

You Hold the Keys to Making Good Vehicle Financing Decisions

Chances are, you would enthusiastically – and effectively – research nearly every aspect of a new or used car purchase prior to heading to the showroom. In fact, 6 out of 10 of us do. We learn makes, models, colors, interior fabrics, and how fast it would take you to get from zero to 60. But would you research with the same intensity how to go about financing this major purchase? Probably not.

Next time you're considering purchasing a new or used vehicle, consider the following:

1. **Determine what you can afford.** If you haven't already done it, now is the time to create a budget for your family. When trying to determine a comfortable monthly car payment, be sure to adjust other costs as well – insurance, gas and maintenance costs might be different than what you're paying now, for example.
2. **Learn what affects your finance charge.** Vehicle financers use a number of factors to determine the finance rate they will 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 would 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 offered to you may be negotiable.
3. **Review your credit report.** This way, you will know what creditors will see before they do. This will give you an opportunity to try to correct any errors on your report, and to know if you will be considered a good credit risk. Go to www.annualcreditreport.com for yours.
4. **Educate yourself.** Learn the difference between leasing and buying. Know the meaning of terms like “APR,” “Guaranteed Auto Protection” and fixed versus variable rate financing.
5. **Research your options.** Knowing what financing options are available to you will put you in the best decision-making seat. The current vehicle financing system is intensely competitive, so dealers and other financing sources have every incentive to offer you a competitive rate or risk you going elsewhere. In the end, however, whether you finance through your dealer or elsewhere, there typically are no penalties to refinance if you're not satisfied.
6. **Focus on the overall package.** Make a list of pro's and con's for every option, including how long you'll be paying, the total amount you'll pay over time, how much cash or trade in value can be put toward a down payment, the APR, and any manufacturer incentive programs. In the end, be sure to consider the whole package offered, and not just the monthly payment.
7. **Apply for credit within a focused period of time.** Generally speaking, multiple credit inquiries can adversely affect your credit score – but not if you limit your applications for auto financing within a 14 day period. Shopping around for vehicle financing may cause multiple lenders to request your credit report, even

though you're only looking for one source of credit. To compensate for this, credit scoring software counts multiple auto financing inquiries in any 14-day period as just one inquiry. Additionally, vehicle financing inquiries made in the 30 days prior to scoring are ignored, so your score won't be affected while you're shopping.

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