NAMAD National Association of Minority Automobile Dealers | AIADA American International Automobile Dealers Association | National Urban League | NADA | League of United Latin American Citizens | AFSA Education Foundation — Brightening Your Financial Horizon

# KNOW BEFORE YOU BUY

## TIPS FOR CONSUMERS BEFORE BUYING OR LEASING THEIR NEXT CAR



## ENSURE YOUR VEHICLE PURCHASE IS AFFORDABLE AND SUPPORTS YOUR TRANSPORTATION NEEDS.

### DETERMINE HOW MUCH YOU CAN AFFORD

Never make a big purchase decision in a vacuum.

- Figure out how much money to apply toward a down payment (a larger down payment reduces the amount you need to borrow).
- Determine how much you can to spend every month for the car you want to buy—plus the sales tax, financing costs and any voluntary protection products (like service contracts) that you choose to purchase.
- Estimate your annual insurance, fuel and maintenance costs.

### RESEARCH THE TYPE OF CAR YOU NEED

Be realistic about the type of car you need and can afford.

- Do you want to buy new or used?
- A sports car may be fun, but is it practical for hauling kids or supplies?
- Did you know some cars are more expensive to insure than others?
- Is fuel economy important, especially if you drive a lot of miles?

▶ **TIP:** You may have to live with your vehicle for a long time, so make a wise choice.

### RESEARCH THE PRICE OF THE VEHICLE YOU WANT TO BUY

Many websites give you an idea of what buyers generally pay for the make and model of a vehicle.

### KNOW THE DIFFERENCE BETWEEN BUYING AND LEASING

- When you buy a car, you own it.
- When you lease a car, you use it for a set term and then must return it.

Buying usually involves higher monthly payments, but—unlike leasing—there are no annual mileage limits and you own the vehicle after you pay it off.

### RESEARCH YOUR TRADE-IN VALUE

Many consumers like the convenience of trading in their current vehicle to the dealership when buying or leasing a new vehicle. But just as you should research the price of a car before buying it, be sure to research the value of your trade-in. Then, determine how you want to proceed.

▶ **TIP:** Be sure to pay off as much as possible on your current auto loan to limit your financing obligation on the new vehicle.

### RESEARCH FINANCING OPTIONS

Most consumers need to borrow money to purchase a car. Learn how to obtain financing that is competitive and affordable.

- Check your credit report and correct any mistakes. Get a free copy of your credit report at annualcreditreport.com.
- Remember, you are not required to obtain financing from any particular source. It's your decision, so find out what annual percentage rate (APR) you can get from banks, finance companies and credit unions. Then, see if the dealer can meet or beat that rate.
- Compare the length of financing terms that are offered. The longer the term, the more interest you pay.

### RESEARCH VOLUNTARY PROTECTION PRODUCTS

Local dealerships often offer products like extended service contracts (to protect your vehicle if there is a mechanical breakdown) or a GAP waiver (to help pay for any obligations not covered by your insurance company if your vehicle is totaled, stolen or destroyed). These products are completely optional and may be available from other sources.

- Know what these products cost, as well as what they do and do not cover (including whether any geographical limitations apply to the coverage).
- Know whether—and how—these products may be cancelled after you purchase them.

### NEGOTIATE

You often can negotiate prices for new or used vehicles, trade-ins, optional financing and voluntary protection products. Knowing what other dealerships and finance sources are offering for these items puts you in the driver's seat to get a competitive deal.

### ALWAYS READ THE CONTRACT BEFORE YOU SIGN IT

The documents presented to you contain important terms and conditions. Take your time and read these documents carefully and thoroughly before you sign them.