

Shopping for Your First Set of Wheels?

Take This Pop Quiz to Find Out if You're Ready

If you are considering buying a car for the first time, you might not know where to begin. Making such a major purchase is most likely the first step in your financial life, so it is very important to take it seriously.

According to AWARE (www.autofinancing101.org), 6 out of 10 of us are doing our homework on the cars we want to buy – we learn about colors, options, prices and ratings. But 3 out of 4 of us don't check our credit score or research our auto financing options before heading to the showroom.

Are you prepared to take the first step of your financial future? Take the following “pop quiz” to see if you're ready.

1. **Do you have a budget?** If you don't already have one, now is the time to create one. This will help you determine how much car you can actually afford. Don't forget to factor in vehicle-related costs outside of the car payment, such as insurance costs. Insurance premiums for younger drivers can be significantly higher – sometimes as much as the monthly car payment itself. Other costs to consider include gas, maintenance, and taxes, which can all be significant, especially if you forget to plan for them.
2. **Have you pulled your credit report?** Your credit history may affect the finance rate you are able to secure, so it's a good idea to get a copy of your free credit report before heading to the dealer. This way, you'll know what creditors will see before they do. And it will give you a chance to try to correct any errors on your report. Go to www.annualcreditreport.com for yours.
3. **Have you shopped around?** Do some homework before you decide which car to buy and where to buy it. Call your credit union. Talk to multiple dealerships. Print out all quotes and keep them in a folder that you bring with you when you shop for the car.
4. **Do you know how finance rates are determined?** Vehicle financiers use a number of factors to determine the finance rate they'll offer you. Typically, they review your credit score, which is based on an automated analysis of your credit history. Other factors that may affect the financing offer include: the price of the vehicle you'd like to purchase, the availability of manufacturer incentives, the amount of your down payment, your debt repayment options, and the length of the finance contract. The rate you're offered may be negotiable.
5. **Is there someone you could ask to be a co-signer if needed?** If you're under 18, are currently not employed, do not have a credit history, or your credit history

is not good, you may need a responsible person to co-sign the finance contract for you.

6. **Do you know the difference between leasing and financing? Know what an APR is? Credit insurance? Guaranteed Auto Protection?** You need to educate yourself on these terms, and understand the value and price of aftermarket products. If you don't want something, don't sign for it.

If you answered 'no' to any of these questions, go back and hit the books before you buy a car or truck. It is crucial to be vigilant about understanding the vehicle financing process, especially if you are at the beginning of your financial life. If you make mistakes along the way, they can follow you for years. Get smart before you sign on the dotted line.

These tips were brought to you by AWARE, a non-profit organization seeking to build a greater understanding about how auto financing works. www.autofinancing101.com