

LET'S MAKE A DEAL: CAR SHOPPING 101

You're ready for your next vehicle, but have you done your homework? Before you make an offer, determine how much you can afford and know how to spot a fair price.



HOW MUCH CAN YOU AFFORD?

Your auto expenses should be no more than 20% of your gross monthly income. Vehicle costs might include:

- Auto loan
- Tax, title and license
- GAP
- Maintenance
- Extended warranty
- Fuel
- Auto insurance
- Parking/storage

Once you know how much you can afford, only look at vehicles that fit within your budget.

WHAT'S YOUR CREDIT SCORE?

- The higher your credit score, the lower the interest rate you'll pay on your loan.
- If you don't need a vehicle immediately, it's in your best interest to build your credit first.
- Avoid buy here, pay here locations, which charge high interest rates and prices and repossess vehicles quickly.

WILL YOU LEASE OR BUY?

Leasing

Ownership

You pay to use it during the term of the lease—unless you then opt to purchase it.

Depreciation

A typical vehicle is worth about half its original sale price after four or five years. This decline is what you pay for when you lease a vehicle.

Payments

Monthly payments are about 30-60% lower.

Mileage

Lease terms typically charge between 15 and 30 cents for every mile you go over your limit.

Maintenance

These costs are usually covered in the lease.

Financing

You own the vehicle after your financial obligations are met.

A new car depreciates an average of \$3,400 per year during the financing term.

You're paying for the entire purchase price while also building equity.

You don't have mileage limits. But as you put more miles on it, the resale value decreases.

You're responsible for these costs.

USED

VS.

NEW

Lower price
Wider selection
Less depreciation

Warranty included
No previous owner
Cash back or 0% financing bonuses

FREE RESOURCES

These free resources can help ensure you're getting a fair price on a solid vehicle:

Kelley Blue Book: Get pricing, photos, reviews and other important data.






Edmunds: Learn the five-year ownership cost of a vehicle.

CARFAX: Ensure that the vehicle has a clean title, the vehicle's mileage matches what CARFAX says it should be and the vehicle's valuation.

Safecar.gov: Learn whether recall work has been performed on the auto.

BUYING A USED CAR WITH CONFIDENCE

If you take your time to carry out an inspection* plus research a vehicle's history, buying a used car can be rewarding and cost-effective. Here are some quick tips to follow.

-  **Inspect the exterior**
Look for rust, offset doors and fenders, cracks and differences in paint color
-  **Check the interior**
Inspect the interior for wear and tear and water damage and check the odometer—if it shows low mileage but the inside of the car is disheveled, the car may not be what it appears to be
-  **Check the tires and wheels**
Look for even tire wear—uneven wear could mean that the wheels or suspension are out of alignment
-  **Look at the engine**
Make sure the coolant is clear and the oil, transmission fluid and brake fluid are all the correct colors
-  **Vehicle history**
Request a Vehicle History Report, repair invoices and receipts, and registration information and be aware of all new parts

-  **Don't rush the purchase**
Take your time inspecting the vehicle and getting the necessary information—you don't want to regret a quick decision
-  **Don't accept issues**
If you see problems, mention them and request that the seller fix them—if the seller won't fix them and you're still interested in buying the car, negotiate a discount
-  **Don't buy unseen**
Always physically see the car before purchasing—pictures can be misleading
-  **Don't listen to music**
When test driving the car, make sure you don't have the stereo on—music can mask suspicious noises and rattles in the car
-  **Don't ignore your instincts**
If it feels wrong, don't be afraid to walk away—trust yourself, as there will always be another car out there for you

* Paying for an inspection could save you thousands of dollars of repairs in the end.

LOAN LINGO

Brush up on some common lending and borrowing terms:

Principal	The amount of money you borrow.	Term	The period in which you agree to pay back your loan.
Interest rate	The amount your lender charges you to use the loaned money. It's typically expressed by a percentage of the principal.	Liability	Financial obligations or money already owed.
APR	The Annual Percentage Rate represents the yearly cost of your loan.	Default	Failing to repay a loan.
		Co-signer	If you default, your co-signer becomes responsible for its repayment.



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