

What is a processing fee?

Some confusion exists about the “processing fee” charged by many dealerships. The processing fee is allowed by Virginia law. This fee is similar in many ways to the additional fees charged by many other industries.

The processing fee does not compensate dealerships for the costs they incur in doing business. As with most businesses, dealerships frequently provide services to customers for the benefit of the customer for which they are not compensated in the sale of a vehicle.

A list of some of these items is included on the next page of this brochure.



Included Items:

The sale of an automobile is very complex. Some of the services for which the processing fee is charged are:

- Processing trade-ins, including tracking lost or faulty title and obtaining out-of-state or bank-held titles
- Assisting the customer in applying for refunds and entitlements due from traded or newly-purchased vehicles
- Providing advice concerning vehicle titling options and alternatives and providing assistance for out-of-state titling, including necessary paperwork and notary fees.
- Verifying loan payoff balances on trade-ins and insuring loan payoffs are made to the customer's bank
- Assisting the customer in notifying their insurance company of the new purchase (the customer is ultimately responsible for obtaining necessary insurance)
- Verifying customer identity and information to protect consumers against fraudulent and improper transactions in the consumer's name
- Developing alternative payment methods for customers for the vehicle chosen (various lease options, cash and loan combinations)
- Providing and preparing Power of Attorney forms
- Creating and maintaining customer records to assure proper handling of the transaction, assist in documenting the vehicle's history, and insure a satisfying ownership experience

Not all of these transactions will be performed in every sale or by every dealer. These are just examples. There are many more not included in this list!

Regulatory Requirements

To protect consumers, the Commonwealth of Virginia has enacted many laws and regulations directly affecting the sale of cars and trucks. Licensing laws require people and companies who are in the business of selling motor vehicles to be licensed. These laws regulate dealers and require licensed dealers to be open during certain hours of business and to have a mechanic on duty to help insure that consumers can easily get service on their vehicles.

Other laws and regulations related to documentation are intended to insure consumers are provided with complete and accurate information on the vehicles they purchase, and that the vehicles they purchase are appropriately registered with the Commonwealth.

The Buyers Order

One of the primary forms required by Virginia is the Buyers Order. This document contains a list of all the items associated with a vehicle's selling price. For a new car this may include the M.S.R.P., any factory-added accessories, and any dealer-added accessories. All charges must be included on the Buyers Order. In order to simplify the charges for services the dealership provides to customers that are not a part of the normal process of selling a car, many dealerships assign them the collective category of “processing fee” instead of itemizing each of these. This processing fee is displayed on the Buyers Order. Some dealers elect to absorb these costs and not charge a processing fee.

