

THE ULTIMATE GUIDE TO

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# CAR DEALER LICENSING



## *Introduction*

Congrats on taking your first step in becoming a licensed motor vehicle dealer. You can find a massive amount of car dealer licensing information on the internet, but if you follow faulty advice, you risk starting your business on the wrong foot before you even have the chance to recover.

This e-book is complete with step-by-step information on how to get licensed, how to get your car dealer bond at the best price, and how to run both a successful and compliant business.

By applying the principles and information in this e-book, you'll be able to start your dealership the right way and begin a profitable business.

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## *Who Needs a Dealer License?*

Every state will vary, but generally if you are selling even one vehicle that is not owned by you and used primarily for personal, family, or household purposes, then you could need a dealer license.

All states allow the owner of a vehicle, as shown on the title, to sell the vehicle without a dealer license. If you want to sell a car without a dealer license, the vehicle must:

- *be titled in your name (or business name)*
- *be used for personal, household, family, or business purposes*

You need a dealer license if you want to flip cars for a profit. [Learn how to get a dealer license.](#)

## *What Types of Licenses Exist?*

There are many types of dealer licenses. Your state will have their own set of license types, but generally they will fall into these categories:

- **New Vehicle Dealer:** Sells new vehicles to the public and other dealers. In most cases, can sell new vehicles retail, wholesale, and on consignment. A location suitable for retail sales is normally required.
- **Used Vehicle Dealer:** Sells used vehicles to the public and other dealers. In most cases, can sell used vehicles retail, wholesale, and on consignment. A location suitable for retail sales is normally required.
- **Wholesale Vehicle Dealer:** Buys, sells, and exchanges vehicles to other dealers. May purchase vehicles from the public, but may not sell to the retail public. Location may be an office only.
- **Recreational Vehicle Dealer:** Sells motorhomes, RVs, or other trailers equip with living space to the public.
- **Motorcycle Dealer:** Sells new motorcycles to the public under a franchise agreement with a license manufacturer or distributor. May be licensed to sell only used motorcycles.
- **Trailer Dealer:** Sells new trailers to the public under a franchise agreement with a licensed manufacturer or distributor. May be

licensed to sell only used trailers.

- **Manufacturer:** Manufactures new vehicles constructed in the United States.
- **Distributor:** Imports new vehicles manufactured or assembled outside the United States.
- **Dismantler/Recycler:** Acquires vehicles to dismantle, destroy, or scrap for the sale of their parts and/or materials. Normally, a location suitable for sales and storage is required.
- **Title Service Agent:** Transports paperwork and fees to and from Department of Motor Vehicle offices for customers. Some Title Service Agents can process paperwork to and from Department of Motor Vehicle offices electronically.
- **Auto Broker:** Provides services of arranging, negotiating, assisting, or effectuating the purchase of a new or used vehicle, not owned by a dealer, for an individual.

## *What License Should I Get?*

The type of license you get is completely up to you, your business goals, and what you wish to accomplish.

With a **retail license** (new, used, motorcycle, trailer, etc.), you are able to sell vehicles to the public, other dealers, and wholesalers.

With a **wholesale license**, you can only sell vehicles to other dealers and wholesalers; you cannot sell vehicles to the public.

In some states, if you get your wholesale license and later decide you want to sell to the public, you can add on a retail license with minimum requirements comparative to starting over from the beginning.

## *How to get a Dealer License*

The process to get a dealer license will depend on what license type you wish to secure and what state you are located in.

Generally, the steps will be as follows:

Check out our [Step-by-Step State License Tutorials](#) for specific requirements for your state.

### **1. Contact Motor Vehicle Department**

Your first step in getting licensed is to contact your local Department of Motor Vehicles or your DMV's Licensing Department if they have one.

Your state's licensing department could be called the Registry of Motor Vehicles. No matter what the department is called, it is the entity who issues your license.

This entity will familiarize you with what is needed to apply, give you the necessary paperwork to fill out, and provide you with further guidance on how to get started.

[List of state DMV contact information.](#)



## 2. Meet Requirements

Depending on the state live in, this could amount to a long list. Most states will require you to fulfill some general guidelines like securing a properly zoned location for your business and getting your location and business approved.

You will most likely get a license application packet from your state's Motor Vehicle Department with all the necessary requirements.

We have [step-by-step tutorials on how to get a dealer license](#) in almost every state.

## 3. Complete Application

Your local DMV will provide you with the proper car dealer license application for your business. The [U.S. Small Business Administration](#) can be a valuable asset in this part of the process too.

Some states run a background check with your license application. If you are worried about your record affecting your ability to get a license, check out this resource: [Getting a Car Dealer License With a Felony](#).

Sometimes, states allow for what is called an "Abbreviated Application". This is a shortened application that allows you to see if you would be accepted for a dealer license before going through the entire process.

Before sending in your application, be sure to double-check that you filled out all areas and signed in all the necessary places. Applications

can take a long time to process, and missing information only lengthens the time it will take to get approved.

#### **4. Purchase Motor Vehicle Dealer Bond**

Every state will require you to purchase an auto dealer bond.

Do not overlook this step. Obtaining an auto dealer bond is vital to ensuring your customers that you will stand in good faith behind your actions.

The bond guarantees your customers they will be protected should something go awry in a business transaction.

You can learn more about the car dealer bond in the [Motor Vehicle Dealer Bond section](#).

#### **5. Submit**

The last step is to send your license application, proof of bond, proof of insurance, and all other necessary requirements to your local Motor Vehicle Department to be approved.

Upon approval and payment of fees, you will be issued a license.

## *What is a Motor Vehicle Dealer Bond?*

A Motor Vehicle Dealer Bond is a requirement in almost every state to get licensed. This is not insurance for your business. A Motor Vehicle Dealer Bond protects your customers from fraud or dishonest acts that might occur during a business transaction.

Your Motor Vehicle Dealer Bond holds you accountable for your business decisions.

Currently, only the state of Ohio does not require dealers to be bonded.

You can get a Motor Vehicle Dealer Bond from a surety bond company. Most companies have [online applications](#).

## *How Does a Motor Vehicle Dealer Bond Work?*

When you secure a Motor Vehicle Dealer Bond, you are promising the state and your customers that you will perform your duties faithfully and ethically. This includes, but is not limited to:

- Supplying motor vehicle titles with a sale of a vehicle
- Reporting all vehicle sales
- Honestly disclosing a vehicle's state during a sale
- Paying sales taxes and other mandated fees

If someone—whether that be a consumer, a customer, a member of the general public, or the State—feels you have not fulfilled the above obligations, that person can make a claim on your bond.

## *How the Bond Claim Process Works*

When a claim is made against a surety bond, the company who issued that surety bond will start an investigation to determine if the claim is legitimate or not. One of two things will happen:

1. The surety company will determine the claim to be invalid.
2. The surety company will determine the claim to be valid.

If the former happens, no further action will be taken. If the latter happens, the surety company will contact the bond holder (which would be you, the dealer) and give you the opportunity to satisfy the bond claim.

If you fail to satisfy the bond claim, the surety company will pay the bond claimant up to the full amount of the bond. The surety company will then come to you for compensation.

That in itself is the big difference between surety bonds and insurance. When an insurance company pays out on a claim, they do not expect to be repaid. When a surety bond company pays out on a claim, they go to the bond holder for repayment. That is the nature of surety bonds.

You can [continue learning about the bond claim process for car dealers.](#)

## *How Much Does a Motor Vehicle Dealer Bond Cost?*

Surety bonds are not like insurance where you have to pay a monthly premium. With surety bonds, you only need to pay one time until the bond needs to be renewed. The only time you would need to pay monthly is if you chose to finance your bond premium.

Bond premiums for Motor Vehicle Dealer Bonds are calculated largely on the applicant's credit score.

Those with good credit, might only need to pay 1-3% of the total bond amount. Those with bad credit could pay anywhere from 4-15% of the total bond amount.

Bond amounts are set by the state. [View my bond amount.](#)

## Bond Cost Chart

The below chart is just a guide to show you what you might pay for your dealer bond.

Bond Amount	680 and up (Good)	679-600 (Okay)	599 or below (Bad)
\$ 5,000	\$ 50	\$ 150	\$200-\$750
\$ 10,000	\$ 100	\$ 300	\$400-\$1,500
\$ 15,000	\$ 150	\$ 450	\$600-\$2,250
\$ 20,000	\$ 200	\$ 600	\$800-\$3,000
\$ 25,000	\$ 250	\$ 750	\$1,000-\$3,750
\$ 30,000	\$ 300	\$ 900	\$1,200-\$4,500
\$ 40,000	\$ 400	\$ 1,200	\$1,600-\$6,000
\$ 50,000	\$ 500	\$ 1,500	\$2,000-\$7,500
\$ 75,000	\$ 750	\$ 2,250	\$3,000-\$11,250
\$ 100,000	\$ 1,000	\$ 3,000	\$4,000-\$15,000

*This chart should be used for informational purposes only. To get an exact cost for your Motor Vehicle Dealer Bond, you will need to apply for a quote from a surety bond company.*

[Apply for a quote now](#)

## *Step-by-Step State Licensing Tutorials*

- [Alabama](#)
- [Alaska](#)
- [Arizona](#)
- [Arkansas](#)
- [California](#)
- [Colorado](#)
- [Connecticut](#)
- [Delaware](#)
- [Florida](#)
- [Georgia](#)
- [Idaho](#)
- [Illinois](#)
- [Indiana](#)
- [Iowa](#)
- [Kansas](#)
- [Louisiana](#)
- [Maine](#)
- [Maryland](#)
- [Massachusetts](#)



- [Michigan](#)
- [Minnesota](#)
- [Mississippi](#)
- [Missouri](#)
- [Montana](#)
- [Nebraska](#)
- [New Hampshire](#)
- [New Jersey](#)
- [New Mexico](#)
- [New York](#)
- [North Carolina](#)
- [North Dakota](#)
- [Oklahoma](#)
- [Oregon](#)
- [Pennsylvania](#)
- [Rhode Island](#)
- [South Carolina](#)
- [South Dakota](#)
- [Tennessee](#)
- [Texas](#)
- [Utah](#)

- [Vermont](#)
- [Virginia](#)
- [Washington](#)
- [West Virginia](#)
- [Wisconsin](#)
- [Wyoming](#)

## *Frequently Asked Questions*

### **Q: How much does a dealer license cost?**

A: The price you'll pay for your dealer license will depend on what kind of vehicles you are selling and where you are located. The application fee for most states is around \$200.

### **Q: Why do I need to submit a background check?**

A: Background checks are required by many states to get your motor vehicle dealer license. The DMV is looking for not only crimes on your record, but examples of immoral behavior that would suggest you would not run an ethical dealership.

### **Q: If I have a felony or conviction on my record, can I still be approved for a car dealer license?**

A: It depends. If you have been convicted of a previous felony, you will need to provide documentation that your civil rights have been restored. However, if the conviction is regarding a motor vehicle dealer crime, you will more than likely not be granted a license.

If you are not sure whether you are eligible for a car dealer license due to something on your record, you may be able to submit an abbreviated application. An abbreviated application will allow you to see if you would be granted a license before you go through the trouble of setting up your business location, obtaining a surety bond, and so forth.

To see if your state allows for an abbreviated application, contact your DMV licensing staff.

**Q: Why do I need a surety bond?**

A: You need a surety bond to remain compliant with state and federal law. A surety bond is not protection for you, but rather for the public. Almost every state requires you purchase a surety bond before you can be licensed. This surety bond is commonly called a Motor Vehicle Dealer Bond or Auto Dealer Bond.

**Q: How much does my Motor Vehicle Dealer Bond need to be? How much will it cost?**

A: Use this [interactive tool](#) to find out your bond amount and bond cost.

### **Q: Can I get a dealer bond with bad credit?**

A: Yes, having bad credit does not restrict you from getting approved for a dealer bond. You can get a free bad credit quote by clicking below.

### **Q: What constitutes a dealership location?**

A: Many things come into play when establishing your business location, including:

- **Office:** Your office must be devoted exclusively for the use of your business with entry directly from the outside. Your office must have a desk, telephone, and filing cabinet for maintaining records. Some states even require you to have a certain number of chairs.
- **Sign:** Business sign must be readable from the street. Some states require it to be a certain square footage.
- **Display area:** Must be situated on the same property. Must be sufficient size for your type of dealership.
- **Retail dealers** will most always need a dealer location.

### **Q: What are dealer plates?**

A: Dealer plates are special license plates that allow your cars to be legally driven away from your lot. If you are going to let your customers test drive your vehicles, you will want to order dealer plates. A dealer may use their dealer plates on any vehicle that they have full ownership

or control over. Only dealers, members of the dealer's firm, and salespeople may control the use of dealer plates.

**Q: How do I order more dealer plates?**

A: Generally, a written request is required to receive more dealer plates. You will also have to pay for additional plates, which will vary depending on what state you are in.

**Q: How long does it take to get new dealer plates?**

A: It can take up to 90 days to get additional dealer plates for your dealership. Your local DMV will issue you a temporary dealer plate for every actual dealer plate you order. This will allow time for your actual dealer plates to be ordered and shipped to you in the mail, while still allowing your vehicles to be driven off your lot.

**Q: I want to add another owner to my dealership. What do I need to do to stay in compliance with the law?**

A: Contact your local DMV. They will most likely have a Dealer Business Certification Correction Application that you will need to complete. A fee may also be charged.