

How to Become a Car Dealer in California

There are three ways to can buy and sell cars in California. You can operate as a wholesaler, who purchases cars from auctions and sells them to car dealers. You can operate as a retailer, who buys cars from auctions and dealers and sells...

Method 1 of 7:

Getting Started

1.



Decide if you need a license. If you're just selling your own used car you don't need a license. However, if you're going to be buying and selling cars for the purpose of making a profit, you'll need a license from the DMV. Selling cars for profit without a license in CA is illegal. This activity is called 'curbstoning' and can involved hefty fines if you're caught.^[1]

1. If you're unsure of whether your situation requires a license, contact the DMV. CA has been cracking down on curbstoners in the last few years.^[2]



Decide if you want to be a wholesale dealer or a retail dealer. The main distinctions are whether you will be selling cars directly to the public and whether you need to have retail space. The same paperwork is required for obtaining a wholesale dealer license or a retail dealer license.^[3]

1. A wholesale dealer is able to buy cars directly from other dealer and sell them to other dealers. A wholesale dealer may also export cars to other countries. However, a wholesale dealer may not sell directly to the public. A wholesale dealer needs to have an office but doesn't need to have a sign or a space for displaying vehicles. ^[4]
2. A retail dealer can buy cars directly from dealers and sell them to other dealers and to the public. A retail dealer may also export cars to other countries. A retail detail needs an office, a sign, and a space for displaying vehicles. ^[5]



Decide if you want to add an auto broker endorsement to your license. An auto-broker endorsement allows you act as a middleman between buyers and sellers. You can add an auto-broker endorsement to

either a wholesale dealer license or a retail dealer license.^[6]

1. As a wholesaler dealer, having an auto broker endorsement is the only way to sell directly to the public.^[7]
2. No additional paperwork is required to get an auto-broker endorsement. You just have a check a box on your licensing application.^[8]

Method 2 of 7:

Completing an Abbreviated Background Check



Contact the Occupational Licensing Inspector in your area. The Inspector can help you decide if you need to complete an abbreviated background check. Everyone has to complete a full background check in order to become a car dealer in CA. However, CA offers an cheaper abbreviated background check for people who aren't sure they'll pass the full background check. If you have any criminal convictions, bankruptcies, or civil judgments against you, you should complete an abbreviated background check before investing too much money in your business.

1. A list of Occupational Licensing Inspectors can be found at https://www.dmv.ca.gov/portal/dmv/?1dmy&urile=wcm:path:/dmv_content_en/dmv/fo/inspector_office.^[9]

2.



Fill out the Personal History Questionnaire. This form asks about your education and work history. It also asks if your criminal history and whether you have any civil judgments against you.^[10]

1. Be completely honest in your answers. CA will do an independent review of your background. If you leave out any information you may be barred from receiving a license.^[11]
2. The questionnaire can be found here: <https://www.dmv.ca.gov/portal/wcm/connect/5c729e6a-b5c2-46c9-96af-39089e18c9c3/ol29b.pdf?MOD=AJPERES>.

3.



Gather copies of any arrest records and court documents. You'll need to submit these along with the Personal History Questionnaire. If you don't have copies on hand, you can obtain them from the jurisdiction where you were arrested or went to court.^[12]

4.



Submit the paperwork to the Occupational Licensing Inspector. You'll need to include a check for \$176 to cover the cost of the abbreviated background check. ^[13]

5.



Wait for the DMV's decision. This will take several weeks depending on your background. There is no hard and fast rule as to what can disqualify you for a license. In general, the DMV is looking for any evidence of 'moral turpitude.'^[14]

Method 3 of 7:

Setting Up Your Business



Create a fictitious business name. Unless you'll be doing business under your own name, you need to create and register a name for your business. Go to your local County Recorder's office to file the paperwork. The fee is \$100.^[15]



Apply for a business license. Go to your local Town Hall and ask to speak with the tax and license division. Using your own name or the fictitious business name you created, register your business with the city.

1. There many options for registering your business. You can register an LLC, a corporation, a partnership, or any number of other business entities. It's best to talk to a lawyer before deciding what kind of entity you want your business to be.
2. The cost of your business license will vary by city, what kind of entity you set up, and your annual revenue.^[16]

3.



Get a surety bond. Find a bonding company in California and purchase the required \$50,000 surety bond.
[17]

1. A surety bond ensures that you will meet your obligations as a car dealer.
2. The cost of surety bonds depends on your credit, but you can expect to pay around \$1,000 to \$15,000 per year.^[18]

Method 4 of 7:

Setting Up to Be a Wholesale Dealer

1.



Decide if you want to work out of your home or another space. A wholesale dealership can be run entirely from your home. However, if you don't have space for an office in your home you'll need to lease

or purchase a space.

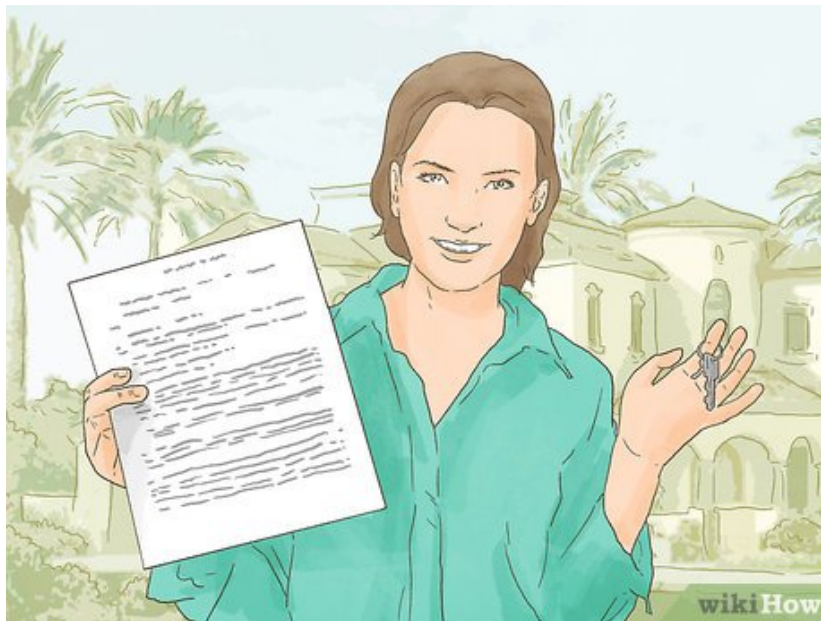
2.



Set up an office. Remember, it's OK for it to be a home office.^[19]

1. You don't need a sign or space for a car to be a wholesale dealer.^[20]

3.



Obtain a copy of your lease. You'll need a copy of your lease if you rent your office. If you own your office, a copy of your mortgage is required.^[21]

Method 5 of 7:

Setting Up to Be a Retail Dealer

1.



Set up an office. It's OK for it to be a home office. However, since you also need a retail space to be a retail dealer, it makes more sense for the office and retail space to be in the same location.^[22]

2.



Get a sign that is at least two square feet. Since you'll be selling to the public, the DMV requires you to have a sign that advertises yourself as a car dealer.^[23]

3.



Have a space that is big enough for at least two cars. Since you're going to be selling cars directly to the public, you need a space to keep the cars. The DMV requires you to have enough space for at least two cars, but of course you can have much more space than that.^[24]

4.



Obtain a copy of your lease. You'll need a copy of your lease if you rent your space. If you own your space, a copy of your mortgage is required.^[25]

Method 6 of 7:

Setting Up to Be An Auto Broker

1.



Obtain either a wholesale dealer license or a retail dealer license. An auto broker endorsement is an add-on to your license, so you need a license before you can become a broker.^[26]

2.



Set up an office. If you're adding the broker endorsement to your wholesale dealer license you can use a home office.^[27]

3.



Get a sign that is at least two square feet. If you're adding the broker endorsement to your retail dealer license, you'll need a retail space that can fit at least two cars.^[28]

Method 7 of 7:

Getting Your License

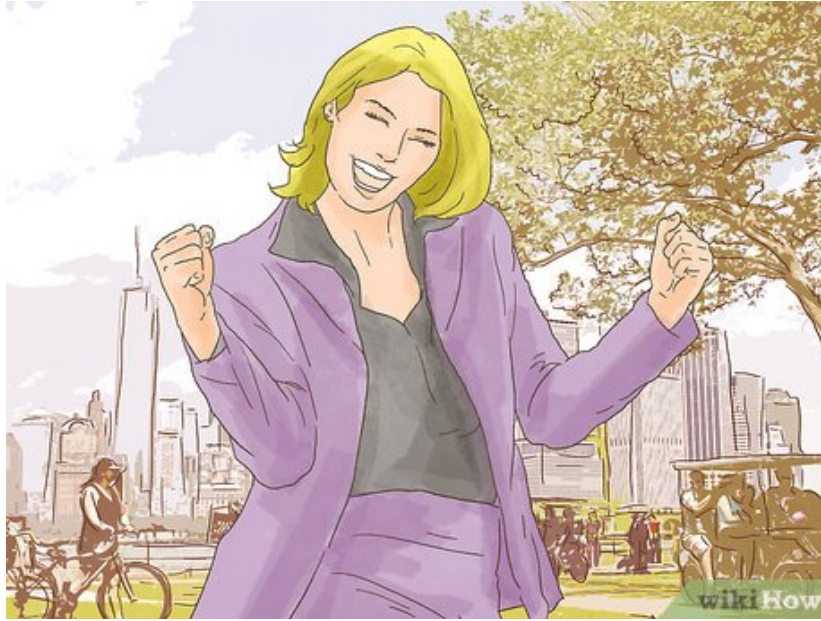
1.



Complete the CA licensing class. This class is required to become a car dealer in CA. The class is six hours long and will teach you about CA laws that regulate car dealers.^[29]

1. Various private organizations offer the class. Check the CA DMV website for listings. The cost is around \$125 depending which organization you choose.^[30]

2.



Pass the licensing test. Once you've completed the class you'll take a test that tests your knowledge of CA car dealer law. The test costs \$16.^[31]

3.



Complete the 'Application for Original Occupational License.' You can obtain a paper copy of the application at the DMV or go online to <https://www.dmv.ca.gov/portal/wcm/connect/2f99916d-285a-441d-b481-e01f7cb88fa5/o1248u.pdf?MOD=AJPERES>.^[32] The application will ask whether you are applying for a wholesale dealer license or a retail dealer license, and whether you want to add an auto-broker endorsement to your license.^[33]

1. Have all of the paperwork for your business, your surety bond, and your financial information with you when you fill out the application.

4.



Gather copies of your paperwork to mail to the DMV. You'll need copies of the following documents: 1) Surety bond; 2) Driver's license; 3) Lease or mortgage for your office and retail space; 4) Dealer Education Certificate of Completion; 5) Business license; 6) Fictitious Name Statement; 7) Photographs of your retail location.^[34]

1. Keep copies of everything as you go to make the final application process go more smoothly.

5.



Mail in your completed application along with copies of your paperwork. It's best to do this via certified mail to ensure that the DMV receives everything.

1. It will take several weeks to get a decision. Once your application is approved you can begin selling cars.^[35]

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