



## Steer Clear: How to Avoid Costly Auto Buying Traps

Tax refund season is here, and for many people, that extra cash feels like the perfect chance to finally upgrade their vehicle. It's not just a feeling—tax season is historically one of the busiest times for [auto sales and financing](#), driven largely by shoppers using their refunds for down payments.

That surge in activity creates an opportunity for predatory sellers. When you're excited about getting into a new (or new-to-you) car, it's easy to overlook the fine print or miss red flags. And with today's high prices and tight inventory, more buyers are running into shady practices—from unsafe cars to junk warranties to surprise fees.

### **Why Auto-Buying Traps Are On the Rise**

Inflation, high demand, and a tight used-car market have created the perfect environment for questionable sellers to take advantage of hopeful buyers. These traps aren't always obvious. They often show up as “too good to be true” deals, complicated financing, or cars with hidden mechanical issues.

Understanding the red flags can help you confidently choose a vehicle that's actually worth [your tax refund](#).



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## Watch Out for These Common Traps

### 1. Overpriced Loans for Subprime Buyers

If your credit is bruised, some lenders may offer you a loan—but at sky-high interest rates. And while higher rates for low-credit borrowers are common, some dealerships mark up rates even further.

#### What to do instead:

Check with your financial institution before stepping onto a lot. You may qualify for a lower-cost loan than you think, and pre-approval gives you more negotiating power.

### 2. “As-Is” Cars That Aren’t Road-Ready

Some sellers offload vehicles with major, undisclosed issues—knowing they won’t last long on the road. When the car breaks down, they may offer to “take it back” ...for steep fees or with no refund at all.

#### Protect yourself by:

- Asking for a full vehicle history report
- Bringing a trusted mechanic to inspect the car
- Walking away if the seller discourages questions

### 3. Add-On Warranties That Don’t Actually Protect You

Extended warranties, service contracts, and protection packages can sound reassuring. Unfortunately, many aftermarket warranties have long exclusions, difficult claim processes, or coverage so narrow they’re practically useless.

#### Ask these questions:

- What exactly does this warranty cover—and not cover?
- Are repairs required at specific locations?
- Is the seller pressuring me to buy this add-on?

If the answers feel vague, it’s okay to decline.

### 4. Yo-Yo Financing

This happens when a dealer lets you take the car home before financing is finalized. Days later, they call back claiming your loan “didn’t go through,” pressuring you into a worse deal.

#### How to stay safe:

Never drive off the lot until **all** financing paperwork is complete and signed.

### 5. Hidden Fees That Inflate the Price



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Documentation fees, “prep” fees, vehicle etching, nitrogen-filled tires—many of these add-ons create profit for the seller, not value for you.

**Tip:** Ask for a detailed price breakdown and challenge anything that seems unclear.

### **You Don’t Have to Navigate This Alone**

Buying a car is a big decision, especially during tax refund season when timing adds extra pressure. Connect with your financial institution to see if they can help you make the most of your refund by offering:

- **Auto-loan pre-approval** with transparent terms
- **Guidance on affordable financing options**
- **Budgeting tools** to help you determine what you can truly afford

As an additional resource, GreenPath offers [free, confidential financial counseling](#) to help you explore your options, understand loan terms, and choose the path that best supports your long-term financial health.



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