

Automobile Dealer Training Association



# California Dealer Pre-License Start Up Guide



# DELUS JOHNSON

*Your Dealer Course  
Instructor*

## **OUR GOAL**

*Our goal is to prepare you to apply for your California Dealers License correctly, increase your profits, and run your new business following all State and Federal laws.*

## **DEALER PRE-LICENSE CLASS UNITS**

*Unit One-Getting Licensed, Completing All Dealer License Application Documents, How to Find Cheapest Dealer Surety Bonds*

*Unit Two-Reassigning Titles for Top Profits, Sales Reports, Sales Tax*

*Unit Three-Records, Car Buyer Bill of Rights, ELT, Use of Dealer Plates, Smog Inspections, Odometers*

*Unit Four-Financing, Get Started in Buy Here Pay Here, Vehicle History Reports*

*Unit Five-Odometers, Vehicle History Reports, Cash Reporting, Notice to Public Postings, Dealer Auctions*

*Providing California  
Department of Motor Vehicle  
Approved Dealer Training  
Since 2019*

# How to Get a California Dealers License

I hope you find this Dealer Startup Guide very helpful. I will be giving your dealer training course, and I will do everything I can to help you get started in this incredible business.

Thank you very much,

*Delus Johnson*

# California Dealer License Start Up Guide

1. Complete 6-Hour Pre-License Course  
(Online)
2. Find Location for License  
(Residential Location Possible)
3. Obtain Dealer Surety Bond  
(Competitive Quote Contacts Provided in Course)
4. Live Scan Fingerprints & Resale Permit  
(Covered in Course)
5. Register Secretary of State, Obtain FEIN  
(Covered in Course)
6. Location Inspection  
(Covered in Course)
7. DMV Exam  
(Sample Exam Provided in Course)

## California Used Dealer License

A California dealer license will allow you to purchase vehicles at every dealer auction in the United States. You can purchase vehicles in person at the dealer auctions or purchase them online and have them delivered to your dealership in one to three days.

Some dealers prefer to purchase their vehicles by visiting dealer auctions in person, but it has become much easier to purchase a vehicle online and have it delivered to your location in California.

Many dealer auctions have vehicles that have passed third party inspections to ensure the vehicle that you are purchasing online has no mechanical or physical defects.

Once you obtain your license you can apply for what is known as an Auction Access ID card which will also you to easily access every dealer auction in the United States to buy vehicles at low wholesale prices and mark them up to high retail prices.

In your course I will also show you how to legally charge Document Fees on vehicles that you sell that can add to your profits on each vehicle.

Once you have completed these 7 steps you can submit your California dealer license application to the California Department of Motor Vehicles to receive your California dealer license. The entire online application is covered in dealer training course.

## 1. Complete 6-Hour Pre-License Course

Any person applying for a California dealer license is required by law to complete a 6-hour dealer pre-licensing course.

In the course we will cover each pre-license step extensively and show you how to complete all the paperwork that is needed to apply for your California dealer license correctly. If you are not sure how to get started in the process, the training course covers every step.

We will also show you software that completes all the paperwork that is required when you purchase a vehicle to resell and all the paperwork that is required when you sell the vehicle for a profit.

I'll also share some profit strategies that I've honed through my experience as a licensed motor vehicle dealer and through training entrepreneurs like yourself throughout the United States.

When you complete your training course you will be confident and ready to run your new business. You can view the dealer license class schedule or start the online course by visiting [californiadealer.com](http://californiadealer.com).

## 2. License Location

The State of California requires dealers to operate out of a bricks and mortar building. The State does not allow a cloud-based dealer license that would allow a dealer to show up in a parking lot, sell a vehicle to a customer, then disappear forever. The State wants to ensure your customers know where you are located before and after the sale of a vehicle. Your dealer license must be located at a physical address.

There are two dealer license locations that allow you to meet this requirement.

1. Residential Location
2. Commercial Location

### Residential Location

The State of California is one of the very few states that allow you to obtain a dealer license at a residential address. However, the residential address must be zoned to allow a dealer license and most cities will only allow a wholesale license at a residential address. A wholesale dealer license only allows you to sell vehicles to other licensed dealers. A wholesale license does not allow you to sell vehicles to anyone that does not have a dealer license. You can buy and sell vehicles at dealer auctions or to other licensed dealers but cannot sell vehicles to the general public.

This is a great way to get your foot in the door and obtain your dealer license at a lower cost. Your residence, however, must be zoned to allow a dealer license. How do you find out if you can have a dealer license at your home? You can call your city hall or county courthouse and ask for the Planning and Zoning department. Let them know the address of your residence and ask if you can have a dealer license at that location. Be sure to let them know you want to operate a wholesale dealership and that you will never, or rarely have vehicles at the location. Your city or county does not want you to have a surplus of vehicles at your residential address. Also let

them know that you will never have any type of retail traffic at your home. If your local city or county does not allow a dealer license at your residential address, the State of California will not issue a dealer license. Some cities in California may allow a retail dealer license at a residential address if the residence is in a commercially zoned area. Just check with your local zoning officials.

Regardless of the location you choose for your dealer license, State law requires the location to be zoned to allow a dealer license. If you obtain your dealer license at your residence all regulations covered in your California Dealer Courses must be followed.

## Commercial Location

If you opt to use a commercial location and obtain a retail dealer license, you can potentially yield significantly higher profits compared to a residential address. A retail California dealer license allows you to sell vehicles to retail customers in addition to other licensed dealers. A retail license allows you to sell retail and wholesale. Commercial sites that allow you to obtain a retail dealer license typically benefit from greater drive-by traffic, enabling potential customers to view your vehicles as they pass by. Despite the rise of internet marketing for dealerships, a substantial portion of sales still originate from drive-by traffic.

I've spoken with numerous entrepreneurs like you who are hesitant to rent or lease a commercial location to obtain a dealer's license. Dealers operating from commercial locations normally experience substantially higher profits, with rent costs typically being easily covered by a percentage of the profit from just one vehicle sale.

Rent for a commercial location typically takes only a small fraction of your overall profits.

For instance, if you're renting a location at \$500 per month and you sell 5 vehicles monthly, each with an average profit margin of \$2,200, your building rent would represent less than 5 percent of your total profits.

There are many companies in California that will rent you a small office and parking spaces to assist you in obtaining your dealer license. You can do a quick internet search for “California Dealer Office Rental” and find several companies that want to rent you a small office and parking spaces that will meet the minimum dealer licensing requirements of the DMV.

If you are not allowed to have a dealer license at your home, I strongly encourage you to invest in a commercial location to experience the profits in this high markup business.

## Location Requirements

When you obtain a retail California dealer license you are required, at minimum, to have an office with a display area that has room for at least 2 vehicles of the type you are selling. The building must have a permanent business sign attached with the dealership name clearly displayed to identify the location as a licensed motor vehicle dealership. The sign requirements will be covered extensively in your California Dealer Training Course. Learn more at [californiadealer.com](http://californiadealer.com)

I always recommend a retail license over a wholesale as it allows for a larger customer base and higher profits.

If you are not allowed to have a dealer license at your residential address you should have no problem finding a retail location that meets zoning requirements for a minimal cost.

You must meet all local zoning requirements. This is California Law!

## 3. Dealer Surety Bond

You are required to obtain a Dealer Surety Bond before you can apply for your California dealer license. The State will not issue your dealer license until you are bonded.

The Dealer Surety Bond protects customers from the small handful of dealers in California that commit fraud.

Here are the California Dealer Surety Bond Requirements:

\$50,000 Dealer Surety Bond-Retail Motor Vehicle Dealers

\$10,000 Dealer Surety Bond-Motorcycle Dealers, Motorcycle Lessors, ATV Dealers, Wholesale Dealers Selling Less than 25 Vehicles a Year

Retail motor vehicle dealers in California are required to obtain a \$50,000 Dealer Surety Bond. Motorcycle Dealers, Motorcycle Lessors, ATV Dealers, and Wholesale Dealers Selling Less than 25 Vehicles a Year are required to obtain a \$10,000 Dealer Surety Bond. Wholesale dealers sell 25 or more vehicles per year are required to obtain a \$50,000 Dealer Surety Bond.

The pricing on your Dealer Surety Bond will be determined by your credit score. If you have good credit, you should be able to obtain a \$50,000 Dealer Surety Bond for around \$300 to \$500 per year. If you have a few blemishes on your credit score, the price of your Dealer Surety Bond can be much higher.

In your dealer training course, we will show you how to find the cheapest Dealer Surety Bond. We can submit your bond quote to one of over 30 Bond Carriers based on your credit score which can lead to much lower bond pricing.

If you do have bad credit, we work with Dealer Surety Bond providers that specialize in low credit score dealer bonds and will allow you to make payments on your Dealer Surety Bond if needed. If you do have some credit issues, we can assist you in obtaining the required Dealer Surety Bond. These resources are provided in your California dealer training course. The course can be found at [californiadealer.com](http://californiadealer.com).

## 4. Live Scan Fingerprinting

Before you apply for your California dealer license you must obtain fingerprints. Every owner/partner on the dealer license must be



electronically fingerprinted. If you live in another state, you will need to submit a fingerprint card from your State Police. You do not have to live in California to have a California dealer license, but your location must be in California.

In your dealer training course, we'll guide you through the easy process of completing your Live Scan Fingerprinting.

When you obtain your dealer license you will have oversight over very large financial transactions when selling a vehicle. The State of California just wants to ensure you are of a high level of ethical standards before you are issued your California Dealer License.

## 5. Register With Secretary of State & FEIN

Most dealers will register with the California Secretary of State. You may be allowed to register with your county if you are operating as a sole proprietor. The California Secretary of State wants a record of every business operating in the State including the dealership you are getting ready to open. In your dealer training course, we will cover the registration of your new business with the California Secretary of State in detail.

Most dealers are also required to obtain a Federal Employment Identification Number, or FEIN, from the IRS. Some companies charge dealers as much as \$500 to obtain your Federal Employment Identification Number, which is sometimes referred to as a Tax ID Number. We will show you how to obtain your Federal Employment Identification Number in your dealer training course at no charge. We will show you how to obtain this number directly on the IRS website.

When you complete your dealer training course you will know how to register your dealership with the Secretary of State and how to obtain your Federal Employment Identification Number. It takes just a few moments to correctly complete these online registrations. You may register for the dealer pre-license course at [californiadealer.com](http://californiadealer.com).

## 6. Location Inspection

Before the State of California issues your dealer license, they require a location inspection. The State wants to make sure you have a physical location with a lot and sign. This inspection will probably take only 2 to 3 minutes. The DMV just wants to make sure you have met the minimum requirements to obtain a dealer license. We will show you how to schedule this quick and easy inspection in your California dealer training course.

## 7. Take DMV Dealer Exam

All California dealer license applicants must complete a very easy dealer license exam. You should be able to find a DMV exam office a few minutes from where you live.

In your dealer training course, all licensing requirements extensively to ensure you pass your DMV exam the first time. In the rare occurrence that you do not pass the DMV exam you can just take it again. When you complete your C California Dealer Training Course, you should easily pass your DMV exam the first time. A sample course will be provided to you. Register for your course at [californiadealer.com](http://californiadealer.com)

In your official California Dealer Training Course, you learn how to easily complete each pre-license step, you will learn how to apply for your license correctly, and you will learn how to complete titles as a dealer.

In your course you will learn how to sell vehicles for maximum profits and incur additional profits by legally charging administrative fees. You will learn how to get a loan for every customer, and you will even learn how to start a high-profit Buy Here Pay Here dealership as well.

When you complete your dealer training course you will be confident and ready to run your new business.

**When you are ready to change your life with your own Dealer License, visit [californiadealer.com](http://californiadealer.com) and click on the blue "Begin Training" button!**

Thank you for considering Automobile Dealer Training Association as your dealer license training partner.

I want to wish you the very best of luck with your new business.



*Delus Johnson*