DEALS for WHEELS

credit.org

About credit.org

We are a nonprofit organization founded in 1974.

We offer personal financial education and assistance with money, credit, and debt management through educational programs and confidential counseling.

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Headquarters Office: 4351 Latham St • Riverside, CA 92501
Mailing Address: P.O. Box 5438 • Riverside, CA 92517-5438
800.947.3752 • fax: 951.328.7750
www.credit.org • e-mail: education@credit.org

Introduction

The first major purchase most of us make is a car. Usually, buying a car is a necessity, something we need in order to get to work or school and get around town. But owning and operating a car can also be very costly, taking more and more of our budget each year. As a result, many of us are keeping our cars longer or buying a used car to reduce its initial cost.

The primary thing to keep in mind when getting ready to buy is that a car is not an investment. A car only loses value, year after year and mile after mile. That's not to say that some models don't have a high resale value that will allow you to recover some of the money you've spent. Certainly taking care of your vehicle by doing regular maintenance means you can keep its value as high as possible. Just remember that, in the end, whatever amount you may sell or trade your car for is never as much as you've paid into it. Smart buying decisions can help you keep costs affordable both when you buy and during the time you own your car.

The information in this book can show you how to shop for a new or used vehicle, help you understand your financing options, and guide you through the process of comparing auto loans. So let's turn your buying engine over and get started.

What Kind of Car is in Your Budget?

Buying a car starts before you ever leave your house or slide behind the wheel for a test drive. Good buying decisions begin with a look at your budget, a realistic look at your lifestyle, and a careful comparison of costs.

Your budget will determine what you can afford to pay per month on a loan, help you decide whether to buy a new or used car, and make sure you have enough put aside for insurance and maintenance. Start by reviewing the budget sheet on the following page and filling in your income and expenses. Be honest. You're facing a big purchase, and you want to make sure that you are realistic about the money you have to work with.

Budget arithmetic is straightforward: after listing all your sources of income, subtract your expenses from your income. The resulting amount is what you have to put toward additional expenses like your car. If the number is less than zero (a negative number) it means you aren't ready to take on new expenses until you can either reduce current expenses or find more income. If it's positive, then you'll need to determine if it's enough to cover a car payment, insurance, and maintenance.

Current Income: ________________
Expenses: ________________
Difference: ________________

If the difference in the chart above is positive, that's your auto-buying budget. Beware, though, of buying purely on monthly payments. You could get a very nice car at a low monthly rate with a lease, but chances are it's not the right option for you. If the number above is negative, you shouldn't be shopping for a new car until you get your finances under control. Focus on eliminating your existing debts before you take on a new one like an auto loan.

SAVING FOR A DOWN PAYMENT

When you are preparing to buy a car, you may want to spend some time building up a down payment; the larger down payment you can come up with, the lower your interest rate may be. A larger down payment may also make it easier for you to qualify for an auto loan.

If you have an idea of when you're going to buy a new car, you may want to set a firm goal. Say you're going car shopping in 6 months. Saving $400 per month starting now will leave you with a $2,400 down payment when you are ready to buy. This period of saving will also help you test whether you're really ready for your new car payment.

Finding the Right Car for You

TAKE THE CAR I.D. TEST

Some questions to ask yourself before you decide on a car:

- How do I plan to use this car?
- How many miles per year do I drive?
- Are those miles mostly on freeways or do I travel on surface streets with a lot of stop and go driving?
- Will this car fit into my garage or parking space?
- Do I need to carry things like building or home improvement materials, pets, or items that may require a certain amount of space or special carriers?
- Do I drive alone, or do I regularly carry children or other passengers?
- Do I need to have room for a car seat, wheelchair, or other items?
- Do I need four-wheel drive?
- Will I be towing anything with my new vehicle?
- Is the price of gas likely to increase in the future?

If you buy a car that is wrong for you, you'll lose a lot of money as you sell or trade it to get the right car for you. Anticipate your needs to avoid unnecessary expenses down the road.

SHOULD YOU BUY NEW OR USED?

Most financial experts will tell you that you should only buy a new car if you're wealthy enough to afford it. For most of us, a used car is the more responsible choice.

These days, used cars are more reliable and safer to buy. Many areas have "lemon laws" that protect you if you buy a car with serious hidden defects. Manufacturers also have "certified pre-owned" vehicle programs, which guarantee the quality of the used vehicle.

Buying a used car from an individual may be more risky. Unfortunately, there are many people of low character who, upon discovering a cracked engine block or bad transmission, immediately slap a "for sale" sign in the window. If you're not mechanically inclined, you might want to find a mechanic you trust who can look over a car for you before you purchase it. If the seller doesn't agree with this kind of inspection, you probably shouldn't be buying a car from them.

If you're financing a used car purchase, you may find the loan to be a bit more expensive. However, your insurance will likely be cheaper, so this may even things out.

We generally support the idea that most people should stick with used cars unless they have saved up enough money to buy a new car outright. However, we consider any expense that is necessary for your income to be justifiable. We might not expect everyone to buy expensive suits, but if your job requires it, then they are a necessary expense. Likewise, a reliable new car may be justifiable if you are in a situation where your income depends on reliable transportation.

GAS MILEAGE

Unfortunately, it seems that high gas prices are here to stay. There's little hope that we'll be paying $3.00 or less per gallon ever again. Some experts predict gas prices of more than $6.00 per gallon within the next four years.

Even if these experts are wrong, you should prepare for the worst. The smart car buyer will assume ever-higher gas prices and adjust his/her car buying habits accordingly.

SAFETY

One place you should definitely go before settling on a car is the web site of the NHTSA, or National Highway Traffic Safety Administration. You'll be able to find crash test scores to compare how safe different makes and models of cars are. Look for them online at www.safercar.gov.

Another good resource for learning about vehicle safety ratings is www.hwysafety.org. This is the web site of the Insurance Institute for Highway Safety, or IIHS.

RESALE VALUE

Another thing to consider when purchasing a new car is its future resale value. You may be able to determine this information by searching online, or consulting a publication like the Automotive Lease Guide. Because the information is so likely to change, we won't list any specifics here, but generally speaking, Japanese cars will hold their value better than American, European, or Korean cars. The big exception there is the very popular Mini Cooper, which has the best resale value of any used car. Also, American manufacturers continue to dominate the pickup truck market, though as gas prices rise, the resale value for all pickup trucks will be negatively affected.

Resale values can have a big impact in the long run. For example, after 5 years, a 2008 Toyota Camry with 75,000 miles is expected to sell for 37% of its manufacturer's suggested retail value, or MSRP. A comparable Volkswagon Passat would only fetch 27%. Because the cars cost roughly the same new, the Camry will be a significantly better deal in the long run. Another car in the same class, the Chevy Impala, is expected to resell at 28% of MSRP. Even though the comparable Impala is $2,000 less than the Camry, it will resell for $6,060 in five years, while the Camry will resell for $8,750. That means while you might save $2,000 today by buying the Impala, you will lose $2,690 in the long run due to lower resale values.

VEHICLE QUALITY

The number one factor in a vehicle's resale value is its product quality. You'll hear a lot from car dealers about initial quality ratings, but it's important to seek out long-term reliability scores as well. J.D Power & Associates publishes the most reliable auto quality studies, and Consumer Reports offers good information about long-term vehicle quality as well.

Vehicle quality ratings will change over time, though again, Japanese manufacturers (with the exception of Suzuki) tend to score near the top. American cars are all over the chart, so do some homework before you buy.

How Much Should I Pay?

STICKER PRICE SIMPLIFIED – UNDERSTANDING the MSRP and DEALER PRICING

The two figures you'll want to seek out on a given car are the Invoice and MSRP (Manufacturer's Suggested Retail Price). These days, you should be able to find this information easily on the internet. Edmunds.com is a good place to start when trying to find dealer invoice prices.

The dealer invoice price is what the car dealer paid to the auto manufacturer. The MSRP is the suggested price the dealer charges of the end consumer. Ninety-five percent of the time, you should be able to buy a new car for less than the MSRP. The only cars that should fetch full MSRP from the buyer are cars that have a long waiting list to buy, like popular electric hybrids. In almost every other circumstance, the MSRP is too high and you should be able to negotiate a better price.

A typical invoice to MSRP comparison:

Vehicle	**Invoice**	**MSRP**
Base Price	22275	23900
Factory options	938	1130
Navigation system	577	695
Destination charge	600	600
Totals:	24390	26325

After the sale is complete, most dealerships get "holdback'" dollars from the manufacturer. This is a percentage of the MRSP, usually something like 2% or 3%.

What is a fair price for the vehicle? In our opinion, something as close to the invoice as possible, if not below it. Dealerships do not typically pass on the "holdback" dollars to consumers, but they do exist, and they ensure that the dealership won't lose money on the deal even if they sell you a car at less than the invoice price.

BASE, STANDARD, AND EXTRA-FEATURE MODELS

For every non-standard feature you add onto a car, you'll pay more; not just for the cost of the feature, but in extra profit for the auto dealership. It's much easier to negotiate for a car with a standard feature package.

Depending upon the model of car, the options packages may vary considerably. You should know what features your ideal car would have, and be prepared to compromise if the dealership doesn't have exactly what you're looking for. If you end up placing a factory order for a car with the exact configuration you want, you'll pay more.

OTHER FEES AND CREDITS

Car dealerships often offer rebates and other special deals for specific sales. They'll also have other fees for specific things, like a "regional dealership advertising fee." This is a legitimate fee that many dealerships charge; it covers the dealership's share of national television commercial advertising and the like.

You may be able to get a copy of a publication like "CarDeals" (www.checkbook.org) which will tell you from month to month what the rebate and incentive programs are for various auto makes and models. Otherwise, you may just want to keep your eye out for ads or signs near the dealership that proclaim the latest rebate program.

Many dealerships tack on small fees for things like "document preparation" or larger "dealer prep" fees. All of these should be lumped together to reach a total "out the door" price. You don't want to walk onto the lot thinking you're going to pay $24,390 for the car, only to find out there's an extra $500 fee waiting for you. When comparing auto prices between different dealerships, include these extra fees in your total.

TRADE-INS

Trading in your old car at the dealership will almost always skew the negotiation in favor of the dealership. Whatever price break they give you on the car they're selling can be regained by giving you less for your trade in, and vice versa.

In general, dealerships offer less for trade-ins than consumers expect. Unless you bought the right car and treated it very well, the dealership will offer you somewhat less than what the car is worth. They must be able to re-sell your used car and make $1,200 to $1,800 to make the trade worth their while, and that means giving you less than market value for your car. If you can sell the car yourself, you can make that extra money for yourself. You can even sell your car for hundreds less than market value and still make more than you would on the trade-in.

That is not to say that a trade-in is always a bad idea, just that you'll get less for your old car than if you sell it yourself. One advantage to trading in your car in most states is that the value of your trade-in offsets the cost of your new car for the purposes of calculating sales tax. If you bought that car for $24,390 and traded in your old car for $10,000, you'd pay taxes on $14,390 instead of the full price.

If you do want to trade your car in, try to find out the wholesale value before you go to the dealership with it. You may want to take it to a few different used car lots and see what they'll give you for it. The highest offer you get is your wholesale value.

GAP INSURANCE

When you drive off the car lot in your new car, the value will drop immediately. Unfortunately, the amount you owe to your lender will not drop as much. It's therefore likely that you will owe more to your lender than your car is worth. So if you have an accident or your car is stolen, your insurance company will pay only what the car is worth, leaving you to pay the remaining amount of your loan.

The solution to this problem is gap insurance, which covers the margin between what you owe and what the car is worth. You should talk to your auto insurer about gap coverage if you buy a new car.

WARRANTIES

Most new cars come with good warranties. You may want to purchase an extended warranty; which in most cases can be bought at any dealership that sells your make of automobile. Just like the price of a car, you can comparison shop for the best price on an extended warranty. In some cases, you can even buy your warranty from a different state, using the internet.

If you buy a used car, you may not get warranty coverage unless you buy it yourself. These warranty plans aren't terribly expensive and they can help you avoid a major expense down the road. Make sure any warranty you buy covers both mechanical breakdown AND "wear and tear."

NO-HAGGLE PRICING – WHO WINS?

In short, the dealership. No-haggle pricing means that everyone pays the same price—no exceptions. That price will be the full sticker price, or MSRP. If you're hopeless in any negotiation, you may opt for a no-haggle arrangement for the sake of your sanity. But a no-haggle pricing arrangement is not optimal for the informed consumer.

LEASE VS. PURCHASE

If you are buying a car, you'll eventually own it. That means you will one day pay it off and have no more car payments. Your car will also have some value should you decide to trade it in or sell it. Purchasing is more expensive than leasing, but it has definite advantages.

If you opt to lease a car instead of purchasing it, you will pay less. The down payment will be low to nonexistent, and the monthly payments will be considerably lower. However, you are renting the car, so in the end you are left with nothing. There are also traps for the unwary that can lead to high fees at the end of an auto lease.

The most onerous of these traps are mileage restrictions. Most leases have a limit of 15,000 miles per year, or less in some circumstances. If you go over that limit, you'll pay an extra fee for every extra mile at the end of the lease.

Leasing:

You will always have a car payment.

You will never own the car.

There are mileage restrictions.

Insurance is more expensive for leased vehicles.

There may be fees for "excess wear and tear."

Considering these factors, it may seem that leases are a bad idea for everyone. That's not necessarily true. If you simply must have a brand new car every four years, or you just can't afford a full car payment but need reliable transportation for work, a lease might be the right option for you.

When leasing, you can opt for a closed or open-ended lease. A closed-end lease means you turn in the car at the end of the lease term and walk away. You'll have to pay fees for excessive mileage, wear and tear, and anything else specified in your lease agreement.

An open-ended lease means you purchase the car at the end of the lease term. This is a good option for someone who puts a lot of miles on a leased car, but is riskier than a closed-ended lease. In general leasing (especially open-ended leases) isn't for everyone. Enter into this kind of long-term rental agreement very carefully.

Financing

A recent survey by Capital One Auto Finance found that 70% of car buyers did their proper homework to find the best deal on a new car purchase. Following steps similar to what we've outlined so far, the majority of car buyers make an effort to be properly prepared before a car purchase. Unfortunately, they were not so prepared when it came to shopping for vehicle financing.

Approximately 60% of car buyers did not explore their financing options before purchasing a car, and only 20% researched their options online and compared rates between different lenders. These buyers are only half prepared for the task of buying a car. Anyone in the market for an automobile should consider the process of buying a car to include two separate purchases: (1) buying the car for the best available price, and (2) securing financing at the best possible rates.

Another shocking finding in Capital One's "Rules of the Road Survey" was that only one third of car buyers checked their credit score before obtaining financing for their car purchase.

Vehicle financing is a major loan, and like any major loan, your credit is essential to getting the best deal. It's important that you take some time to understand how your credit impacts an auto purchase and what you can do to improve your situation.

CAR BUYING AND CREDIT

If you are considering financing your car, you will need to consider how credit worthy you will appear to a lender. Two main factors influence a car lending decision:

- Your credit report and score
- Your debt to income ratio

When you are looking for someone to loan you money, no matter what the purpose may be, you want to be as attractive to that person as possible. So, whom do lenders feel most comfortable with when writing car loans? Having an excellent credit score as well as a low debt-to-income ratio makes you attractive to a car lender. If you are unable to get a car loan, you may ask what your options are. Often making a small down payment may be enough to get a lenders approval.

THE THREE C'S OF CREDIT

When applying for an auto loan, most lenders will look at all three credit reports Experian, Equifax or TransUnion, and based on your FICO Score will either approve or decline your application. Lenders are looking for the following three C's:

Character

- Good credit report
- Character references
- Past use of credit (credit History)

Capacity

- Steady full employment or verifiable source of income
- Current living expenses
- Other financial obligations

Capital

- Current status of savings and investments
- Available collateral

Inaccurate items reporting can affect your ability to get financed. Your credit reports should be checked at least 2-3 months before a car purchase so you can take care of stale and/or incorrect items. This happens quite frequently; most credit reports contain minor errors, and one in four credit reports contain serious errors that can affect your ability to obtain credit.

Correcting the errors and outdated items on your credit report is a huge topic; the best advice we can give you is to visit our website, www.credit.org, and download the "Consumer Guide To Good Credit," from our "resource center." It's a free pdf download, and will show you what you need to know about obtaining, interpreting, and correcting your credit report.

Correcting inaccurate items takes 30 days, and then you should be ready to apply for that auto loan. If your credit report contains other negative items that can't be removed by disputing them, you'll have to find another way to demonstrate to the lender that you are a good credit risk. Coming up with a down payment is a good way to do that. One credit union we talked to said that if the customer had late payments on his or her credit report, they would only loan them 95% of the cost of the car. So assume around 5% of the total car price as a good down payment goal.

Paying down other debts can help your chances of getting the loan as well; part of your "Capacity" is your total debt picture. That, compared to your income, will help calculate your debt to income ratio.

DEBT TO INCOME RATIO

The percentage of your monthly gross income that goes toward your debts, taxes, and insurance is your DTI.

This calculation is always based on gross income (that's total income before taxes). Debts you should include are mortgage (including property taxes & insurance), child support, credit cards, personal loans and auto loans. Do not include regular monthly bills like utilities, cable TV, groceries, etc.

The front ratio consists of your housing costs, and the back ratio includes all debt payments. These ratios are referred to in the lending industry like this; front/back

For instance, a conventional loan might allow for a debt to income ratio of no more than 28/36. Say your income is 50,000 per year, or 4,166 per month. The front ratio of 28% will leave you with $1,166 for housing expenses:

$4,166 x.28 = $1,166

The back ratio of 36% would leave you with $1,499 for debt payments.

$4,166 x .36 = $1,499

If you reduce your outstanding debts, it will affect your existing debt to income ratio, and perhaps make you an acceptable candidate for an auto loan.

EXAMPLE:

Suppose you and your spouse each earn $30,000 per year. That means you have a combined $5,000 gross monthly income.

If your total monthly mortgage is $1,200, you owe $50 per month in credit card debt, have another $100 personal loan payment, and have a car payment of $200 per month, your debt-to-income ratio is 31%. *($1,200 + $50 + $100 + $200 =) $1,550/$5000 = .31*

31% would be an acceptable debt/income ratio for most lenders. Generally, lenders accept a debt-to-income ratio up to 36%. In the example above, you'd be able to add an additional car payment of $250 and still have an acceptable debt-to-income ratio. Some lenders may allow a ratio slightly higher than 36%, but the loan will probably be a bad idea for most borrowers.

If your debt-to-income ratio is over 40%, you may be facing a financial crisis. You should consider seeking credit counseling or addressing your debt situation to bring your ratio down to acceptable levels.

Generally speaking, auto loans are easier to get than other kinds of loans. Any car loan is a secured loan, meaning the loan is backed by some collateral. If you do not make payments, the lender can seize the collateral by repossessing the car. They can then sell the car and recoup some of their losses. This is not the case with credit cards or debt consolidation loans, which are only backed by the borrower's promise to repay.

The interest rates you pay may vary widely in auto lending; some manufacturers offer 0% financing for those with perfect credit, while someone with a recent bankruptcy on his/her credit might pay 23% interest or more.

Your credit rating is important in every facet of your financial life; no matter what your situation, it's a good idea to work toward improving your credit.

SHOPPING FOR FINANCING

After you have checked your credit report and taken steps to ensure it reflects positively on you, you may be able to borrow 100% of the price of the car you are buying. It's preferable to put as much of a down payment as you can afford, though. For one thing, a larger down payment makes the loan easier to get, makes your monthly car payments smaller, and keeps you from immediately being upside-down on the car when you drive it off the lot.

Upside Down: When you owe more to the lender than the car is worth, you are "upside down" on it. This is a bad situation to be in, for obvious reasons. If an emergency strikes and you are forced to sell the car, you can only sell it for market value, and you'll be left paying off the difference to your lender. If you make a large down payment, you're less likely to be upside down and therefore won't have to continue to make car payments after you've sold the car.

Another factor is the length of your car loan vs. your expected time of ownership. If you expect to buy a new car in 4 years, you shouldn't take out an auto loan that takes 5 years to pay off. If you fail to take this into consideration, it's likely that you will be upside down when you go to trade it in 4 years later.

You may be tempted (and auto dealers will encourage you) to finance more than the price of the car. You'll be able to add upgrades, buy an extended warranty, and even pay licensing and title fees all with your auto loan. We advise car buyers to finance only the cost of the car, and not to lump a lot of extras in with the loan; those extras add up quickly, and should only be added on if you can afford them without financing their cost.

You can visit our web site to use a calculator that will help you determine what kind of auto loan you can afford: *http://www.credit.org/calculators/advanced-auto-loan-calculator/*

GET PRE-APPROVED (BANK, CREDIT UNION, INTERNET FUNDING)

Any car dealership will be eager to secure financing for you on the spot. They stand to make a great deal more money on fees and bonuses if they arrange your financing. Ultimately, we recommend that you compare financing at from many different sources, including online financing, and loans from your own credit union or bank.

Car dealerships may be able to get you a better interest rate than your bank, but using them for financing puts you in a weaker negotiating position. Once you allow them to pull your credit report or read your loan application, they will be armed with far too much information about your personal finances. This will make it next to impossible for you to get the best deal on the car.

We also advise going to your personal credit union or bank because you should be building a long-term relationship with your financial institution. As you take out loans from your credit union over the years (and make all your payments on time!) you will earn their trust. The personal relationship you have with them can be worth more than just a credit score. Eventually, you may want to get a mortgage, personal loan, or some other line of credit from your bank, and if you've been a good borrower on your auto loan, you'll have a much easier time winning approval.

Another good argument for using your own financial institution is the ease of setting up automatic payments. Once you get your car loan, the best course of action is to have your payments withdrawn from your account automatically. This ensures very consistent payments that will go a long way toward raising your credit score and demonstrating your value as a customer to your bank.

These advantages are worth more than a half-a-point interest rate discount from the car dealership.

Another option that is growing in popularity is online financing. Sites like E-Loan.com can help borrowers shop around for financing without leaving their homes. Even Edmunds.com can lead you to financing options via the internet.

REFINANCING

This is a good way to lower you car payments if your interest payments are high. The process allows you to find a new lender for your existing loan, often for a better rate, but also to extend their term, skip a few payments, add or remove a co-applicant, and add products (such as GAP insurance) to a loan. Consumers often get into high interest car loans because of poor credit and because they need a car right now, they have no choice but to sign the loan documents. Knowing they can refinance later when they have had a chance to improve their credit score. Refinancing your auto can save thousands of dollars. Use auto loan calculator on E-Loan.com to see what you can afford.

REBATE OR INTEREST RATE – WHICH ONE SHOULD YOU CHOOSE?

In many circumstances, you'll have the opportunity to either collect a rebate when you buy the car, or take a slightly lower interest rate. Many people opt for the cash up front, but then end up paying more over the life of the auto loan because of the higher interest rate.

You can easily find calculators on the internet that can help you determine whether to take the rebate or interest rate cut when buying a car. Search for something like "rebate/interest rate calculator," and you should be presented with multiple options.

HOW DOES PRICE SHOPPING AFFECT MY CREDIT SCORE?

Historically, shopping around had a negative impact on one's credit. These days, the impact is limited, so you shouldn't worry too much about shopping around for the best auto financing available.

Part of your credit score is based on the number of inquiries on your credit report. The idea is that if you're shopping around for a lot of credit or multiple loans, you are a greater risk. As different lenders pull your credit report in anticipation of granting you credit, you become a riskier borrower and your credit score goes down.

Note: this does not apply to inquiries that don't have to do with extending you a loan. You can check your own credit without impacting your score at all. Also, employers, insurance companies, and other entities that check your credit don't necessarily affect your score.

With the rise of internet lending and central clearinghouses that shop you around to multiple lenders, the number of inquiries per loan application has been rising dramatically. That's why the scoring algorithm has been changed. With loans that usually involve people shopping around for the best rates, like auto loans, mortgages and student loans, the FICO score ignores any inquiries made in the 30 days prior to scoring. So as long as you confine your loan shopping to a short period of time, there's no need to worry about damaging your credit score.

And if you end up spending more than 30 days shopping for the best auto loan, any inquiries that are counted by your FICO score are treated as one inquiry as long as they are within a set amount of time. This span is either 14 or 45 days depending on the scoring formula the lender chooses when requesting your FICO score.

EVERY POINT COUNTS

Dealerships increasingly make their real profits in the financing part of the negotiation. As we've shown, the typical car buyer plays into this by not preparing for a credit check and not shopping around for the best terms on auto financing.

Making the Deal

You should definitely test drive the kind of car that you are interested in buying. All the research in the world won't mean anything if you hate driving the car.

However, just because you test-drove the car at a particular dealership doesn't mean you should necessarily buy the car there. Shop around and make them compete for your business.

Let's lay out some ground rules for shopping at car dealerships:

Do not hand over your driver's license. When you go for a test drive, the dealership may ask to hold your driver's license. Do not agree to this. Find a dealership that will let you test drive after taking down some personal information. Reasons a dealership might want your driver's license include:

> They want to hold it hostage. Once they have your license in their control, some dealerships may be reluctant to give it back. Every second they hold on to it is another second they keep you on their lot talking to one of their salesmen. Don't give them that control.
>
> They want to pull your credit. If they have your license, they have everything they need to access your credit report. Even if you aren't getting financing from them, the credit report can give them important clues as to what you can afford, and this will make it impossible for you to succeed in getting the lowest possible price.

If your local dealerships simply refuse to let you take a test drive without holding your license, you might want to prepare a photocopy of your license, write "no credit checks authorized" across it, and give them that instead of your real license.

Do your homework. Never simply walk onto a car lot without knowing everything you can find out about the cars you're looking at. A quick visit to Edmunds.com can give you invoice prices, vehicle safety ratings, and a host of other information

Do not give up any extra information. What seems like small talk may be the salesman's way of finding out how much money you make, where you live, or any other scrap of information that he can use to his advantage when negotiating the price of the car. He'll certainly notice if you're wearing expensive shoes, jewelry, or carrying a Luis Vuitton purse. Leave all the trappings of wealth at home when shopping for a car. An auto salesman is the last person you want to impress. The same is true of the car you're driving currently. If it's something very high-end, the salesman will know you've paid a premium in the past, and will expect you to do so again. If your current car is expensive, find a friend with an old beater to drive you down to the car dealership.

Don't sign anything. Before you give a car dealership your signature on any document, take a day to think about it and compare it to what other dealerships offer.

Note: Also, when you're ready to sign, only give one signature. If a dealer has you sign something saying you'll buy the car for "$X" today, then comes back and says the boss won't allow him to sell the car that cheap, just leave. Certainly don't let him write out a second offer with a higher price and then ask you to sign that, too. By this point, you should cut your losses and do your business elsewhere.

Do not buy on the first trip. There is always a dealership somewhere that can beat the price you were just offered; try to find it. A dealer might tell you the price he's offering is only good for that day, and if you leave the lot, you won't get that good a deal when you come back. That's a dead giveaway that he's not offering you a fair deal and he's afraid you'll go to someone else who will. If he really had the best price, he wouldn't be afraid at all if you shopped around. Dealers who don't want you to leave the lot know there are better deals to be had elsewhere.

Try not to trade in your used car. This is a debatable point, but we urge you to try to sell the used car yourself. You'll get more money for it, and then that money can go toward your down payment on the new car. If you trade it in to a dealership, you'll get less for it, and you'll only give them another opportunity to seize the advantage in your negotiations.

And no matter what, don't trade in a car you still owe money on. That debt you owe will just be piled on top of your new car debt, putting you way behind as you start out with a new auto loan.

Know which fees are legit. Most cars will come with a destination charge. This covers the cost of shipping the car from the manufacturer to the dealership. This usually costs in the $500-$700 range. This is one of the few legitimate fees added on to an auto sale.

Another fee that is sometimes legitimate has to do with advertising. Dealers are charged for regional and national advertising, and those costs are passed on to car buyers. You're unlikely to get out of paying for advertising fees, though you should be wary about how much the fee really is. If it's over $250, the dealer is probably artificially inflating the cost to pad their bottom line. Advertising fees usually appear as an acronym, something like TDA (Toyota Dealer Advertising) fee, or FDAF (Ford Dealer Advertising Fund). Most auto manufacturers impose this, though with some makes, like Honda, the fee is included in the invoice price, so the dealer shouldn't be adding anything extra to your cost.

Some documentation fees are legitimate as well. Depending on your state's laws, you may have registration fees, a title transfer fee, or a lien fee, none of which should amount to much. You can find out the exact fees for your state by visiting the DMV. Don't pay more than that amount. Dealers will try to tack on extra fees for paperwork and document handling; they're not usually legitimate, and you should refuse to pay them when you are negotiating.

That's pretty much it as far as legitimate fees go. Dealer Prep fees, undercoating, VIN etching, credit life insurance, drive off deposits, and most other add-ons dealerships will slip into the paperwork are almost universally illegitimate and you should not pay them.

Know how auto dealers operate. Try to find out what the factory holdback is for your particular model of car. Most domestic auto makers pay the dealer 3% of the MSRP for every car they sell. Most import auto makers pay 2%. This is part of the dealer's compensation, and the dealer will never pass these dollars on to car buyers. That's okay, since the dealership is entitled to some compensation for their efforts. It's important for you to know about holdbacks because sales managers may try to claim that they're making no money, or worse, losing money on your deal. This is all bluffing, as the holdback fees prove. No matter how good your deal is, no matter how far under invoice your final price is, the dealer will still be paid with holdback dollars. So don't let them tell you the deal isn't fair for them.

And under no circumstances should you pay them anything for holdback expenses. The dealer who tries to charge a holdback fee of the buyer is a crook, plain and simple.

Dealers or salesmen may deny there's a holdback. This is a lie: the entire auto industry operates the same way. All dealers get holdback dollars when they sell a car. The only difference is whether it's 2% or 3%.

Think carefully about extended warranties. Generally speaking, only 40% of buyers who purchase an extended warranty get their money's worth. Buying one means you're betting against the house, and you'll lose more often than you win.

Still you may want to get an extended warranty for the sake of your peace of mind. Remember that for most new cars, you don't have to buy the warranty at the same place you buy the car. You can shop around for the best deal. In most cases, you can even shop around the entire country using the internet. However, in some states, you must buy the extended warranty in the same state where you bought the car. (This bit of anti-consumer protectionism is courtesy of your state legislature.) Sites like warrantydirect.com can help you determine the best price for a warranty and where you can get one.

Remember that the extended warranty you buy online is the exact same product you'll get at the dealership. Down the line, when you need to have your car worked on, the dealership that completes the repairs will have no idea where you got the warranty. The service will be the same.

On a recent auto buying trip, the sales manager tried to sell a Honda warranty for $1,400. He claimed he usually charged $2,100 for the same warranty. Maybe that was true, but that was a far cry from the $590 the same warranty costs online at myhondawarranty.com. Desperate, the dealer suggested the buyer only had 30 days to buy the warranty. This isn't true: you generally have until the factory warranty expires to purchase extended coverage. In the case of Honda, that's 3 years or 36,000 miles.

If you're leasing, an extended warranty is a better buy, because you're responsible for all repairs. When you turn the car back in to the dealership at the end of the lease, if you have an extended warranty still in effect you can have any necessary repairs completed and avoid any huge fees or repair bills. So if you have signed a 48-month lease, make sure you have warranty coverage for at least 48 months.

BUYING A CAR

Putting all of these concepts together, you'll have some fundamentals to keep in mind when shopping for a car.

The key concepts are; don't just shop at one dealership, don't give the dealer any extra leverage, and do your homework. If you get financing from your own credit union, sell your own used car, and know the invoice price of the car you're buying, you'll be in a better negotiating position than the average buyer.

When trying to arrive at a price, keep extras out of the negotiation. Don't talk warranties, monthly payments, or any other distractions that might come up. All you want is the best price for the car you want to buy. Remember to ask for an "out the door" price that includes any and all fees or extra charges. This is the number you want to compare from one dealership to another.

Don't give the dealership a desired price right away. As soon as you say a number, you've set the floor, under which the price will not go. Remember that even if you pay less than invoice for a car, the dealer will make a profit from holdbacks and factory incentives. Try to get the dealership to give you their best price for the car, and compare that to what others charge. Don't tell one dealership what the other dealership offered you—then they'll only beat the price by $50 or something just to get your business.

A DIFFERENT WAY

One technique that should improve your chances of getting the price involves remote buying. Sometimes called a "fax attack" or "email blast" this involves you contacting a number of dealerships by fax or email and asking for their best price. You don't tell them anything else about yourself. Just tell them what car you're interested in, what you know about the car, and ask for their best offer. Now the dealer is the one under pressure, not you. Each salesman you contact won't know what other offers you're getting, and they'll have to decide how low they want to go.

Some dealerships will refuse to participate in such a negotiation. They simply won't enter into a situation where they don't have the advantage. Other dealers will simply quote you the MSRP. They don't really want your business either. But if you contact enough dealerships, you will find one who wants to sell you a car, and they'll lower the price enough to make it happen.

One way to ensure that you get a good offer is to send your fax or email near the end of the month. Car salesmen and dealerships have monthly sales quotas, and they sometimes earn huge bonuses if they reach certain sales goals. A fax or email at the end of the month from a likely buyer can be just the thing to help them get over the top. Even if they make very little money on your sale, the bonus they get for selling that extra car that puts them over the top can more than make up for it.

If you don't get any good offers, widen your search. Check neighboring states. Buyers have found massive savings by going a few hundred extra miles; if a dealership in Las Vegas has the car you want for $3,000 less than the one in Los Angeles or San Bernardino, then it'll be worth the drive, won't it?

Start with a dozen or so dealerships, and only widen your search if the responses you get aren't desirable.

PRIVATE PARTY PURCHASES (AUTO TRADER, CLASSIFIEDS)

Buying a car from a private party can be a good way to go, but there are key differences to keep in mind between private purchases and dealership purchases. When buying from a private party, you are very unlikely to get a warranty of any kind. You should take extra care to make sure the seller isn't trying to dump a lemon on you; as with any used car purchase, ask if you can take it to a mechanic of your choosing to verify the car is in good working order. If the seller refuses, assume there's something wrong with the car that you're not being told about.

Once you address that issue, you may find that purchasing from a private party will save you money. Private sellers are motivated and know a lot about the vehicle they are selling that a dealership won't.

Another sacrifice you'll make when you buy from a private seller is choice. A dealership will have dozens of models to choose from and test drive; a private seller can only show you the one car they're selling. If you're sure which make and model you want, this may not be a problem.

BE AWARE WHEN PURCHASING A USED VEHICLE

Obviously, you must take more care when purchasing a used car to make sure there are no serious mechanical problems. Use this checklist to evaluate the used car when you take it for a test drive:

- Visual Inspection-Any obvious defects or damage?
    - o Check the body for rust or damage
    - o Check the tires for wear (uneven wear can indicate a problem)
    - o Check the fluids. Is the oil completely black? Is it or the transmission fluid gritty? Is the engine coolant brown?
- Suspension
    - o Push down on the car at each wheel; does the car bounce more than once?
    - o Does the suspension make any noise when you bounce the car?
- Seats/Interior
    - o Are the seats comfortable and in good repair?
    - o Are the pedals and seats worn down?
    - o Do the doors lock and windows work?
    - o Does the heat and AC work? How long does it take to get hot or cold?
    - o Can you get in and out of the car easily?
    - o Is there enough head and legroom?
- Engine noise
    - o Does the car start easily?
    - o Does the engine idle smoothly?
- Engine Power
    - o Does the car struggle when climbing a hill?
    - o Are you able to pass other cars on the road easily?
- Braking
    - o Are the brakes noisy?
    - o Do the brakes shake when you press the pedal?
    - o Is the brake pedal firm?
- Driving
    - o How does the car accelerate from a stop?
    - o Does the car handle corners?

This is just an overview of the things you should be paying attention to; for a detailed inspection, always take a used car to an independent mechanic before you make an offer.

Used cars can be a great way to get a bargain, but you have to be extra careful to make sure you're buying a vehicle in good working condition. Ultimately, from a financial standpoint, buying used rather than new makes a lot of sense.

I’m In Love With My Car

Buying the car is only part of the financial picture when it comes to car ownership. You’ll have maintenance, fuel, insurance, registration, and other ongoing expenses.The Capital One Auto Finance survey we mentioned earlier found that nearly half (47%) of car buyers did not factor the cost of maintenance, repairs, registration, or parking into their purchase.

Edmunds.com has what they call the True Cost to Own℠ pricing system. This rating helps you determine what a car might cost you from month to month in addition to its car payment. AAA also offers information on the cost of vehicle ownership on their website. They offer cost broken down “per mile” so you can determine what car ownership will cost you based on how much you drive. Their average driving costs for 2008 was $7,096. This includes full-coverage insurance, license, registration, taxes, depreciation, finance charges, gas, maintenance, and tires. Your costs may vary depending on what kind of car you drive and how many miles you put on it; the range of annual driving costs according to AAA goes from $5,514 to $9,769

When budgeting for these expenses, we teach consumers to set aside a portion of one’s yearly costs each month. If your annual car registration costs $120, you should set aside $10 per month into savings. The same is true for your insurance premiums if you pay them annually or in six-month increments.

It’s not always easy to know what your maintenance costs will be. Assuming you put 10,000 miles per year on your car, you’ll need to have your oil changed two or three times. That’s easy enough to budget for. But it’s not as easy to plan for unexpected car trouble.

Everyone should have an emergency fund that equals at least 90 days’ income. This fund can help you get by for three months in case there is an interruption in your income. It’s also usually enough to address unforeseen problems like car trouble. This emergency fund, as its name implies, should be reserved for true emergencies; as far as we’re concerned, anything that stands in the way of your earning capability is an emergency. Simply put, if you need your car to get to work, then car trouble qualifies as an emergency. Create a budget that helps you build a solid emergency fund and keep it intact in case of serious car problems.

RECOMMENDED MAINTENANCE SCHEDULE

Your car’s owner’s manual should contain a specific schedule for car maintenance that you should follow. If your car is older, here are some basic guidelines for maintaining your vehicle:

• Oil Change	every 3,000 miles
• Spark Plugs	once per year
• Air filter	every 15,000 miles
• Fuel filter	consult your car’s manual
• Drive belts	every 3 years or 60,000 miles
• Transmission fluid	every 25,,000 miles
• Tire rotation	every 6 months or 7,500 miles
• Coolant	every 2 years or 30,000 miles

If you take your car to the same service station for regular maintenance, they may keep track of these repairs for you and let you know when your car is due for necessary maintenance.

That is, if you can trust your service station. That brings us to our next topic:

HOW TO FIND A REPUTABLE MECHANIC

First off, be aware that the service department at any car dealership is not going to offer you the best deals financially. Their job is to separate you from your money, and they do it well. Unless your car is new and still under a full warranty, you're probably better off avoiding the big dealerships when trying to find a reputable mechanic.

To find that elusive honest mechanic, you might want to spend some time on the internet. Car Talk's web site has a "Mechanics List" that continues to grow over time. (www.cartalk.com)

You can also check with your local Better Business Bureau to see if you can find a shop that is a member in good standing.

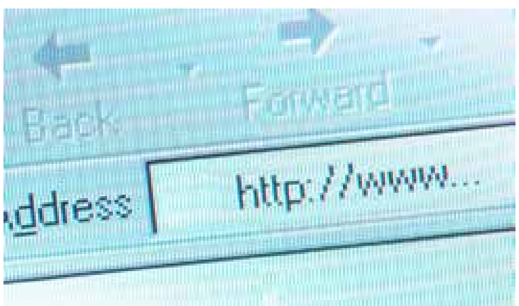
Personal recommendations should count for a lot, too. There's no beating personal experience, so if you have a friend or family member who has a particular mechanic or shop that s/he likes, that's probably your best bet.

If all else fails, ask around down at the local auto parts store. The men behind the counter there probably deal with mechanics and auto shops on a daily basis, and they may be able to point you in the right direction.

Once you've found a mechanic, don't be afraid to double check to be sure you've made the right choice. If their estimate sounds high, ask for a copy in writing that you can compare with another mechanic's estimate. And after you get work done on your car, double check to make sure everything has been put back in its proper place. If a busy mechanic forgot to put your radiator cap back on or left a grease rag under your hood, you could be in big trouble down the road.

Resources

Web Sites:
AutoTrader.com
Consumerreports.org
Edmunds.com
Bankrate.com
Kelly Blue Book (kbb.com)
Carinfo.com
Carfax.com
Cars.com
Thelemonlaw.com
Warrantydirect.com
Fightingchance.com
Carsbelowinvoice.com
Cartalk.com
AAA.com
Safercar.gov
Checkbook.org
Hwysafety.org



Credit Bureaus:
Experian— Attn: NCAC
PO Box 9595
Allen, TX 75013
888-583-4080
www.experian.com

Equifax— PO Box 740256
Atlanta, GA 30374
800-797-7033
www.equifax.com

Transunion— PO box 2000
Chester, PA 19022
800-916-8800
www.transunion.com

BBB Auto Line (third-party dispute resolution)
Council of Better Business Bureaus, Inc
4200 Wilson Blvd., Ste 800, Arlington, VA 22203-1838
800-955-5100
TTY 703-276-1862
Fax 703-525-8277
Email: infor@cbbb.bbb.org
Www.bbb.org

Other Resources:
DOT Auto Safety Hotline (report safety defects of vehicles)
Office of Defects Investigation
400 7th Street., SW, Washington, DC 20590
888-327-4236
Fax 202-366-7882

Bureau of Automotive Repair
10240 Systems Pkwy., Sacramento, CA 95827
800-952-5210
TTY 916-322-1700
Fax 916-255-1369

Motorist Assurance Program (accredits repair shops)
7101 Wisconsin Avenue., Ste 1200, Bethesda, MD 20814
301-634-4954
Fax 202-318-0378
webmaster@motorist.org
www.motorist.org

National Institute for Automotive Service Excellence (ASE)
101 Blue Seal Drive SE Ste 101, Leesburg, VA 20175
888-273-8378
www.ase.com

Carfax, inc
Consumer Affiars
10304 Eaton Place Ste 500 , Fairfax, VA 22030
703-218-0340
Fax 866-728-6455
Email: carfaxwebsupport@carfax.com
Www.carfax.com/help

Glossary

ACV

Actual Cash Value or wholesale value.

Adjusted Capitalized Cost

also called Net Capitalized Cost. This is the “capitalized cost” (selling price), less deductions to reduce the price of the car, like down payment, non-cash credits, trade-in credit, and rebate. Adjusted cap cost is used to calculate your base monthly payment. Think of it as “amount financed”.

Amount Financed

The amount of money that you borrow form the bank. The amount financed is equal to the vehicle price minus the down payment.

Anti-Lock Brakes

Brakes that automatically pump for you when you slam your foot on the brakes in an emergency stop. They may keep you from skidding while you try to turn to avoid an accident.

“As Is” Warranty

If you buy a car sold “as is,” you must pay for any and all car repairs. There is no warranty. “As is” must be checked in the buyer’s guide displayed in the car window at the dealership.

Backend

Less obvious area of dealer profit including financing, insurance, extended warranties and other add-ons.

Backdoor Money

Hidden manufacturer rebate that dealers get for selling a car.

Base Price

The cost of the car without options, but includes standard equipment and factory warranty.

Blue Book

The National Auto Dealers’ Association’s Used Car Book, listing estimated used car prices based on model, make, year and mileage. The pocket-sized blue book is actually orange.

Blue Book Value

Value of a vehicle as determined by a blue book guide. Blue books offer an estimate of what your vehicle is worth based on make, model, age, condition, etc.

Business Manager

Salesperson in the F&I department.

Buyer’s Guide

A double sided form that the dealer fills out to tell you whether or not the vehicle comes with a warranty, and, if so, what the warranty includes. The Federal Trade Commission requires all dealerships to display the buyer’s guide in the vehicle’s window.

Capitalized Cost
The selling price of a car, option, warranty, insurance, rust proofing, or another goody. Think of this as the value of your car at the beginning of the lease, whereas the residual value is the value of the car at the end of the lease.

Credit Report
Historical report on the type, amount, frequency, and repayment of credit used by consumers and businesses. Under the FACT Act amendments to the Fair Credit Reporting Act, consumers are entitled to see one free copy of their credit report in a 12-month period.

Curbstoner
An unlicensed professional used car seller who poses as a private individual selling his or her own car. Curbstoners sell used cars "at the curb," not at a dealership. They specialize in taking advantage of unschooled buyers.

Dealer
A car dealer is anyone who sells more than five cars in a year. A dealer must be licensed and abide by all laws that apply to dealers.

Dealer Invoice
The price the dealer pays the manufacturer for the car.

Dealer Sticker Price
Usually on a supplemental sticker, is the Monroney sticker price plus the suggested retail price of dealer-installed options, such as additional dealer mark-up (ADM) or additional dealer profit (ADP), dealer preparation, and undercoating.

Deductible
A car warranty usually specifies a "deductible" amount, an amount you must pay whenever you have a warranted part on your car repaired.

Depreciation
The reduced value of a car after you buy it. A brand new car can lose or "depreciate" between several hundred and several thousand dollars in value the minute you drive off the dealer's lot.

Down Payment
The amount of money you pay the car dealer up front. Any money you put into the down payment you don't have to borrow as a loan with interest. So, the more money you put down, the less you have to borrow.

Early Termination Fee
A very nasty penalty that you must pay if you terminate your lease early or total the car in a wreck. This could be several thousand dollars. Early lease termination should be avoided at all costs. Ending a lease is like ending a marriage. It's very painful and costs a lot of money.

Excess Mileage
You are limited to 10,000 - 15,000 miles annually. Any more and you'll pay fines of 15 cents per mile. Watch the mileage, or you'll owe a lot at the end. An extra 2,000 miles a year on a 3 year lease could

cost you $900. Don't pay for extra mileage up front, you won't get a refund if you don't drive excess miles. The dealers don't tell you about this little clause, it's buried in the writing, and by signing the lease, you effectively said that you read and understood everything.

Excess Wear & Tear

Damage or wear on the car beyond normal wear and tear. Many people are frustrated when hit with a large bill for "wear and tear" at the end of the lease, even if the car is in good condition. Read the lease and understand what it says about excess wear and tear. Have the dealer explain their standards of "excess" wear. Try to get out of paying a security deposit. The car must have four matching tires, or they'll bill you for four new tires at full retail.

Extended Warranty

An insurance policy on your vehicle, a safeguard against expensive, unforeseen repairs. They cover repairs and/or regular maintenance for an agreed-upon period of time. Extended warranties are better described as service contracts, since they cost extra and are sold separately unlike a warranty.

F&I Department

Finance and insurance department

Factory Invoice

The 'bill' that the dealer gets for a car. May not represent true cost.

FICO Score

Credit bureau scores are often called "FICO scores" because most credit bureau scores used in the US are produced from software developed by Fair, Isaac and Company (FICO). That score is calculated by a mathematical equation that evaluates many types of information that are in your credit report. By comparing this information to the patterns in millions of past credit reports, the score identifies your level of future credit risk.

Gap Insurance

If your leased car is stolen or totaled, your insurance will pay for the damage or loss. It won't help you make payments still owed to the leasing company. Gap insurance covers the gap between the value of your car and the amount you still owe on your lease, including a possible penalty for early termination of the lease.

Holdback

An amount the manufacturer pays the dealer each time the dealer sells its make. Also referred to as a "kickback."

Insurance

Leases require huge insurance coverage: bodily injury or death liability: $100,000 per person / $300,000 per occurrence, property damage liability: $50,000, comprehensive & collision for full vehicle value with a maximum $500 deductible.

Invoice Price

The manufacturer's initial charge to the dealer. This is usually higher than the dealer's final cost because dealers often receive rebates, allowances, discounts, and incentive awards. The invoice price always includes freight (also known as destination and delivery).

Lease
A vehicle that is basically rented from a dealership for a set period of time with an option to buy the vehicle at the end of the lease period.

Lessee
This is the person who has leased the vehicle.

Lessor
The lessor is the party who is leasing the car to you. Even though the dealership is arranging the lease, the lessor is often a bank or the financial arm of a car manufacturer.

Leasing
This is like long-term car rental. You make monthly payments for the opportunity to drive a car, but the leasing company owns it.

Market Value
Value of a vehicle in a particular market. What you should expect to pay a private seller.

Monthly Payment
The amount of money you are responsible to pay to the bank each month. With each monthly payment, you pay back part of the principal (the money you borrowed) and part of the interest.

Monroney Sticker Price
Shows the base price, the manufacturer's installed options with the manufacturer's suggested retail price, the manufacturer's transportation charge, and the fuel economy (mileage). It is a label affixed to the car window and is required by federal law. The label may not be removed by anyone other than the purchaser.

M.S.R.P.
Manufacturers Suggested Retail Price.

Options
These are extras you can have added to a standard vehicle, and usually come in packages. They often include air bags, anti-lock brakes, power locks and windows, rear wiper, rear defroster, and such comfort items as velour or leather seat coverings.

Policy
A legally binding document issued by the company to the policyholder which states the terms and conditions of the insurance.

Premium
The price of the policy, this may be a one-off payment or regular monthly installments.

Purchase Option Price
Selling price of the vehicle if you buy it at the end of the lease. This is usually the residual value.

Quote
An insurer's estimaged cost of providing a service based on the available information.

Residual Value

The value leasing companies estimated the car will be worth at lease end, expressed as % MSRP. The residual value affects the amount of your monthly payment. Dealers have books estimating the residual value and the higher the residual value, the less you will pay each month to lease your car. You may get lucky and it will be lower than market value when the lease is up. You can then buy and sell the car, trade it in for something else, or just walk away.

Rustproofing

Meant to hold off body erosion, rustproofing is a popular extra on new cars. A type of rustproofing called galvanizing is used by manufacturers and comes with a new car. You'll pay extra for after market rustproofing, and there is controversy about its worth.

Sales Tax

Percent of your payment that goes to the government. Tax is paid in addition to the vehicle price. For this activity, enter the sales tax for your state. If your state has no sales tax, you must enter "0" in the sales tax window.

Term

The time period of a loan or lease agreement.

Title

The title shows a vehicle's ownership history. It is important to check the title of a used car and to contact past owners listed to verify the mileage and inquire about the car's maintenance.

Total Cost

In the end, the amount you pay for a new car is more than the vehicle price. The total cost of the vehicle includes the vehicle price, plus the interest on the loan, plus the sales tax.

Trade Difference

Bottom line price difference of new car minus trade-in.

Trade-in Allowance

Inflated figure made up of what the dealer actually buys your trade for plus the discount off the new car.

Trade-in Value

The value you may expect to be offered by a dealer when trading in your own used vehicle.

Upside Down Loan

A loan where you owe more on the car than it is worth. For example, if you have a loan on a car that is only worth (blue book value) $10,000 and the loan is for $15,000, that is an upside down loan.

Warranty

All new and many used cars come with warranties. A warranty offers a guarantee that certain mechanical and body parts will be repaired if they aren't in proper working condition. The warranty is typically limited, so find out what the limitations are.

Credit.org is a nonprofit consumer credit management organization formed in 1974. Our mission is simple: our people improve the lives and financial well-being of individuals and families by providing quality financial education and counseling. We are accredited by COA (the Council on Accreditation), signifying the highest standards for agency governance, fiscal integrity, counselor certification and service delivery policies.

Our services include:

Financial Education Programs – We offer seminars, workshops, and educational materials on topics such as budgeting and money management, identity theft, and understanding credit. Materials for many of our workshops are available by contacting our education department or as downloads from our website, www.credit.org.

Confidential Credit and Debt Counseling – Our certified consumer credit counselors will discuss your financial situation with you, help you understand what may cause financial stress, and help you create a personalized budget, an action plan and give you options to help manage your finances more effectively.

Debt Management Plans – Debt repayment through our Debt Management Plan. If you choose this option, we can work with your creditors to reduce costs and repay debt through one monthly payment. *We do not offer debt management plans in all states; please call or check our website for state availability.

Bankruptcy Pre-petition Credit Counseling and Budget Briefing – We provide budget and credit counseling (and a certificate of completion as mandated by the bankruptcy reform law) for those who consider filing for bankruptcy.

Bankruptcy Pre-discharge Personal Financial Management Instructional Course – We provide financial education and instruction (and a certificate of completion as mandated by the bankruptcy reform law) for those completing their bankruptcy discharge.

Housing Counseling – We are a HUD-approved comprehensive housing counseling agency. We provide homebuyer education seminars, counseling for foreclosure prevention, landlord/tenant counseling, post homebuyer education and reverse mortgages (please call ahead for reverse mortgage appointments).

Counseling available by phone, internet, or in person

800.449.9818

www.credit.org

Notes

SPRINGBOARD
SOCIAL ENTERPRISES

Credit.org
4351 Latham Street
Riverside, CA 92501

PO Box 5438
Riverside, CA 92517-5438

1-800-WISE-PLAN (800.947.3752)

www.credit.org

education@credit.org