



Finance Guide - Finding & Financing Your Next Car Online

FINANCING

ADVICE: Secure financing before you visit the dealership.

Before car shopping, calculate how much you can afford and/or borrow. It's up to you where and when you purchase your new or used car, but figuring out your financing before you step onto the lot will actually help you decide which car to purchase.

Breeze through the financing process online and get a better deal on your final car purchase by sticking to these tips.

To help ease the auto-buying experience, we have listed some tips and advice aimed at saving you money through helping you negotiate a better deal.



✓ **Do your research**

Knowledge is power. Being an informed buyer and borrower will help you make the best decision. Whether you're comparing your options for financing or trying to pick between a new or used car, having this "power" will help you feel in control of the auto-buying process.

▶ **Auto Payment and Auto Loan Amount Calculator:**

Play around with these calculators to get a better idea of how much you can afford to borrow.

▶ **New and Used Car Values:**

Get a fair estimate on the price of the car you want by comparing data like the manufacturer's suggested retail price (MSRP), dealer invoice, and trade-in value.

▶ **Interest Rate Estimator:** Interest rates vary widely based on the type of loan you want, your credit, and where you live.

▶ **Crash Test Results:** Access the National Highway Traffic Safety Administration's database of official safety ratings for your potential vehicle.

▶ **Insurance Quotes:** On top of budgeting for a monthly car payment, you'll want to factor in the cost of car insurance.

▶ **Auto History:** Don't get duped. From number of repairs to number of owners, CarFax will give you the complete history of the car you're considering.

▶ **Glossary Of Terms:** This quick list of common industry terms, and what they mean, will help you understand the language of the industry and keep you better informed.

▶ **Manufacturer Recall Notices:** Find out if there is a manufacturer's recall notice on car you're thinking about buying.

✓ **Not everyone qualifies for 0% Financing**

When 0% financing is offered at the dealership, factory subsidizing is reducing the APR to help make the car more affordable for you. What you need to know is:

- 1) this 0% rate usually applies to the invoice price, or manufacturer's suggested retail price
- 2) there are limits on terms, requiring them to be 24-36 months or less.

Both of these issues can result in higher monthly payments or a larger down payment. While this type of subsidized interest rate promotion has benefits, it's not very practical. It's estimated that 60% of auto buying consumers do not qualify for the promotion or cannot afford the payments.

✓ **Know your credit score**

Request a copy of your personal credit score before deciding the type and amount of financing to obtain. A credit score is a number that helps lenders estimate your credit risk.

Don't waste your time going to a bank and risking rejection without knowing your credit score and financing options.



✓ **Know the key components of a loan**

Remember, knowledge is power! Understand the key components of an auto loan like:

LOAN STRUCTURE:

- **Amount Financed-** The dollar amount of credit provided to you
- **Down Payment-** The initial amount you pay to the car seller. The more money you put down, the less you will need to finance.
- **Annual Percentage Rate (APR)-** The annual rate charged for borrowing (expressed as a percentage).
- **Term (months)-** The length of time you will make payments, or the length of time you will have before your loan hits maturity date.
- **Monthly Payment Amount-** The dollar amount due each month.

PRODUCTS:

- **Service Contract-** A contract that provides financial coverage to repair or replace any vehicle failure or breakdown within the limits of the policy.
- **Gap Insurance-** If your car is totaled in an accident, this will pay any remaining balance owed on a loan.

FEES:

- **Taxes-** Govt. Fee
- **Titles-** Govt. Fee
- **Licensing-** Govt. Fee
- **Document Fee-** Dealer Fee

When comparing financing options, either online and/or at the dealership, always review and understand every one of the above noted components. They are all negotiable except for government fees. Too often people get caught up in the "rate" or "payment amount" and end up paying a lot more for the auto, service contracts and/or insurance products, you might not have wanted. Sometimes they get added without your full understanding of the costs.

✓ Avoid marked-up interest rates by shopping online

Dealer financing is almost always “marked-up,” meaning you’re being charged more than you would elsewhere so the dealer can make a profit. The average interest rate mark-up is over \$1,000, with some as high as \$5,900, reported the Consumer Federation of America and CBS’s 60 Minutes, “The Hidden Mark-Up of Auto Loans” (January 26, 2004)

✓ Prepare for your trip to the dealership

Car dealers make a profit by referring you to their preferred lender, marking up interest rates, and even inflating the price of service contracts and other vehicle insurance products. Once you’ve been pre-approved, you can confidently walk into the dealership knowing that your financing has already been taken care of.

BUYER BEWARE! *Be prepared for the dealer to claim that they can beat your online deal. They’ll do this by lowering your monthly payments but increasing your term, the sales price, or the interest rate (APR). If you focus exclusively on your monthly payment amount you could overlook an increase elsewhere and end up paying more for the car, loan, and/or other products and services.*

Negotiate like a pro

With financing in hand, you’re ready to get the best pricing on your new or used car! You know how much you can afford, the type of car you want, and how it’s all going to fit into your budget. The car salesman wants to sell you a car and you’re ready to buy. You’re a serious buyer with financing in hand – it’s time for a test drive!

Good luck and be confident!

terminology

The automobile-purchasing world has its own language. Brush up on your loan lingo before making any final decisions.

Annual Percentage Rate (APR) –

Expressed as a yearly rate, or percentage, this is the measure of the total cost of your financing. Federal law requires all creditors to calculate APR in the same way.

Balloon Financing – This type of auto loan is structured in such a way that your monthly payments are reduced, but a significant portion of your loan is due in one final payment.

Cash Due at Signing – The cash, security deposit, and first month’s payment due from the buyer at the point of purchase.

Gap Protection – In the event that you’re in a car accident and your vehicle is deemed a total loss, this type of insurance covers the difference (or gap) between what your car is worth and what you owe.

Marked-Up Interest Rate – When additional interest (APR) is added to the approved interest rate. Also referred to as a “hidden charge,” as it’s often not disclosed to the customer. This results in higher financing charges and payments.