

ACCESS AUTO BUYING 101

What really happens down at the dealership?

The sale price of the car is one of many negotiations:

Many consumers believe you only need to get a good deal on the sales price of the vehicle you are purchasing to score a good deal on an auto, but what about your trade, and rebates, and the financing, and warranties, and other protection? While it is true you need to negotiate a fair price on the purchase, a well informed consumer also will negotiate the price in all areas of the transaction. If you are not careful you can save money in one area, and overpay in others.

0% or the rebate?

Often, dealers will give you the option of a “super low” rate or a rebate off the price of the vehicle. Make no mistake about it, if you can get 0% without giving up a rebate to get it, you are beating the credit union’s best deal. We will tell you to finance with the dealer, but the vast majority of those offers on “super low” rates require you give up a rebate. In most cases it is beneficial to take the rebate and still get a great low rate with Access Community C.U. Go to http://www.cavionplus.com/calculators/cal_rebate.html to calculate whether or not to take a rebate with the credit union’s financing or a super low rate in lieu of the rebate.

Careful when it comes to payment shopping:

Call the credit union and get pre-approved first! Many consumers find the auto they want and then make it fit their budget, often resulting in a budget buster. Have you ever wondered as to why most car dealers only want to discuss a monthly payment? It is because they will happily sell you a car for \$500 per month, when you could have gotten the same auto for \$400 per month. The monthly payment is important to each of us, but don’t lose site of the vehicle price and financing terms because you are so focused on monthly payment. Often people will leave the dealership with the monthly payment they desired, not aware of the interest rate or length of the loan they agreed to.

“Marked-Up” Loans

Some lenders will allow dealerships to mark up interest rates on loans. That means based on your credit, you qualified for a lower rate than you actually received. For example, you might have earned a rate of 8% based on your creditworthiness, but you actually were quoted and received a rate of 10%. The dealer and lender then divvy up the profits from the marked up rate. Dealers are not required by law to tell you if a rate has been marked up, or by how much. Although most people aren’t aware, this is becoming a prevalent practice in the auto industry, and although it may not seem fair, it is entirely legal in Texas. Protect yourself by being informed and getting pre-approved. Most folks work hard to earn their credit. Why should you pay for more than the rate you have earned?

Why should I get Pre-Approved First?

As we have discussed, getting pre-approved first promotes your overall financial security by protecting your budget. Unfortunately, many people are purchasing vehicles on “impulse” these days. Don’t get the ‘puppy-dog’ syndrome and drive the car before you get pre-approved or have a chance to do your home work. The credit union’s website has links to many valuable auto research tools. (www.nada.com,

www.kbb.com, www.carfax.com, www.edmunds.com) If you call the Credit Union to get pre-approved we will run the Car-fax vehicle history report for free.

Pre-approvals make you similar to a cash buyer. You should treat your car buying experience, as if you were going to attempt to pay cash. You definitely would do your research before test driving or even visiting a dealer if you were paying cash. You would go in knowing exactly what you were going to pay.

At this point, if you are reading this and have not contacted the credit union, now is a great time. Contact us at 806-353-9999 or 1-800-687-2990. Go to <https://www.netit.financial-net.com/accesscu-loan/> to apply for a pre-approval online.

Extended Warranties, GAP Protection, and Credit Life Protection

Remember when we said you could get a good deal on the sales price, and pay too much in another area. It probably won't surprise you but most finance managers work on commission too. Many of the products that dealers sell are of benefit to the consumer, but what is a fair price to pay? Again get pre-approved first, so you can get an idea of what these products should cost you. We offer extended service contracts, GAP, and credit insurance often at less than what dealers charge. A loan officer from the Credit Union will also assist you if you ever need to file a claim.

How do I handle the pressure of financing with the dealer?

Typically, all dealers will require you to see a finance manager (even when paying cash). Inevitably, most dealers will insist their financing is cheaper than the credit unions. **There is a common sense approach to finding out if their financing is actually cheaper or not:** after you listen to the sales pitch, offer something to the tune of this:

“All of that sounds great. If you can get me the cheapest loan and products, I will certainly go with you. Now, would you mind giving me a copy, completely filled out, of the contract that you want me to sign so that I can compare it to my credit union's?”

I cannot think of any bank or credit union that would not be willing to put exact figures on paper, and tell you exactly what they will charge for the loan, extended service contract, GAP insurance, or credit insurance. If the dealership is truly cheaper, shouldn't they be willing to give you a copy of those figures?

With the unsigned copy of the contract in hand, call your loan officer to compare. The Credit Union will look at an “apples to apples” comparison, and in the rare case that we cannot beat their deal we will suggest that you finance with the dealer. We are truly committed to getting you the best deal.

What if a dealership refuses to give you an accurate, completed copy of the contract they want you to sign? It's not rocket science to figure out, that they probably aren't cheaper. Don't finance with anyone that won't allow you to compare their rates and costs to others in the market!

ACCESS AUTO BUYING 101
QUICK REFERENCE SHEET- 12 COMMON SENSE STEPS

- 1.) **CALL THE CREDIT UNION FIRST TO GET PRE-APPROVED**
- 2.) **REVIEW THE VALUE OF AND RESEARCH INFORMATION ON THE CARS YOU ARE CONSIDERING (www.edmunds.com, www.nada.com, www.kbb.com)**
- 3.) **REVIEW THE VALUE OF YOUR TRADE IN IF YOU HAVE ONE (Generally, trade in value on Kelley Blue Book is close to the initial appraisal of the dealer)**
- 4.) **FILL OUT THE SUMMARY SHEET BELOW, IF YOU HAVE QUESTIONS, GET YOUR LOAN OFFICER TO ASSIST YOU**
- 5.) **MAKE A LIST OF DEALERS TO SHOP**
- 6.) **MAKE AN APPOINTMENT WITH A SALESPERSON**
- 7.) **TELL THEM YOU ARE DEFINITELY GOING TO BUY A CAR, BUT NOT NECESSARILY FROM THEM. LET THEM KNOW THAT BECAUSE YOU HAVE DONE YOUR RESEARCH, THERE ARE OTHER AUTOS YOU LIKE AS WELL. THIS INCREASES YOUR BARGAINING POWER.**
- 8.) **ASK TO HAVE YOUR TRADE APPRAISED BEFORE YOU NEGOTIATE YOUR SALES PRICE ON THE PURCHASE (KEEP THE TWO NEGOTIATIONS SEPARATE)**
- 9.) **AFTER YOU AGREE ON A TRADE IN VALUE (USUALLY CLOSE TO KELLEY BLUE BOOK TRADE VALUE) THEN DISCUSS THE SALES PRICE ON THE AUTO, TWO SEPARATE NEGOTIATIONS.**
- 10.) **MAKE AN OFFER AND BE PREPARED TO NEGOTIATE. WHATEVER YOUR FIRST OFFER, EXPECT THE DEALERSHIP TO COUNTER OFFER. DON'T BE AFRAID TO COUNTER OFFER A TIME OR TWO, ITS PART OF THE GAME. JUST BE SURE TO COUNTER IN VERY SMALL INCREMENTS (\$100 GENERALLY). AVOID GIVING DEPOSITS (UNLESS YOU ARE ORDERING A VEHICLE). DEPOSITS MAKE IT HARDER TO ESCAPE. ALTHOUGH MOST DEALERS WILL NOT ASK FOR THEM, NEVER LET THEM HOLD A CREDIT CARD FOR A DEPOSIT.**
- 11.) **GET A COPY OF THE DEAL SHEET AND LET YOUR LOAN OFFICER COMPARE IT TO OUR WORKSHEET**
- 12.) **DO NOT ACCEPT DELIVERY OF THE AUTO ON THE SPOT, TAKE THE DEAL SHEET AWAY FROM THE DEALERSHIP AND DIFFUSE, THEN YOU WILL HAVE TIME TO REVIEW IN PRIVATE**

