

EXPEDITION[®]

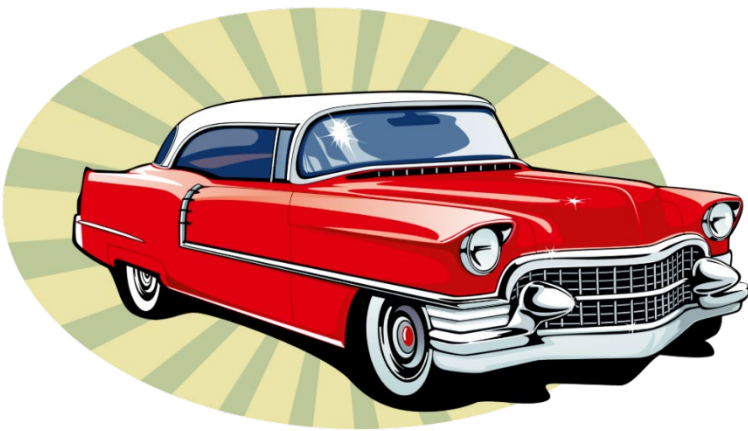
CREDIT UNION

The Best Way to Finance Your Car

The Financing Is Just as Key as The Car

Sometimes car shoppers get laser focused on just that — shopping for a car. But while negotiating the price of your vehicle is important (especially in this market), financing rates can vary widely and make a huge difference in your monthly outlay. Here's an example: If you put \$6,000 down on a \$30,000 car purchase, with an interest rate of 9% and a loan term (length of the loan) of 60 months, you'll spend \$498 every month over the course of five years. But if you can lock in an interest rate that's two percentage

points lower at 7%, your monthly expenses drop to \$475 per month, for a savings of \$1,380 over the life of the loan. And at 5%? It'll be \$453 a month, for a total savings of \$2,700.



What's In a Loan Rate?

There are several factors that play a role in the interest rate you'll pay — chief among them your credit score. Today, a great credit score (781-850) would net you an average rate of about 5.2% on a new car, 6.8% on a used car. A good score (661-780) meant an average 6.4% on a new car, 8.8% on a used one. A fair score (601-660) merited an average 8.9% on a new car, 13.3% on a used one. And a score under 600 meant you'd pay an average 11.5% on a new car, 18.6% on a used one. (In general, used car loans cost more because the car is more



likely to fail, and the borrower may then be less likely to pay back the loan if they're suddenly without a car to get to work.)*

Clearly, that's reason enough to keep your score as high as possible. But credit score isn't the only factor in the mix. Your rate can also adjust based on your down payment (according to automotive advice site Edmunds, car buyers should look to [put at least 20% down](#) for the best rate.) The length of your loan (the term) makes a difference — shorter translates into a lower rate because the risk to the lender is less when you have the money for a fewer number of years. Finally, there's the price of the car, which can change with negotiations at the dealership, explains Scotty Reiss, founder and CEO of [A Girls Guide to Cars](#), a website that's empowering women to be smarter, happier car buyers (and owners) by arming them with car information.

"It's good to have a car loan calculator handy so you can plug in those variables and see what your payment will be," Reiss says. It allows you to plug in all your information and tinker with the details to see how your payments will change.

You Better Shop Around

In terms of where to find the best interest rate, comparison shopping is key. It's important to understand that not only are

you not locked into financing from your dealer (more on that in a second), you'll have an edge if you come in to shop with financing from another source. One of the best places to start your rate-shopping journey is at Expedition Credit Union. They have some of the best auto loan rates — for used cars as well as new. After chatting with them, you can search for the best rates using rate comparison tools offered from sites like Bankrate and LendingTree — these sites will often include the minimum required credit score you'll need to secure each offer. Once you've done your homework, you'll have several rates in hand and can compare them all to make sure you're getting the best deal. Not



to mention, Expedition Credit Union offers a loan that is specifically for first-time buyers with no credit score required.

“If you don’t shop around to get preapproved for a car loan before you walk into the dealership, you’re probably costing yourself money. It’s as simple as that,” says Matt Schulz, chief credit analyst at LendingTree.

What About Dealer Financing?

As for that dealer financing — the one time it does make sense is if you can get a deal. We’ve all seen advertisements offering 0% financing on a new vehicle. But how do they work, exactly? “Auto dealers love these offers because they get people in the door,” Schulz says. “Consumers love them because, come on, who wouldn’t love paying no interest when you’re financing a car? But upon closer inspection, these deals aren’t always as amazing as they seem.”

For starters, the repayment period for that 0% financing deal may be shorter than what you’re comfortable with. A 0% offer might require that you pay off the loan in 48 months rather than 60 or 72 months — and this may drive your monthly payments higher than what you can reasonably fit into your budget.

Also, 0% offers do not apply to used cars, and sometimes the offer won’t apply to all the new cars on the lot — possibly just the ones that the dealer is most eager to move, Schulz says.



Additionally, taking a 0% offer may eliminate the possibility of cash-back rebates or price reductions that might be available, Schulz cautions — it may even make the dealer less likely to negotiate on the sticker price. If you're considering a 0% financing offer, you'll need to put pen to paper and figure out how much you stand to save by negotiating vs. how much you stand to save on interest with a 0% financing deal.



“It’s really easy to get lured in by 0% offers on car loans,” Schulz says. “They can be really great deals, depending on your situation. Just make sure that you do your homework before you apply, because what you don’t know can cost you.”

Also, 0% offers are often built into the price of the car, Reiss says. “Shop with your own pre-approved financing in place, and compare the cost of the loan plus a negotiated price on the car with what you’ll pay for the car with a no-interest loan. It’s always a good idea to separate negotiating on the car with negotiating on financing (and, negotiating on your trade in), and only combine them when each is your best option,” she says.

The Bottom Line

It is almost always a better option to get pre-approved for a loan at Expedition Credit Union prior to car shopping than it is to go straight to the dealership and finance with them. Always be cautious of the deals they offer you, as they might seem too good to be true. Ask many questions to your representatives at Expedition Credit Union as well as your dealer.

Know that you can negotiate the overall price of the car with your dealer and not just the monthly payment. They may try to manipulate you into thinking you can get a better



deal by paying a lower monthly cost- and you end up paying a longer term than you intended.

And most importantly, your biggest negotiating tool is knowing that you can walk away from a deal because it creates leverage for you and demonstrates that you are truly serious about the price of your car.

*These ranges are fictitious and only used for demonstrative purposes.

