

## Activity 7: Auto Financing Tips

- Shop around for auto financing before going to the dealer. Get pre-approved for the loan by a bank or credit union.
- Compare APRs from local banks, thrifts, credit unions, such as by reviewing Web sites and newspapers.
- Order a copy of your credit report and correct any errors a few months before shopping for a car regardless of whether you think you have a credit history.
- Make the largest down payment you can. Beware of a low down payment or long repayment plans. The more you borrow and the longer you take to pay the loan, the more interest you will pay and the more your car will cost you in the end. Additionally, if you have to sell your car in the first few years, you could owe the lender more than the car is worth.
- Consider paying for the tags, title, and taxes separately, rather than financing them. This can reduce the amount of interest you will pay.
- If you are going to apply for a loan at the dealership, make sure you first negotiate the best price on the car. Beware of dealers who insist on asking you how much you can afford to pay every month. These dealers might be trying to make you stretch out the term of the loan to make the loan sound more affordable. However, extending the length of the loan will increase your total cost.
- Be aware of penalties. Some lenders might charge you for paying off your loan early.
- Service contracts, credit insurance, extended warranties, and other options are not required and can be costly over the term of the loan.
- Be wary of ads that promise loans for people with bad credit. These deals often require a higher down payment or have a very high APR.