



National Automobile Dealers Association



Automotive Financing FAQs

(November 2008) – Frequently asked questions on automotive financing today:

Q: How hard is it to finance a new vehicle purchase today?

A: It is not as difficult as you might think. There is a popular misconception about the availability of auto financing for potential car buyers. Despite the tightening of both consumer and business credit, financing is available. There are many regional banks, credit unions and other financial institutions that did not get caught up in the mortgage meltdown and, therefore, have plenty of money to lend. Dealerships have access to multiple sources of credit, and they will help you find an option that works for you. As long as you have a steady job and a good credit score, you have an excellent chance of securing financing that meets your budget.

Q: What kind of deal can I get now?

A: Now is one of the best times to buy a new car or truck. You're likely to be pleasantly surprised, not only with the availability of financing but also with the great incentives and rebates – including low interest rates from some lenders – that make buying a car right now so attractive. Auto companies are expected to offer very good incentives between now and the end of the year. And the quality and fuel efficiency of today's vehicles are the highest ever.

Q: Is leasing still an option?

A: Yes. Attractive leases continue to be available from some manufacturers and lenders, and on some models. Check with your local dealer for details.

Q: Should I wait until the economy recovers to buy a vehicle?

A: Not necessarily. It depends in part on your current financial situation. But a slowdown in production by automakers today – coupled with pent-up demand in the future – will eventually translate into high demand for a limited supply. When that happens, you can expect to pay more than you would now. The fact is, more than 90 percent of vehicles are financed. So if you need a car or truck, and you have good credit and a stable job, now is a wise time to buy.

Q: Isn't it more economical to keep my old car?

A: Not necessarily. Much depends on your current financial situation and the age and condition of your existing vehicle. A new car will probably be safer, require less maintenance, have better features, get better gas mileage and cause less pollution than your comparable current vehicle. Remember, a new car is a "green" car, meaning it will be better for the environment than your old car. You also have a choice of flex-fuel, clean diesel, or hybrid vehicles for an even greener footprint. Some even have tax credit advantages. And with the deals available now, there's never been a better time to buy.

Q: Why does the auto industry need government assistance?

A: Auto sales account for about 20 percent of all retail sales in the United States, making it the largest retail sector of the economy. Because the vast majority of new vehicles are financed, credit is crucial to the survival of the industry. Without a reliable flow of credit, the industry will suffer – not just the manufacturers and dealers, but the broad service and support industry as well. Auto manufacturers and related businesses employ more than 3 million workers across the United States, and an economic slowdown has a ripple effect throughout the entire U.S. economy.

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