

New buyers need to do homework

You're ready for a new vehicle, but how do you start the process of buying one? To get the best deal, you have to do your homework.

If you're a first-time buyer, begin by thinking about what type of vehicle you're looking for and how much vehicle you can afford, said Craig Sacia, the vice president of consumer lending at Altra Federal Credit Union.

"It comes down to researching," he said. "The Internet is a wonderful tool and you can look and see what vehicles are selling for. You can test drive. Do your research to make sure you're getting the vehicle that fits. And by doing some easy comparison shopping, you should have a feel for what a good price for that vehicle is."



Craig Sacia
Vice President of
Consumer Lending
Altra Federal Credit Union

Online resources allow you to compare vehicles side by side. Make sure you compare similar traits, such as mileage and age. Don't count out new vehicles just because you think they will be more expensive than their used counterparts; new vehicles could be less expensive to maintain than older models and you can spread out the payments over time. It's possible that the monthly payment for a new car will be just as affordable as the payment for an older vehicle.

When you're comparing auto loan options, factor in all the pieces — the payment amount, the length of the loan and the interest rate — to get a true sense of your financial commitment.

PLAN FOR THE FUTURE

A big thing to consider is how auto loan payments will fit into your future goals and obligations.

"A first-time buyer should consider their financial situation today as well as where they will be a few years from now," said Sacia. "Do they have rent to pay? Will their rent expenses go up in the next few years? Do they have student loans that are coming due that they will have to start paying on?"

When you're planning your budget, build in wiggle room so that you will still be in good shape if your financial situation changes slightly for better or for worse.

"The key to a budget is to be honest with yourself," said Sacia. "You have to prioritize where you're spending money."

Know your credit score and work to preserve a good score by making bill payments on time. A high credit score will help you get the best car loan, not to mention the best insurance rates, home loans and possibly even make a difference in whether or not you get a job, Sacia said. Grabbing an interest rate of just two

percent to four percent on an auto loan is very realistic for those with a strong credit score, he said, depending on the age of the vehicle and the auto loan's value.

Contact auto insurance companies to compare plans by looking at their price, liability limits, deductibles, what kind of trip interruption coverage is offered and roadside assistance options. You need to know the cost of insurance for the vehicle you want so that you can factor it in to your monthly auto payment. You also need to confirm you qualify for auto insurance for that vehicle.

After doing your homework, you should be able to step into a dealership with a figure in mind of what you want your total monthly payment to be. It should be a number that you know you can afford and that can realistically get you into the car that is best for you.

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— Craig Sacia

THE TEST DRIVE

When it comes down to finding your next vehicle, do a thorough test drive so that you are completely satisfied before you make the purchase. Besides driving the vehicle at highway speeds and side streets, and popping the hood to make sure things look clean, check the whole car. Get in the back seat and look around, said Sacia. Look under seats, make sure the seat belts work, check if its doors are functioning properly, test the radio and, if there is a DVD player, play a DVD. If you have kids, test how easy it is to get them in and out.

If you're choosing a used vehicle, get as much information as you can about the vehicle's history by asking if it was a local trade, a rental or a lease buy back. Most dealerships have a Carfax service and Sacia said that has value, but he warns that the information is only as good as what has been reported so keep in mind that it might not tell the whole story. Ask if the vehicle has had flood damage.

"If you know a car has flood damage, my advice would be to be very, very careful," Sacia said.

PROTECTION PRODUCTS

Sacia recommends car buyers consider the value of a warranty. After-market war-



First-time vehicle buyers have a lot to consider before signing on the dotted line. Comparison shopping for vehicles, auto loans and insurance rates are all part of the process.

ties, which kick in after the manufacturer's warranty expires, can be purchased through a dealership or some financial institutions. The warranty will be cheapest when you first purchase a vehicle.

"Things to consider with a warranty — do you have a budget that allows you to set aside, or could you come up with, \$1,000 for a major repair? If not, then a warranty might be a good idea," he said.

GAP protection is another product that can typically be financed at the dealer or at many financial institutions. This one-time charge lasts for the life of your auto loan. It is designed to help you pay off your loan if your vehicle is totaled or stolen. It covers the gap between what your insurance plan will give you and your loan balance. Sometimes, you can get a prorated refund on your GAP protection if you pay off your auto loan early, Sacia said.

GET THE DEAL THAT WORKS FOR YOU

When you're setting up your auto loan, you may be asked to consider a loan with no interest. It sounds like a good deal but before you

take it, find out if that will make you ineligible for a rebate. If it does, you will need to figure out if zero interest or the rebate is the better deal for you.

To help you make this decision, consider how long you plan to keep the car. If you will only have it for a short time, it may be best to take the rebate and pay interest. But if you plan on keeping the car for the full term of the loan, zero percent interest could be better.

Find out what kind of rebates are available, but keep in mind that some manufacturers put restrictions on their rebates so that the benefit can only go to a vehicle's original owner. That means that if you're buying a slightly used vehicle, you might not qualify as the second owner.

If a hybrid vehicle is catching your eye, make sure it works for your budget. Sacia suggests you also consider whether the better fuel economy of a hybrid justifies the higher price, based on how much you drive.

Article courtesy of Altra Federal Credit Union and written by Heather Thorstensen.