



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.

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A blue hatchback car is shown in motion on a road, with a blurred background of green grass and a sky filled with large, white, fluffy clouds. The car is positioned in the lower left corner of the frame.

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*



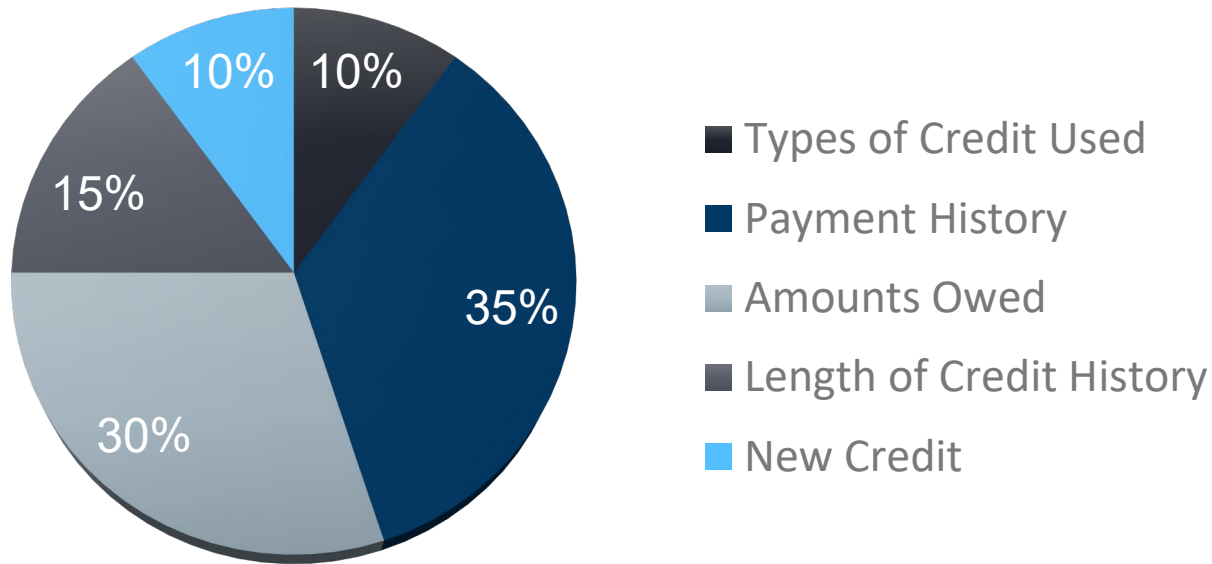
Your Credit Score

1 Affects ability to get loan and interest rate charged

2 Most common FICO score:

- *Ranges from 300 - 850*

Scoring Factors



What if Your Score is Low?

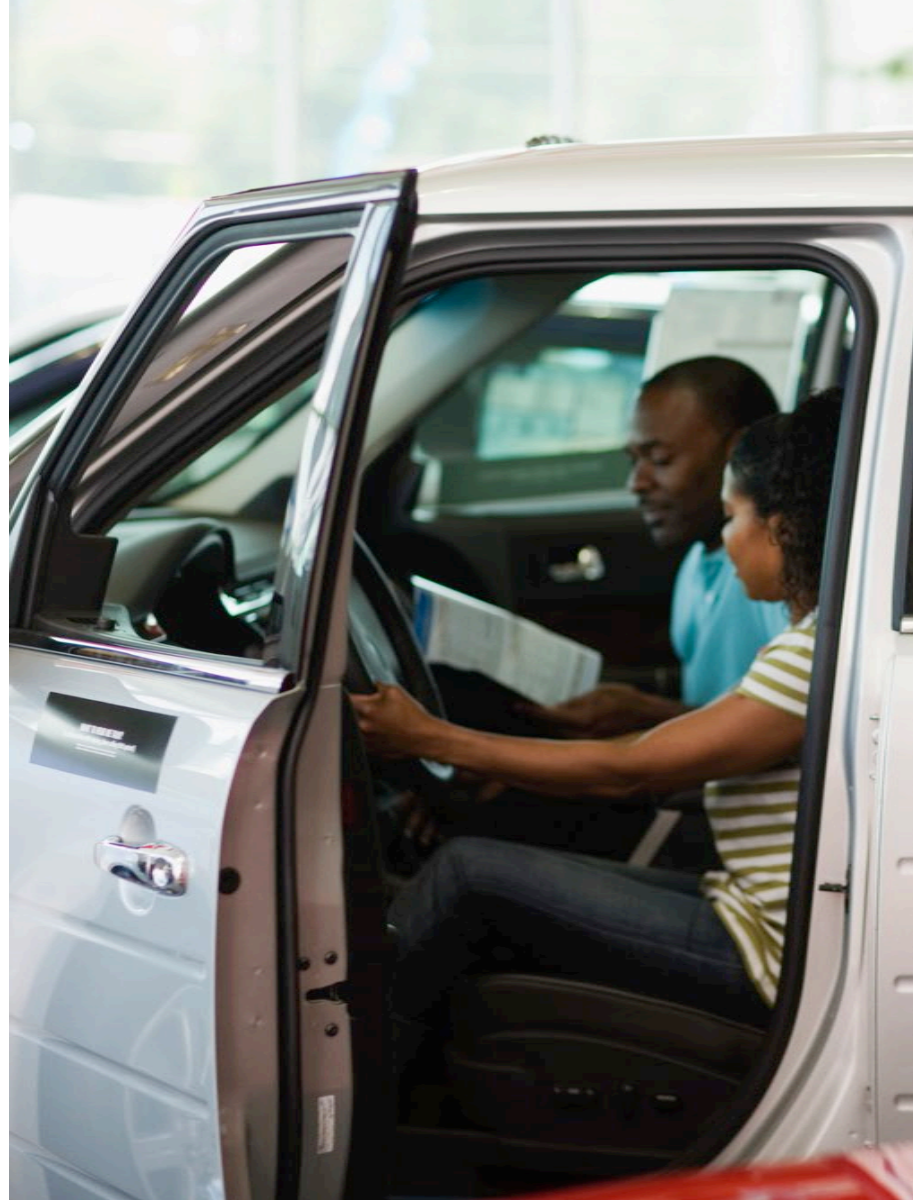
- Get co-signer
- Work on improving score to get loan on own
 - *Always pay on time*
 - *Pay down existing debt*
 - *Avoid taking on additional debt*
 - *Pay collection accounts*
 - *Keep old accounts*



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*



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 background image showing a person's hands on a steering wheel, driving a car. The view is from the driver's perspective, looking out the windshield at a bright, hazy landscape. The car's interior, including the steering wheel, dashboard, and side mirror, is visible. The text is overlaid on this 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

Thank you for attending today's webinar.