

Paying for Cars at Auctions

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O.K., so you've registered at the auction and you're ready to buy cars. How are cars paid for?

When you buy a car at the dealer auction, you can either pay **cash**, which is most common, write **checks**, or buy cars using a line of **credit**. All these methods, with the exception of paying cash, are loosely referred to as a "floor plan".

Paying Cash: Most new dealers simply buy cars at the auction using cash or a cashier's check. This method works just fine and I actually recommend it for new small dealers. After you win a bid on a car, you simply pay the auction cash and drive your car away.

Tip: If you use cash to buy cars, never bring cash to the auction. Leave the cash in the bank. If you buy a car, just leave the auction, go to the bank, and get a cashier's check. Cashier's checks are accepted at the dealer auction.

Warning: Make sure the cashier's check has your business name and NOT your personal name or the auction will not accept it. Cashier's checks cost under \$10.

Paying With Credit: If you have excellent credit and bucks in the bank, and you are ready to increase your volume of cars, inquire into a credit system, or "floor plan". Almost every auction has an "in house" credit system. Even if you don't have good credit, it is still worth it to try, because under the credit system, you can technically buy a car, sell it, and pay back the auction afterwards. Thus, you will not need to put any money up front to buy the car.

Paying with Checks: The check system is commonly referred to as the “draft” system. If you have a certain amount of money in your checking account, then the auction authorizes you to write checks when purchasing their cars. This has an obvious advantage to the cash system: You will not need to carry around a large sum of cash, which can be risky.

Tip: If you bid on a car, you do not have to pay for it the same day. You typically have until the end of the week to pay. The drawback is that you cannot take the car off the auction lot, which increases the chances of vandalism or other damage to your car.