

# How to Become a Wholesale Car Dealer in California

Wholesale car dealers operate by buying cars and then selling them to other dealers or at wholesale auction. This means that they do not make sales to the general public. Like in other states, obtaining the certification to become a...

Part 1 of 3:

## Meeting the Requirements



**Read the DMV's application checklist.** The DMV provides a handy, editable checklist PDF that you can work through to complete your whole dealer application. It lays out each document you will need to complete and submit before being eligible to receive your dealer license. Look over this checklist here:

[https://www.dmv.ca.gov/portal/wcm/connect/10eb3c7e-5655-4265-aabb-](https://www.dmv.ca.gov/portal/wcm/connect/10eb3c7e-5655-4265-aabb-071d50113919/ol248b.pdf?MOD=AJPERES/)

[071d50113919/ol248b.pdf?MOD=AJPERES/](https://www.dmv.ca.gov/portal/wcm/connect/10eb3c7e-5655-4265-aabb-071d50113919/ol248b.pdf?MOD=AJPERES/). This will give you a general idea of what you will need.

1. If at any point you don't understand part of the application, follow the checklist's included links or see the DMV's application guide (OL 248) at

[https://www.dmv.ca.gov/portal/wcm/connect/0f4f4b95-88b3-4753-bca5-](https://www.dmv.ca.gov/portal/wcm/connect/0f4f4b95-88b3-4753-bca5-e8327ae5c167/ol248.pdf?MOD=AJPERES&CONVERT_TO=url&CACHEID=0f4f4b95-88b3-4753-bca5-e8327ae5c167)

[e8327ae5c167/ol248.pdf?MOD=AJPERES&CONVERT\\_TO=url&CACHEID=0f4f4b95-88b3-4753-bca5-e8327ae5c167.](https://www.dmv.ca.gov/portal/wcm/connect/0f4f4b95-88b3-4753-bca5-e8327ae5c167/ol248.pdf?MOD=AJPERES&CONVERT_TO=url&CACHEID=0f4f4b95-88b3-4753-bca5-e8327ae5c167)

2.



**Make sure you have a valid California drivers license.** The checklist does not specify that you must have a California drivers license, but you need to have an in-state drivers license to be a legally-licensed dealer. You may see online opportunities to get licensed as a dealer out of state, but these are usually scams. In any case, make sure your California drivers license is up-to-date.

3.



**Lease or purchase a business location.** In order to become a wholesale dealer, you will need a location for conducting business. However, you do not need a car lot or storefront. You need somewhere to store your vehicles and a business location, but it doesn't matter if they are the same place. You cannot use your home as your business location. Once you have a business location, make sure you have the following ready for later:

1. A lease contract, rental agreement, or deed to your business location.
2. A photograph of your business location as defined in the dealer application guide (OL 248).<sup>[1]</sup>

3. Your place of business will be inspected during the application process. Make sure it meets all additional requirements, as outlined on under "place of business inspection" on this page: <https://www.dmv.ca.gov/portal/dmv/detail/vehindustry/ol/dealer>.

4.



**Come up with a name for your business.** When licensing and creating your business, you must come up with a name to use. Think of something that explains what you do, like "Johnson Wholesale Auto Traders" or something similar. This will make it clear to prospective customers that you are what they are looking for. Your business name will be filed using a Fictitious Name Statement, which you will need to file with your state prior to applying for your dealer license.<sup>[2]</sup>

5.



**Obtain a resale permit.** Apply with your local Board of Equalization office to get an Equalization Resale permit, which allows you to collect taxes. The application is free, but you may have to pay a deposit, depending on your business's individual situation. You must maintain this permit to obtain and keep your wholesale dealer license.<sup>[3]</sup>

6.



**Get a business license.** You will need a city and/or a county business license to establish your wholesale dealer business. Check with your local city or county chamber of commerce to apply for a business license. Either a copy of this license or a letter specifying that your county does not issue business licenses is required to obtain your wholesale dealer license.<sup>[4]</sup>

7.



**Obtain a surety bond.** A surety bond is a guarantee that the dealer will adhere to state and local regulations and laws when dealing with sellers and customers. The bond pays out damages to harmed parties in the event that the dealer commits fraud. For a wholesale dealer, the value of this bond is required to be \$10,000. However, you will only pay a percentage of this value that will be based on your credit history. Visit a surety bond agency to get a quote for your bond.

1. Dealers with good credit (over 680), will pay about \$100.
2. Dealers with medium credit (600-680) can expect to pay between \$100 and \$500.
3. Dealers with bad credit (under 600) will pay over \$300.<sup>[5]</sup>

## Applying For Your License



**Complete the Dealer Education Program.** In order to move forward with the application, you will need to register for and complete the Dealer Education Program and obtain a certificate of completion. This program is available at a number of locations around the state. Find one near you by visiting [https://www.dmv.ca.gov/portal/dmv/detail/vehindustry/ol/dlr\\_edu\\_provider](https://www.dmv.ca.gov/portal/dmv/detail/vehindustry/ol/dlr_edu_provider).



**Pass the Used Dealer Test.** Once you have completed the education program, you can visit your local DMV to take the Used Dealer Test. This test will assess what you have learned in the Dealer Education Program. You will be required to pay a \$16 fee each time you take the test. You will have to pass the test to complete your dealer application.<sup>[6]</sup>

3.



**Fill out the required forms and applications.** There are a number of forms required on the wholesale dealer application checklist. Go back to the checklist and either click on the provided links or search for the forms by number on the CA DMV's website. Make sure to fill out each application completely and accurately to the best of your knowledge.<sup>[7]</sup>

4.



**Attach the necessary documents.** Attach all documents requested by the checklist to your completed application forms. In some cases, these are requested to be in a specific order by the checklist, so make sure to check the order of your documents in these cases. Documents required will generally be proof of your business operations and location.<sup>[8]</sup>

5.



**Check over your application for completeness.** This is a complicated application, with many required forms, so give your complete application a solid re-read to make sure all parts are present and complete. If your application is incorrect, you will have to pay the application fee again to re-apply.

6.



**Submit your application and fee.** When you have your complete application, bring it to the closest DMV Occupational Licensing Inspections Office. The locations of these offices are available on the CA DMV's website. Hand in your documents and pay your application fees. You will be notified if your application has been accepted or rejected.<sup>[9]</sup>

1. There is a non-refundable application fee of \$176.<sup>[10]</sup>

Part 3 of 3:

## Operating Your Business

1.



**Buy vehicles to sell.** Wholesale dealers are able to buy vehicles from a number of sources. Visit wholesale auctions in California or surrounding states to buy larger quantities of cars. Communicate with new and used car dealerships to make bids for unwanted vehicles on their lot. You can also buy vehicles from other wholesale dealers. Search for good deals and jump on them when you see one.<sup>[11]</sup>

2.



**Create an online presence for your business.** These days, all business must operate online as well as they do in person. This means creating a reputable-looking and functional website that displays your inventory and makes it easy to contact you. This website should act as an extension of your physical location. In addition, you can search for cars to buy on other wholesaler or auction websites.<sup>[12]</sup>

3.



**Make deals with buyers.** The most important part of being a wholesale dealer is building and maintaining relationships with dealers that buy from you. You want to become known as a fair negotiator who consistently provides accurate representations of vehicle quality. Even if you don't make a lot of money on some sales, that's better than losing your reputation and not being able to make sales at all. Some wholesalers also factor the transportation cost into the price of their cars, which simplifies the buying process for your customers.<sup>[13]</sup>

4.



**Consider modifying your license.** Many wholesale dealer eventually turn to retail car sales because there can be more money in it. Retail dealers also have wholesale privileges, so if you modify you license to retail, you can simply expand your business rather than change it. Your dealer license can be modified for a fee of \$70.

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