

A Consumer Guide to Researching and Financing Your Next Auto Online

Endorsed by:



More and more, people tell us how intimidated they are by the prospect of stepping onto an automobile showroom floor, picking out a new or used auto and securing financing. Whether it's an aggressive dealer sales team or general overall lack of customer experience in negotiating financing, consumers are looking for unbiased information, tips, and advice.

To help ease the auto-buying experience, we have listed some tips and advice aimed at saving you money through helping you negotiate a better deal.

FINANCING

ADVICE: Secure financing before you visit the dealership.

Where and when you decide to purchase your new or used auto is up to you. Think seriously about financing options before you shop! Today, there are unlimited options for financing a new auto. Once you determine how much you can afford and/or borrow, you can decide what type of auto you want to purchase. Follow these financing tips to ensure the best financing deal.

1) Know your credit score

Obtain a copy of your personal credit score before you decide what type of financing you are going to obtain. If necessary, remove any incorrect credit information from your credit history. Inquiring with the three major credit bureaus can help you do this or you can go to www.myautoloan.com choose the

Credit Reporting option in the Research Tool Kit. It's really pretty easy to do and can save you money on financing.

2) Research = power

Knowledge is power and having this "power" before you begin your purchase is the best way to get the best deal when you finance and buy your next automobile. By using the resources available to you at myAutoloan.com you'll have the power to be more in control of the auto-buying transaction. For example:

- **Auto Payment and Auto Loan Amount Calculator:** These tools will give you a feel for how much you can afford.
- **Vehicle Values - New and Used:** These tools let you know how much the auto you want to buy will cost; with information like MSRP (Manufacture's Suggested Retail Price), Dealer Invoice Cost, and Trade-In Values.
- **Side-by-Side Comparison:** This tool lets you compare up to five autos at one time.



- **Crash Test Results:** This tool from NHTSA gives you the U.S. Government's official results of front-

- end crash test safety potential for any car you are considering to purchase.
- **Rebates and Incentives:** This lets you know all the great deals out there from the manufacturer and where to get them.
- **Insurance cost** is an important financial consideration. Obtaining an instant insurance quote online will let you know how much the insurance will cost.
- **Service contract cost;** how much should you pay for a service contract? Get a Service Contract quote on the price of this important component. You don't want to be surprised by unexpected repair cost.
- **Auto History** tool: This link from **Carfax** gives you the background on the used auto you want to buy. Don't buy a lemon!



Do you see how these tools give you more control and power? The more

you know the better deal you can get. It's all there for you, on demand, at www.myautoloan.com; just select the Research Tool you want to view.

3) Decide where you want to obtain financing

Everything you know, since the last time you bought an auto, is old school. The easiest way to get approved for an auto loan is from a trustworthy online auto loan site like myAutoloan.com. Usually online auto loan sites offer you lower APR's than other sources. Online auto loans are not "marked-up", and are some of the most competitive in the industry.

4) Get Multiple Offers

Choose an online lending source, one that gives you the power of choice, like myAutoloan.com. Why settle for one loan offer when you can obtain multiple offers at one time? When applying online with a direct lender like a bank or specialty finance company, you are limiting your financing options to one, or you are completing several similar applications that take up more of your valuable time.

5) Be prepared for your trip to the dealership

- Remember, it's important to have your research and information completed before you arrive at the dealership. You should have your financial ducks in a row, and be ready to have the sales person say they can match or beat your online approval. Just say "Thanks, I have my financing taken care of. I'll be writing you a check."

Dealers can make a profit on your financing by marking up interest rates and in some cases, inflating prices of service contracts and other insurance type products. We suggest that you work with reputable franchised dealerships like those that we often refer our customer to for auto purchases. Keep in mind that

with myAutoloan.com you are already approved. There's no need to complete a dealership's credit application since you have a competitive finance offer.

If you think the dealer can give you a better deal, then finance through the dealer, otherwise use the online auto loan that you have been approved for. You're done! No more delays or frustrations.

Note: Don't get "Switched or Flipped" when a dealer is offering to beat your online deal by getting you lower payments while increasing term, sales price and/or increasing the rate (APR). Don't be a "Payment Buyer" focused only on the payment amount. End result – you pay more for the auto, interest and/or products & services.



6) Know the key loan components
The key components of an auto loan are:

Loan Structure:

- Sales Price
- Down Payment
- Interest Rates, (APR)
- Term (months)
- Payment

Fees:

- Taxes (govt. fee)
- Titles (govt. fee)
- Licensing (govt. fee)
- Document fee (dealer fee)

Products:

- Service Contract
- Gap Insurance
- Accident and Health Insurance
- Other fees

When comparing financing options, either online at myAutoloan.com and/or at the dealership, always review and understand every one of the above noted components. They are all negotiable except for government fees. Too often people get caught up in the "rate" or "payment amount" and end up paying a lot more for the auto, service contracts and/or insurance products, you might not have wanted. Sometimes they get added without your full understanding of the costs.

7) If you still prefer the traditional finance option

Go to your bank and personally sign in, wait to see someone, and ask them how much you would qualify for to purchase your next auto. Be sure to get the bank's current APR (annual percentage rate). Ask them if they will match other bank rates. Often, in the Sunday or Monday business section of the newspaper, banks publish a table comparing consumer loan rates from many banks in your city. Frequently the bank rates are higher than an Internet site. This is a big reason why Internet sites like myAutoloan.com are recommended first.

ADVICE: Don't waste your time going to a bank and risk the frustration of rejection without knowing what's on your credit report.

8) Marked-up Interest Rate

Dealers provide auto financing from local banks, finance companies and/or the auto manufacturer's financing company. Dealer financing is almost always "marked-up". According to the Consumer Federation of America and as seen on CBS's 60 Minutes, "*The Hidden Mark-up of Auto Loans, January 26, 2004*", the average interest rate mark-up is over \$1,000 with some as high as \$5,900!

This is not a secret! Dealerships make a profit by marking up interest rates; you just are not aware of it.

How do you know if your interest rate is marked-up?

You don't! Unless you've done your home work it's best if you can obtain a direct loan online.

9) Not everyone qualifies for 0% Financing

When 0% financing is offered at the dealership, factory subsidizing is provided to reduce the APR helping to make the auto more affordable for you. What you need to be aware of is, 1) this 0% rate usually applies to the invoice price (MSRP) of the auto, and 2) there are limits on terms, requiring 24 – 36 months or less; both issues can result in higher payments or require a larger down payment. This type of subsidized interest rate promotion has benefits, but it's estimated that 60% of auto

buying consumers do not qualify or can not afford the payments.

10) Negotiate like a cash buyer

With financing in hand, you are in a very strong position to get the best pricing on your new or used auto. Work with reputable dealerships and your overall experience will be excellent. They want to sell cars – you want to get a good deal. That's why you are doing your homework to save as much money on financing as possible and by getting multiple offers from online financing companies. Now go out and get that new car. Good luck and be confident!

TERMINOLOGY

Automobile purchasing has its own terminology. Below you will find words and phrases that you will want to understand before making a financial decision.

Annual Percentage Rate (APR) — the measure of the total cost of financing expressed as a yearly rate. Federal laws require that the charge for credit always be expressed as an APR. It also requires creditors to calculate APR in the same way.

Balloon Financing — leaves a substantial amount of the finance obligation due as the "balloon" or final payment.

Cash Due at Signing — upfront cash from the buyer, security deposit, first month's payment and/or rebate (if applicable).

Gap Protection — covers the difference between the auto payoff and the insurance proceeds in the

event of total auto loss due to accident, fire or theft.

Marked-up Interest Rate – when additional interest (APR) is added to the approved interest rate. This is also referred to as a “Hidden Charge” because it’s often not disclosed to the customer. The result is higher financing charges and payments to buyer.

You are now prepared to be an empowered auto buyer! Use the resources, get pre-approved online at www.myautoloan.com and save thousands of dollars on the total cost of your loan. Good luck and happy shopping!