motorcycles. If you buy a car with a manufacturer's warranty and it has a defect that can't be repaired, you could have some recourse under Colorado law. The defect must substantially impair the use and market value *within one year* following purchase, and the defect cannot be repaired after a "reasonable number of attempts," a court could order the manufacturer to replace it or refund the purchase price less a reasonable allowance for the use of your vehicle.

Q: WHAT DOES BUYING A CAR "AS IS" WITHOUT A WARRANTY MEAN?

A: If you buy a car in an "as is" condition, the dealer does not have to make any repairs after the sale. The only exception to this rule is in certain circumstances involving safety items. There is virtually no recourse for you should you have issues with your vehicle after purchasing it.

Q: WHAT SHOULD I DO IF THE DEALER MAKES VERBAL PROMISES BEFORE I PURCHASE?

A: You should insist that ANY verbal guarantees or promises be incorporated into the contract. Verbal agreements are nearly impossible to enforce. If the dealer verbally promises you anything, GET IT IN WRITING.

Q: HOW DO I FILE A COMPLAINT ABOUT AN AUTO DEALER'S PRACTICES?

A: First, you should contact the dealership about the problem. If they fail to satisfactorily resolve the problem, you can then contact the Department of Revenue's Auto Industry Division (AID) to register a complaint about a dealer's practices. The AID handles such complaints as a dealer's failure to deliver you title in a timely manner, failure to meet the terms and conditions of a written contract, or misrepresentation or failure to disclose information required by law. You also may contact Colorado's Dealer Licensing Board, which addresses complaints about dealer practices. Other options include contacting the local district attorney in cases involving criminal violations of Colorado law, or contacting the local Better Business Bureau and Chamber of Commerce. Finally, you may file a consumer complaint here at Fort Carson at the Army Community Service office. You may also submit a complaint to the CFSB at <https://www.consumerfinance.gov/complaint/>.

Q: CAN THE LEGAL ASSISTANCE DIVISION LOOK OVER A CAR CONTRACT FOR ME BEFORE I SIGN IT?

A: Absolutely. We strongly encourage you to call the Fort Carson Legal Assistance Division and arrange for a consultation with an attorney *before you sign any contract or other documents*. Ask the dealer to give you a copy, and tell him you want to have someone look it over with you. Many consumers encounter difficulties because they rushed to sign a contract without understanding it. Remember – a legal assistance attorney can serve you best by advising you *before* you sign a contract. The Legal Assistance Division can help prevent problems from arising with your contract before you sign it.

Consultation with Army attorneys is free to eligible clients. If you have questions or need help with legal problems, call the Fort Carson Legal Assistance Office at 719-526-5572/5573 or come by the office (Building 6222) Monday-Friday from 9 a.m. to 4 p.m. Appointments are made on the last duty day of every week, you can call or walk-in to schedule an appointment.

MOUNTAIN POST LEGAL BRIEF is one of a series of informative handouts from the Fort Carson Legal Assistance Division containing general information on topics that legal assistance attorneys frequently advise on. Information provided is general in nature and does not constitute legal advice. Consult an attorney for specific legal advice for your particular situation. You may schedule a legal assistance appointment by calling the Legal Assistance Division at 719-526-5572.