



CAR BUYING

Three Deals of Car Buying

DEAL NO. 1

THE PURCHASE

HOW MUCH CAN YOU AFFORD?

- Total amount
- Down payment
- Monthly amount
- Prepare a spending plan
- Calculate debt-to-income ratio
- Check your credit report

WHAT TYPE OF CAR SHOULD YOU BUY?

- New or used
- Size and style
- Safety and performance
- Cost to insure

WHERE SHOULD YOU BUY?

- Dealership
- Private seller
- Internet
- Car-buying service

WHAT IS A FAIR PRICE?

- Invoice versus MSRP
- Library and Internet
- New and used car cost guides

EXERCISE YOUR LEGAL RIGHTS

- Read all the contract details
- Do not leave any blanks
- Do not buy unnecessary and unwanted items
- Use the power of the pen
- Have Legal Assistance Office review the contract before signing
- Take action if you have a complaint

DEAL NO. 3

THE TRADE-IN

TRADING VS. SELLING

WHAT IF YOU OWE MORE THAN THE CAR IS WORTH?

DEAL NO. 2

THE FINANCING

WHERE WILL YOU FINANCE?

- Credit unions
- Bank
- Dealership
- Finance companies

HOW MUCH WILL THE MONEY COST?

- Simple interest
- Add-on interest

AVOID COMMON PITFALLS

- Know your credit rating
- Know what current interest rates are
- Get pre-approved
- Know the best deal available
- Do not be rushed or pressured

NEGOTIATE A GREAT DEAL

- Do your homework
- Take your time
- Limit the information you give out
- Shop twins
- Ask for discounts
- Take a road test
- Avoid unnecessary add-ons
- 180-degree Turn

KNOW THE "TRICKS OF THE TRADE"

- Put to ride
- Lowballing and highballing
- Bait and switch
- Padding
- Mutt and Jeff routine
- "Your car"

WHAT IS A FAIR PRICE?

- What is the dealer willing to pay?
- Only negotiate after you are done with your purchase and financing on your new vehicle.





CAR BUYING Tricks of the Trade

PUT TO RIDE:

When a salesperson cannot persuade you to buy today, he or she may insist that you leave your trade-in at the dealership, keep the new car overnight, and drive it home. This way, no other dealership can see your trade-in, your neighbors and relatives see the car, you fall in love with it, and you have a hard time saying no to purchasing the car when you have to bring it back the next day.

BAIT AND SWITCH:

When a dealership runs an ad with a picture of a well-equipped car and the price of a stripped-down model to entice you to come in. You are then shown the stripped-down model and quickly switched to the well-equipped one with a higher price tag.

LOWBALLING:

This occurs when the salesperson quotes you a price on a car that is lower than the current market price. This is done to assure that you will return before signing with anyone else just to see if the offer still stands. At this point, the salesperson will tell you that they cannot sell the car for that low a price because the sales manager will not allow it.

HIGHBALLING:

This is the same as lowballing, except that a high trade-in allowance figure is offered to you. Again, you come in later and the manager will not allow it.

PADDING:

Adding charges that increase the dealer's profit at the time you sign the contract (e.g., undercoating, protection packages, dealer-installed options, credit life insurance, disability insurance, extended warranties).

GOOD GUY/BAD GUY (MUTT AND JEFF ROUTINE):

When the salesperson plays the role of the good guy and the manager plays the bad guy to enhance the image of the salesperson. The salesperson and manager may even stage an argument in front of you, with the salesperson trying to persuade the manager to give you a lower price. Once you believe that the salesperson is on your side, you drop your guard and become an easy mark.

"YOUR CAR":

When the salesperson keeps referring to the car as "your car" to get you subconsciously to accept ownership of the car. Once accomplished, it is easier to get you to sign the contract.





CAR BUYING

Common Dealership Financing Pitfalls

If you are going to sit in the finance and insurance (F&I) office at a dealership, the editors of Edmunds.com suggest you watch out for these common pitfalls:

Pitfall No. 1:	Many consumers do not know what their credit rating is when they apply for an auto loan. The strength of their credit score largely determines what kind of interest rate they will receive. Therefore, it is critical to make sure your credit report is in the best shape possible before shopping for a car.	Solution:	Order a copy of your credit report and look for items that may stand in the way of you getting a good rate. Correct any issues or errors promptly. Are all of your lines of credit in good standing? Are there any signs of identity theft? The credit bureaus will tell you how to correct errors when you get your report.
Pitfall No. 2:	Many consumers are tempted to overspend once they get to the dealership.	Solution:	Bring a printout of your budget to the dealership as a reminder of what you planned on spending. Be sure to bring any printouts of pricing you have done.
Pitfall No. 3:	Most consumers arrive at the dealership without having researched the current interest rates being offered in the marketplace, so they have no idea if they are being offered a competitive rate.	Solution:	Use the internet as a research tool to compare rates. Check out websites such as bankrate.com for national averages, and the website of your own financial institution for its current rates.
Pitfall No. 4:	Most consumers arrive at the dealership without approved auto financing in hand. This is either because they are unaware of all the financing options available or they assume they will qualify for a low rate at the dealer. This approach deprives the consumer of bargaining power when it comes to negotiating the lowest possible interest rate.	Solution:	Become an "empowered buyer" by getting a no-obligation loan before visiting the dealership. Having your own loan could save you significant money. For example, a 60-month, \$26,000 loan at 4.49% can save a consumer about \$1,500 over the life of the loan, compared with a loan at 6.56%.
Pitfall No. 5:	Many dealers offer a choice between discounted (or zero percent) financing or a rebate, but not both. Consumers may erroneously assume that the zero-percent loan will deliver the most savings.	Solution:	Sometimes, it is better to take the cash rebate and apply it against the purchase price of the vehicle—and then use your own preapproved car loan to finance the vehicle. The savings chart below shows how a low-interest rate and a rebate can "beat" a zero-percent deal.

36-Month Car Loan Comparison *		
APR	0%	3.99%
Cost of car	\$20,000	\$20,000
Less equity in trade	\$4,000	\$4,000
Less rebate	\$0	\$2,000
Amount to finance	\$16,000	\$14,000
Monthly payment	\$444.44	\$413.27
Total cost	\$16,000	\$14,877.85
Savings	\$0	\$1,122.15

Pitfall No. 6:	The F&I officer may try to confuse you by intertwining different elements of your deal. For example, he or she may say, "We'll give you an extra-low price on the vehicle, but this interest rate is the best we can do."	Solution:	Consumers should unbundle the deal and keep it three separate transactions: the purchase, the trade-in, the financing. Avoid discussions that can take you off this track, such as how much you can afford to spend per month. With financing, focus on the APR, not the monthly payment.
Pitfall No. 7:	By the time they get to the finance department, many consumers are mentally worn out and do not review the contract thoroughly before signing. As a result, they may agree to buy things they did not plan to buy (such as an extended warranty, rust-proofing, etc.).	Solution:	Before you sign any papers or hand over any money, check the figures in the contract and understand all of the charges. The sudden appearance of extra fees should be questioned. Sometimes, dealers add extra fees—"junk fees"—to retake profit they have lost by selling cars at invoice.
Pitfall No. 8:	The consumer feels rushed, pressured and confused by the dealership's staff. In some cases, these buyers have second thoughts about completing the deal but sign the documents anyway.	Solution:	Consumers who feel out of their comfort zone should walk away. The buyer—not the seller—should be the one in control of the process. Remember, the federal "cooling off" law does not apply to cars.

If you do your homework ahead of time and know what to expect before entering the F&I office, the paperwork process can go quickly and easily. More importantly, you will receive a deal on your auto loan that you can feel good about for the life of the car.





CAR BUYING Questions to Ask Car Dealers

ABOUT SPECIAL DEALER PROMOTIONS:

Does the advertised trade-in allowance apply to all cars, regardless of their condition?

Does a large trade-in allowance make the cost of a new car higher than it would be if you did not have a trade-in?

Is the dealer who offers high trade-in allowances and free or low-cost options actually giving you a better price on the car than another dealer who does not offer such promotions?

Does the dealer's invoice reflect the costs of options, such as rustproofing or waterproofing, that have already been added to your car?

What are other dealers charging for these options?

Does the dealer have other cars in stock without expensive added features? If not, can the dealer order one?

Are the special offers available only if you order rather than buying it off the lot?

Can you take advantage of all special offers simultaneously?

ABOUT LOW-INTEREST DEALER FINANCING:

Will you be charged a higher price for the car to qualify for the low financing?

Does the low-rate financing require a larger-than-usual down payment? Say 25% to 30%?

Are you required to pay the loan off in a shorter period of time? Say, 12 or 24 months, to qualify for the low-rate financing? If this is the case, your monthly payments will be higher.

Do you have to buy extra merchandise or services to qualify for the low-rate financing?

Is the financing available for a limited time only, and does it require that you take delivery of the car by a specific date?

Does the low interest rate apply to all cars or only to certain models in stock?

If a manufacturer's rebate is offered, are you required to give it to the dealer to qualify for the financing?





CAR BUYING Sources of Help

WHERE TO GET INFORMATION AND HELP

- A&FRC Financial Counselor
- Armed Forces Disciplinary Control Board
- Base Legal Office
- Better Business Bureau
- Consumer magazines
- Consumer protection agencies
- Credit unions—Car Buying Assistance Programs
- National Automobile Dealers Association (NADA)
- New and used car pricing guides (Edmunds, NADA, Kelley Blue Book)

ONLINE AUTO LOAN CALCULATORS

- **Autotrader.com**
<https://www.autotrader.com/calculators/?selectedTab=0>
- **Bankrate.com**
<https://www.bankrate.com/calculators/auto/auto-loan-calculator.aspx>
- **Edmunds.com**
<https://www.edmunds.com/calculators/>
- **NavyFederal.org**
<https://www.navyfederal.org/products-services/loans/auto/car-loan-calculator/>
- **USAA.com**
<https://www.usaa.com/cars/loan-calculator>

REMEMBER TO...

- Do your homework.
- Prepare a budget to know what you can afford.
- Keep it three separate transactions: the purchase, the financing, the trade-in.
- Have used cars checked by a trusted mechanic before purchase and do not forget to get a CARFAX report.
- Have the Air Force legal office check the contract before signing.
- Beware of the “tricks of the trade.”

USEFUL WEBSITES

- www.annualcreditreport.com
- www.autobytel.com
- www.autotrader.com
- www.bankrate.com
- www.bbb.org
- www.caranddriver.com
- www.carfax.com
- www.carmax.com
- www.consumerreports.org
- www.consumersunion.org
- www.fueleconomy.gov
- www.edmunds.com
- www.epa.gov/greenvehicles/learn-about-green-vehicles (EPA Green Vehicle Guide)
- www.iihs.org
(Insurance Institute for Highway Safety)
- www.intellichoice.com
- www.kbb.com
- www.motortrend.com
- www.nada.org

ONLINE “COST OF OWNERSHIP” INFORMATION AND CALCULATORS:

- Edmunds.com: <http://www.edmunds.com/tco.html>

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