



# Drive Away Happy

Car Buying Decisions

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# Car Buying Decisions

While shopping for a vehicle is exciting, it can also be complicated and time-consuming. There are many questions that have to be answered. What features do you need and want? Should you buy new or used? Or should you lease? A car is an expensive purchase, one that cannot be returned simply because you feel you made a mistake. By thinking carefully about what would work for you before you buy (or lease), you can drive away happy.



# Reasons to Get a New Car

- Repair costs are significant
- The car is unreliable or lacks safety features
- The car no longer meets your needs



# What Car Should You Get

Considerations:

- Needs
- Wants
- Safety and reliability of the car
- Budget

# How Much Can you Afford?

1

Look at the budget to see how much available for loan and other car-related expenses:

- *Insurance and registration usually higher on new car*

2

To borrow less, save for down payment:

- *Direct deposit*
- *Automatic deduction*

# Buying New: Advantages

- Reliability
- Manufacturer's warranty
- Customizability

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# Buying New: Disadvantages

- Expensive
  - *Purchase price*
  - *Full insurance coverage*
  - *Registration*
- Immediate depreciation





# Buying Used: Advantages

- Cheaper
  - *May be able to purchase with cash*
- Slower depreciation





# Buying Used: Disadvantages

- May not know history
- Usually no warranty or limited or soon-to-expire warranty
- Higher maintenance costs
- Need replacement sooner

# Buying a Used Car

Can get from:	Do research before buying:
New car dealership	Ask for repair history
Private seller	Get VIN and run vehicle history report
Used car lot	Take to independent mechanic
Rental car company	
Auction	

# Leasing Advantages

- Can drive new car every few years without having to worry about selling old one
- May be able to get lower monthly payment than with loan
- Low up-front costs

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# Leasing Disadvantages

- Vehicle does not belong to you – not an asset
- Hard to get out of contract
  - *Early termination fee*
  - *Can't sell*
- Pay extra fees if
  - *Exceed mileage limit*
  - *Condition poor*

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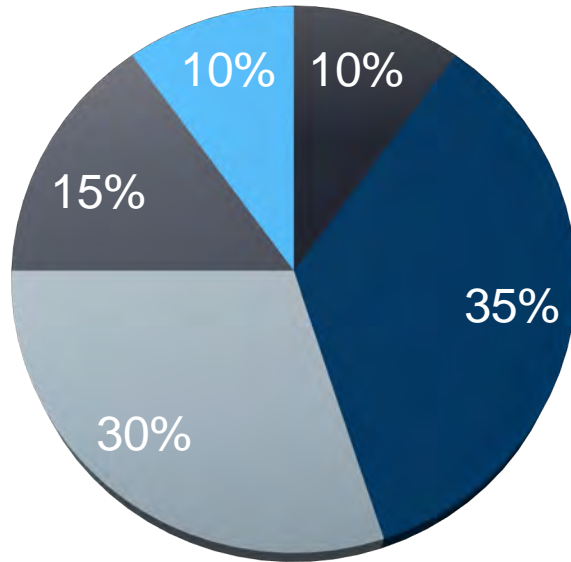
# Your Credit Score

**1** Affects ability to get loan and interest rate charged

**2** Most common FICO score:

- *Ranges from 300 - 850*

# Scoring Factors



- Types of Credit Used
- Payment History
- Amounts Owed
- Length of Credit History
- New Credit

# What if Your Score is Low?

- Get co-signer
- Work on improving score to get loan on own
  - *Always pay on time*
  - *Pay down existing debt*
  - *Avoid taking on additional debt*
  - *Pay collection accounts*
  - *Keep old accounts*

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# Financing Terms

Before you sign loan documents, make sure you understand

- *Amount financed*
- *APR*
- *Finance charges*
- *Payment amount and number of payments*
- *Whether there are any penalties*

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# Financing Sources



Dealership

Often offer promotional interest rate on certain models but may not provide lowest interest rate on other models



Credit Union/Bank

Offer flexibility – can use at any dealership



Finance Company

Subprime loan can come with extremely high interest rate



# Zero Percent Financing

- Not always the best deal
  - *Forfeit rebate*
  - *Length of loan may be shorter, resulting in high monthly payments*
- Usually only available to people with stellar credit



# Getting the Best Price

- Don't reveal too much
- Avoid being overly enthusiastic
- Do your homework
- Search around
- Go at the right time
- Don't let salesperson talk you into getting extras you don't need



# Negotiating a Lease

- Monthly payment based on current value minus value at end of lease plus fees
- Can negotiate current value (purchase price) of car
  - *Do so before telling salesperson interested in leasing not buying*
  - *Lower the current value, lower the monthly payment*

# Selling Your Old Car

- Can usually get more if sell yourself rather than trade in to dealership
  - *However, requires more work*
- Fix minor dings and scratches on car and thoroughly clean inside and out



# Legal Rights

1

## Truth in Lending Act

Lender must clearly disclose terms of borrowing

2

## Consumer Leasing Act

Lessor must clearly disclose terms of leasing

3

## Lemon Law

- Entitled to new car or refund if buy lemon
- Usually only applies to new cars

A person is driving a car, with their hands on the steering wheel. The background shows a road and a landscape under a bright sky. The text is overlaid on the image.

**Need a pre-approval to start shopping?**

ALEC would be happy to help you with a pre-approval. It would just take a few short minutes.

**Call toll-free 800-762-9988 or visit [alecu.org](http://alecu.org)**

**Thank you for attending today's webinar.**