

# **FREE QUICK START GUIDE**

## **GET YOUR CALIFORNIA DEALER LICENSE**



### **INTRODUCTION:**

Welcome to 24-7 Dealer Training Specialists guide on obtaining your California Used Vehicle Dealer License. In this guide, you will understand the type of licenses available and the necessary steps in obtaining your vehicle dealer license. There is no pre-requisite requirement for industry experience, however to negotiate sales the age requirement is a minimum of 18 years of age. It is my goal to provide you with quality service in your pursuit of a successful career in the automotive industry.

### **About 24-7 Dealer Training Specialists:**

24-7 Dealer Training Specialists is a three-time award-winning DMV Approved training program. Since 2007 thousands of clients have benefited from the information contained in the study guide which is given to each student to keep for future reference. Maneuvering through the process of how to get a dealer license in California can be confusing, thus the reason for this step-by-step guide. As a former DMV Licensing Inspector as owner/operator, there is no higher honor than your trust in choosing 24-7 Dealer Training Specialists as your choice of an educational provider.

### **Let's get started with the basic information:**

How many cars can you sell in California without the benefit of a Dealer License? Section 11700 California Vehicle Code states in part: No person shall act as a dealer without having first been issued a license as required in section CVC 11701, or a temporary permit issued by the Department.

### **Who is a Vehicle Dealer?**

A vehicle Dealer is a person who sells, trades, or arranges the purchase, sale or trade of vehicles on a full or part-time basis, for compensation. Any person or entity who is engaged in the sale of vehicles as described above must complete an application with the Department of Motor Vehicles, Occupational Licensing Division. Once a license is issued by the Department, then you may legally operate as a licensed California vehicle dealer.

### **General Principles of Obtaining a License:**

- Pre-License Dealer Training Class
- Decide on Your Ownership Structure
- Decide on the Type of License you will be applying for
- Find A Location that is Zoned for the Type of License you're seeking
- Create Your DMV Portal Account
- Live Scan/Personal History Questionnaire completed on the Portal.
- Schedule your DMV Exam
- Obtain a Fictitious Business Name if applicable.
- Open a business bank account.
- Obtain your sellers permit
- Obtain your Dealer Surety Bond
- Photograph Procedures
- Submit your Completed Application
- Schedule an Inspection with an Occupational Licensing Inspector

## **PRE-LICENSE DEALER TRAINING CLASS:**

It is suggested that you take the pre license class first, that way you will understand what is required and the proper way to obtain your supporting documents for your application. Supporting documents that are filed incorrectly can delay the application process. Our DMV Approved 6-hour course is online only, either as a live webinar style class or a self-paced program. Upon completion of the course, and successfully passing the course exam, each student will receive an emailed copy of their certification and additional information that will be beneficial. The original certification is mailed out the next business day. The pre-license class prepares you for the State exam which is administered by an Occupational Licensing Inspector.

## **DECIDE ON THE OWNERSHIP STRUCTURE:**

The Ownership Structure is comprised of the following: \*Sole Proprietor \*Partnership \*Corporation or \*Limited Liability Company. Please take into consideration that if you change your ownership structure, DMV will require you to place your dealership out of business and completely reapply. Therefore, this is important to take into account what the ownership structure will be. For a Corporation or Limited Liability Company, please be sure to complete your Statement of Information with the California Secretary of State, as this is part of the application supporting documentation.

## **DECIDE ON THE TYPE OF LICENSE YOU ARE APPLYING FOR:**

### **What Type of Licenses Does DMV Issue?**

This depends on who you intend to sell your vehicles to. The Department has different types of Licenses for vehicle dealers: Retail or Wholesale.

### **Retail Dealer Selling New Vehicles:**

Is a vehicle dealer who sells new or used vehicles in inventory to the general public. New vehicles: the retail dealer must be authorized by the manufacturer to sell their product. The entity applying for a new vehicle dealer license must have a letter of authorization from the manufacturer and an OL124 – Certificate of Purposed Franchise. Retail dealers can access dealer-only auctions.

**Retail Dealer Selling Used Vehicles:**

Is a vehicle dealer who sells their used vehicles in inventory to the general public, to other dealers, to dealer-only auctions or dismantlers. Again, retail dealers can access dealer-only auctions.

**Wholesale Only Dealer:**

Is a vehicle dealer who sells their inventory vehicles to other dealers, dealer auctions or dismantlers. A wholesale dealer may not sell or negotiate sales of their inventory to the general public. Wholesale Dealers can access dealer-only auctions.

**Autobroker:**

An Autobroker is simply an endorsement to a retail vehicle dealer license. A wholesale only dealer does not have the privilege of the Autobroker endorsement. Generally, brokering is an arrangement for a fee or other consideration, whereby a dealer provides or offers to provide the service of arranging, negotiating or assisting, the purchase of a new or used motor vehicle not owned by the dealer for others. Basically, an Autobroker is the dealer in the middle between the buyer and the seller.

**FIND A LOCATION THAT IS ZONED FOR THE TYPE OF LICENSE YOU'RE SEEKING:**

Every dealer, either retail or wholesale, must have an established place of business.

**Retail Dealers:** The office must be used exclusively for the use of the dealer.

**Place of Business** is a location actually occupied either continuously or at regular periods by a dealer where the books and records pertinent to the business being conducted are kept. Your business location must be properly zoned for the type of business you wish to conduct.

- The place of the business must have an office and display area situated on the same property where the business is located.
- Your office must be devoted exclusively for the use of your business with entry directly from the outside.
- Days and hours of operation must be posted.

### **Display Requirements**

- Must be situated on the same property adjacent to the office.
- Must be of a sufficient size to physically accommodate vehicles(s) of a type for which the dealership is licensed to sell.
- If in a shared parking area, a separate sign, hood height must be posted to indicate the name and address of the dealer and "Display Only."

### **Sign Requirements**

- Not less than 2 square feet per side in size
- Visible from a distance of at least 50 feet
- Provide information as to the dealer's name and address
- Permanent in nature, able to withstand weather conditions, and erected on the exterior of the office.

**Wholesale Dealer:** A wholesale dealer must have an office, but the sign and display area are not required. A wholesale dealer may operate from their home, however you need to verify that it is zoned by the city or county. The office area must be on the ground level and have access directly from

the exterior. Most dealers will use the garage area as an office or an outbuilding.

### **CREATE YOUR DMV PORTAL ACCOUNT:**

DMV has now launched their Occupational Licensing Online Portal which allows applications to be processed more efficiently for original applications, renewals, modifications and manage your Occupational License. To get started use this link: <https://www.dmv.ca.gov/portal/vehicle-industry-services/occupational-licensing/login/>

### **LIVE SCAN/PERSONAL HISTORY QUESTIONNAIRE COMPLETED ON THE PORTAL:**

The purpose of Live Scan Fingerprinting (Form DMV 8016) is conducted through the Department of Justice is to verify that there are no convictions, either felony or misdemeanor for the last 10 years, which may prevent the applicant from obtaining a dealer license. More information can be found on my website at [usedcardealerclass.com](http://usedcardealerclass.com) under "Articles". The personal history questionnaire gives DMV background information for each active applicant.

### **SCHEDULE YOUR DMV EXAM:**

The State exam consists of 40 multiple choice questions, the passing score is 70% or higher (28 out of 40 questions). The applicant has 50 minutes to complete the State exam.

### **Who is required to take the Pre-License Course:**

- A Sole Proprietor
- All Partners of a Partnership
- A Corporate Officer
- A Member or Managing Member of a Limited Liability Company

After you have completed your class and uploaded your certificate of completion on the portal, you will be able to pay the \$16.00 fee and schedule your State exam online.

### **OBTAIN A FICTITIOUS BUSINESS NAME:**

If the dealership is operating by a name other than the owner(s), the business name will be required to be filed with the County in which the business is located. A Fictitious Business Name Statement also known as a DBA (doing business as). The application is filed at the County Registrar's Office and the fee due as set forth by the County. The County authorities review the application to verify it doesn't conflict with other registered names, once completed they will grant the approval for the use of the fictitious name. Step two in this process is to announce the business name. The applicant must inform the public about your business' fictitious name, which is typically done by publishing the name in a local newspaper.

### **OPEN A BUSINESS BANK ACCOUNT: Authorization to Release Financial Information**

Retail or wholesale dealerships must have a bank account associated with your business. DMV has up to 120 days to verify the account and who is authorized to withdraw funds from that account. An applicant for a dealer's license with DMV is required to endorse an authorization for disclosure of account(s) relating to the operation of the dealership pursuant to California Vehicle Code 11703.4. Most financial institutions will also need your EIN information upon opening the business bank account.

### **OBTAIN A SELLERS PERMIT:**

Retail and Wholesale dealers must obtain and maintain a sellers permit from the California Tax and Fee Administration. The permit enables the dealer to

purchase vehicles tax free. Retail dealers will be collecting sales tax from their retail transactions. You may apply in person or online at:

<https://www.cdtfa.ca.gov/services/permits-licenses.htm>

### **OBTAIN A DEALER SURETY BOND:**

Before any dealer license is issued or renewed by the Department of Motor Vehicles, the applicant must file with the Occupational License Unit, a bond executed by an admitted surety insurer or cash CD in the same amount. The Dealer Bond is not for the protection of the dealer, it is designed for the consumer, finance, and governmental agencies. The cost of the bond is based on the credit score of the applicant. The better your credit score the better premium price you will be quoted. The bond amount can vary depending on the type of license. Dealers who sell Wholesale only (less than 25 vehicles per year), Motorcycles, All Terrain Vehicles or ATV vehicles - the bond amount can be as low as \$10 Thousand. All other dealer bonds are \$50 Thousand.

**Garage Insurance Policy:** Although DMV doesn't require a garage insurance policy to obtain the license, please remember most insurance companies that cover your personal vehicles will not cover vehicles in dealer inventory, that is a separate policy you will need once you obtain your dealer license.

24-7 Dealer Training Specialists recommends Magic 98 Insurance 951-279-8060 [magic98insurance.com](http://magic98insurance.com)

### **Photograph Procedures:**

The department will perform onsite inspections to confirm the contents of photographs. Submission of fraudulent application form(s) and/or photograph(s) is grounds to refuse to issue this and any subsequent license.

### **License Type Photograph Requirements:**



License Type	Photograph Requirements
Wholesale Only Dealer	Office and Location
New Vehicle Dealer	Office, Location, Sign and Display Area
Retail With Auto Broker Endorsement	<u>Office</u> , <u>Location</u> , <u>Sign</u> and <u>Display Area</u>
Used Vehicle Dealer	Office, Location, Sign and Display Area

### **Directions for Photograph Requirements:**

**Office** - Photographs must clearly show an office set up to perform the duties required by the license type, including adequate storage for accountable materials and records.

**Entrance** - A photograph of the office entrance which includes the office address from the outside of the building.

If the office entrance is not directly accessible from the exterior, then a photograph from the corridor showing the direct entrance is also required.

**Exclusive use of office** - A full photograph from the entrance to the back wall which includes both side walls. Option: Two or more photographs that can be placed together covering the entire office area.

**Signs** - Photograph(s) must clearly show a sign permanently affixed to the exterior of the building, visible from 50 feet. If the address is not visible on the exterior of the building, then it must appear on the sign.

**Sign from property entrance** - A photograph of the sign from the nearest public entrance to the property.

**Hours:** Days and hours of operation must be posted

**Display Area** - Photograph(s) must clearly show an area large enough for the type of vehicle for sale and must be for the exclusive use of the licensee.

**Photograph** that shows the proximity of the display area to the office. If the display area is not in the immediate vicinity of the office, another

permanently installed sign is required to identify the business name and office address.

**Photograph** that includes display area signs. If utilizing designated parking spaces, a sign must be permanently installed designating the spaces for the exclusive use of the licensee (business name). The signs must be visible when vehicles are parked in the parking spaces to be acceptable.

### **SUBMIT YOUR COMPLETED APPLICATION:**

You will need to complete the application online on your DMV Portal. After DMV reviews your application which can take up to 120 days, you will be emailed a code to go back into your portal to schedule an inspection online with an Occupational Licensing Inspector. Once approved, you will be issued your dealer license.

### **SUMMARY:**

We at 24-7 Dealer Training Specialists understand that obtaining your license can take some time configuring all the components necessary to bring everything together for submitting an application to the DMV. The purpose of this book is to streamline your knowledge of the necessary steps for success. Students who complete 24-7 Dealer Training Specialists program are welcome to contact us should any questions arise during the application process, we are here to support you in your new adventure.

***Life is taking you places - - - and we are here to help! Choosing the right school can lead the way.***

### **Disclaimer:**

The information contained in this publication is with the understanding that it is to be used exclusively as the steps necessary to obtain a dealer license in California. If legal advice or other assistance is required, the services of a

competent professional such as an attorney, should be obtained. The information contained herein is distributed with the understanding that the publisher is not engaged in rendering legal services.