

CAR SALES

UCSB LEGAL RESOURCE CENTER

STEPS TO FOLLOW TO TRANSFER LEGAL TITLE TO A VEHICLE

1. Seller and Buyer agree on the terms of the sale and sign a written Sale Contract (this can be handwritten or typed; include a description of the vehicle with license number and VIN, the date of the sale, the price of the car, and any payment terms or warranties being offered with the car, and make a copy after both buyer and seller sign or have 2 copies available for signatures) Make sure both parties have a copy of the Sale Contract.
2. Seller signs the Certificate of Title (“pink slip”) and gives it to Buyer.
3. Seller completes and signs the Bill of Sale and Odometer Disclosure Statement and gives them to Buyer, along with the current Registration and a current smog certificate.
4. Seller completes and signs the Notice of Release of Liability form and sends or delivers it to the DMV.
5. Buyer goes to the DMV to register the vehicle and must have: a signed Bill of Sale and Odometer Disclosure Statement, a signed Certificate of Title, the current Registration, a current smog certificate, proof of insurance (at least minimum liability coverage), and a check for the registration fees and taxes.

TIPS FOR BUYING A CAR

1. Check out the car carefully and be sure it is in good condition and has the features you want. If it is a used car, question the owner about the condition of the car and be certain the Seller is the owner of the car (check the Seller’s driver’s license to see if it has the same name as the Certificate of Title). Take a test drive and, if you have any concerns, have an expert mechanic check the car for you. If the Seller is selling the car “as is,” then you bear the burden of determining whether the car is in good condition.
2. Before buying a used car, you should be sure you are paying a fair price. The Kelley Blue Book and various internet sites can be helpful in learning the value of a car.
3. If you are buying a new car, shop around and negotiate with the dealer for a price lower than the “sticker price.” There is flexibility in the price the dealer first proposes.
4. If you are financing the purchase of your car, be sure you understand the terms and know you can afford the monthly payments. Before you start shopping for a car, review your budget and check out car loans at local banks and credit unions. The rates vary and you want to get the best deal you can – which may not be from the dealer. If you are buying the car from a dealer, you may have to return the car if the dealer cannot arrange financing for you and you cannot come up with the money on your own.
5. Always put the actual purchase price on the Bill of Sale. Sometimes people will put a lower price to try to reduce the amount of tax the Buyer pays, but this can lead to problems. Not only is it illegal (and the DMV is really cracking down on this practice), but you may not be able to recover the full amount you paid if there are problems with the car and you have to sue the Seller.
6. You must have minimum liability insurance for any motor vehicle you own or drive in California. This means your insurance must include liability coverage of at least \$15,000 per person and \$30,000 per accident for bodily injury and \$5,000 for property damage. This insurance is required for ALL motor vehicles, including cars, mopeds, motorcycles, and trucks.

TIPS FOR SELLING A CAR

1. Be very careful to be accurate when you describe the car to potential buyers. If you misrepresent the condition of the car, you might be sued by the Buyer you misled. It is advisable to say you are selling the car "as is," which places the burden on the Buyer to ascertain the actual condition of the car.
2. Always put the actual purchase price on the Bill of Sale. Sometimes people will put a lower price to try to reduce the amount of tax the Buyer pays, but this can lead to problems. It is illegal, and the DMV is really cracking down on this practice.
3. File the Notice of Release of Liability form with the DMV as soon as you sell your car. It will protect you from being responsible for any damage caused by the new owner.
4. Keep your insurance on the car for a few days after you sell it just in case the Buyer delays registering the car or the DMV does not receive your Release of Liability form right away.

Questions asked by UCSB students:

Question: *I am interested in buying a used car and have found one that I like. The seller is asking \$2,500 for it, but wants to put only \$1,500 on the bill of sale; he says I will have to pay less in registration fees and taxes. Should I do this?*

Answer: You run several big risks if you put an amount lower than the actual sale price on the Bill of Sale. First, and most importantly, it is illegal, and the Department of Motor Vehicles is really cracking down on this practice. Secondly, if there are problems with the car and you want to pursue a claim against the seller, you may not be able to recover the full amount of the purchase price. In addition, if you are in an accident and your car is damaged, the insurance company likely will argue that the car is worth only \$1,500 and will refuse to pay for repairs in excess of that amount.

Question: *I am selling my car and want to be sure I do everything right. In particular, I am concerned about what responsibility I have for the car after I sell it. What steps should I take to protect myself?*

Answer: You are wise to be concerned about your potential liability, and there are several steps you can take to minimize potential problems. First, you need to be careful about what you tell prospective buyers about the car. Even if you are selling the car "as is," you must answer the buyer's questions truthfully. If you do not, the buyer could sue you for misrepresentation and ask for the difference between the value of the car with the problem and the value of the car without the problem. If the buyer can prove you knew you were not being truthful, the buyer may be able to recover punitive damages from you.

Next, you need to be sure all of the documents are in order. You should have a written Sale Contract, stating the terms of the sale. There is a sample Sale Contract on the Student Legal Services web site [add link to car sale contract in Forms section]. You also need to complete and sign the Certificate of Title ("pink slip"), the Bill of Sale, and the Odometer Disclosure Statement, and give them to the Buyer along with the current Registration and a current smog certificate. You may obtain these forms at the Department of Motor Vehicles or the Automobile Club of Southern California (if you are a member). In order to protect yourself from future liability for the car, you should complete and sign the Notice of Release of Liability form and send or deliver it to the DMV as soon as you sell your car. It also is a good idea to keep your insurance on the car for a few days after you sell it just in case the buyer delays registering the car or the DMV does not receive your Release of Liability form right away.

Question: *I am buying a car from a dealer, who agreed to arrange financing for me. I took the car home last week, but the dealer now says I must return it because he was unable to find financing for me. Can I keep the car and force the dealer to finance the car?*

Answer: Unfortunately, you must return the car. Unless there was fraud or some other serious problem with the transaction, the dealer only needs to use best efforts to try to secure financing for you. I expect that you have a conditional sales agreement, which means that there is no contract to sell the car unless financing is obtained. If you keep the car without paying for it, you could find yourself mired in legal problems and the car probably would be repossessed.

You might want to explore financing options on your own. The best loan may not be with the dealer, particularly if you already have a relationship with a credit union or bank.

The information contained in this article is of a general nature. If you have a similar problem, you should consult with an attorney. Currently registered UCSB students are encouraged to call the A.S. Legal Resource Center for an appointment (805.893.4246). Appointments are available Monday through Friday.