



10

TIPS FOR FINANCING OR LEASING A VEHICLE

GUIDE TO BEING



Wallet Wise

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SHOPPING FOR A NEW CAR

is a big investment. In order to make the wisest choices, it pays to understand the different options available from your dealer.

The National Association of Minority Automobile Dealers (NAMAD) and Ally have teamed up to provide you the **10 Tips For Financing or Leasing a Vehicle** to help you prepare for the auto financing or leasing process.



1. Determine How Much You Can Spend

Create a budget. List your income, expenses and savings goals to see how much you can spend. Look at the total cost of owning or leasing the car, including auto payments, fuel, insurance, maintenance and commuting costs. A general guideline is to keep those total costs below 20% of your monthly take-home pay. Remember, every situation is unique and the decision on how much to spend should be based on your ability to comfortably cover those expenses on a monthly basis.



2. Use Online Tools

Use free online tools, like payment calculators and vehicle valuation guides, to gain information before heading into the dealership. Visit AllyWalletWise.com/resources for a free auto financing calculator to help determine which vehicles fit your budget and what the monthly payment might be.



3. Research Vehicle Prices and Trade-In Options

Do your research. Look up new vehicle prices and trade-in values online before you enter the dealership. Consider getting an online quote to help you prepare for when it comes time to negotiate.

If you are trading in your old vehicle, be sure to clean your trade-in and objectively evaluate the condition. Consider trading at a dealership that retails the same make as your vehicle and determine your bottom-line lowest acceptable offer before starting to negotiate.



4. Review Your Credit Report

Checking your credit report, which contains information about you and your payment history, helps ensure that your credit score is being calculated based on accurate information.

Everyone is entitled to one free credit report each year from each

of the credit bureaus - Equifax, Experian and TransUnion. For information on how to request your report, go to www.annualcreditreport.com or call (877) 322-8228.



5. Know Your Credit Score

A credit score, sometimes called a FICO score, is a number ranging from 300 to 850 that is based on your credit history. Paying your bills on time, having a small amount of total debt, and using only a small amount of your available credit are ways to establish good credit. Having good credit can help you get approved for vehicle financing and may help you obtain a better rate.



6. Decide If Buying or Leasing Is Right For You

Research your options for both buying and leasing a vehicle. There are pros and cons to each method. Try using an online source, such as an interactive “lease or buy” calculator, to see which is the better option for your lifestyle and needs.



7. Learn About Fees

Vehicle sales and leases may carry certain fees and charges. Some are standard, like sales tax and government title and registration fees, while others may be negotiable, including documentary fees or vehicle prep fees.



8. Choose a Term That Fits Your Finances

Installment sale contracts may be available in a variety of term lengths. The longer you take to pay, the lower your monthly payments will be, but your total cost to finance will increase. The length of your contract may also impact the options you have for trading in your vehicle, because you may have an outstanding balance when you would like to trade in your vehicle.



9. Ask About Promotions and Rebates, and Negotiate

Manufacturers often offer cash rebates or discounts. Check the financing section of the automaker's website for a list of manufacturer's rebates and discounts. You can also try to negotiate for a lower finance rate or rent charge.



10. Pay Off Your Financing Quickly

Pay off the financing as quickly as you can afford to. Paying financing off early can save hundreds in finance charges. Put a larger portion of cash down if you can afford it. It will decrease the amount you have to finance. By financing less, you can keep your monthly payment lower, or pay off your financing sooner.



Terms to know when buying or leasing a vehicle

Agreed-Upon Vehicle Selling Price:

The price you agree to pay to buy a vehicle. In a lease, the agreed-upon value of the vehicle is used as the basis for calculating lease payments.

Acquisition Fee: A processing or administrative charge included in many lease transactions.

Allowed Mileage: The number of miles that a lease allows the lessee to drive the vehicle without paying an extra charge – usually 10,000, 12,000 or 15,000 miles per year.

Annual Percentage Rate (APR): The cost of credit expressed as a yearly rate.

Capitalized Cost Reduction: In leasing, the sum of any down payment, net trade-in allowance, and rebate used to reduce the gross capitalized cost.

Creditor: A person or organization that extends credit.

Dealer Finance Income: After a vehicle buyer and a dealer enter into a finance contract, the dealer may assign (sell) the finance contract to a bank or finance company. In so doing, the dealer may retain its right to receive a portion of the finance charge, often called Dealer Finance Income.

Down Payment: Initial payment by a buyer that is used to reduce the amount to finance.

Expected Depreciation: The amount by which a vehicle is expected to decrease in value over a specific period of time.

Finance Charge: The dollar amount the credit will cost you.

Gross Capitalized Cost: In leasing, the agreed-upon value of the vehicle and any items you pay for over the lease term that are included in your lease balance.

Installment Sale Contract: A contract with a dealership to buy a vehicle by paying the purchase price, plus an agreed-upon finance charge, over a certain period of time in installments.

Lender: A bank, credit union or other financing source that lends money directly to you.

Lien Holder: The creditor who has a security interest in the vehicle. If the vehicle owner doesn't make the payments on the debt as scheduled, the one holding the lien can take and sell the vehicle as full or partial payment of the debt.

Term: The length of the loan, installment sale obligation or lease.

Rent Charge: The portion of the monthly lease payment that is in addition to the depreciation and amortized amounts.

Residual Value: The end-of-term value of the vehicle established at the beginning of the lease and used in calculating your monthly lease payments.

Up-front costs: In a lease, these may include the first month's payment, a security deposit, a down payment, taxes and registration fees.

WANT TO LEARN MORE?

Visit www.allywalletwise.com and view the “Courses” section for more information on auto finance, as well as credit, budgeting and saving.

To take a course, enter your street address and zip code. In the Affiliate Code box, enter the name of the dealership where you received this brochure.

