

NAME: \_\_\_\_\_ CLASS PERIOD: \_\_\_\_\_

## Getting the Best Deal on Your Auto Loan

**Jill Winston shopped carefully for a new car.**

She found the model she wanted and negotiated a price of \$22,000. She applied her old car's trade-in value to the down payment, which came to \$5,000. Jill had to borrow \$17,000 to buy the car.

Jill knew she should shop for credit just as she had shopped for the car. She took the following steps:

- **Checked her credit rating:** Jill made sure her credit rating was good and that there were no mistakes in her credit report.
- **Made comparisons:** She checked interest rates at her bank and at one other bank. She also checked the rate the car dealer offered. She checked the rates at a finance company that advertised easy terms. Finally, she checked online for car loans offered at several websites.
- **Compared loans for the same time period:** Jill found an array of rates for different time periods. She decided that she should compare the rates for loans for the same time period. She chose a three-year loan because longer loans mean higher total finance charges over the life of the loan. She also thought she might buy a new car in three years, and she wanted the loan to be paid off by then.

### What Jill found.

The Last National Bank, where Jill has her checking account, offered her a loan with a 6.65 percent APR and a finance charge of \$1,799. An online lending site offered Jill a loan with a 5.27 percent APR and a finance charge of \$1,416.17. The car dealer offered her a loan with an APR of 7.24 percent and a finance charge of \$1,964.01. Finally, the Friendly Finance Company offered her a loan with an APR of 13.95 percent and a finance charge of \$3,901.85.





NAME: \_\_\_\_\_ CLASS PERIOD: \_\_\_\_\_

## Shopping Online for an Auto Loan

Now it's time to shop online for a loan. Assume you want a loan to buy a new car. You will search for car loans and visit several websites. Your new car costs \$20,000. Your trade-in and down payment total \$5,000. Therefore, the principal of the loan is \$15,000. The payment period is four years. Find four different online offers for a four-year new-car loan and identify the APR for each. You may wish to start by going to [www.bankrate.com](http://www.bankrate.com) and checking new-car loans in your area, but check offerings in other areas as well.

Kind of loan: \_\_\_\_\_ Principal: \_\_\_\_\_ Repayment period: \_\_\_\_\_

Website	APR

### Questions:

- Which loan has the lowest APR?
- How do the APRs on new-auto loans compare to APRs for used-auto loans?
- Are the loan rates the same in all areas?
- Are the loans quoted only in terms of their interest rate, or are there other costs involved?

# EXERCISE 17.3

NAME: \_\_\_\_\_ CLASS PERIOD: \_\_\_\_\_

## Identifying the True Cost of Car Ownership

Use the Edmunds website calculator, *True Cost to Own*,<sup>®</sup> at [www.Edmunds.com](http://www.Edmunds.com) to compare the cost of owning a new car and the cost of owning a two-year-old car of your choice. Please select only one vehicle and compare its cost as a new and a two-year-old car. Use the chart below to record your findings. Answer the questions that follow.

### Five-Year Costs of a New Car

	Year 1	Year 2	Year 3	Year 4	Year 5	5-yr Total
Depreciation						
Taxes and Fees						
Fuel						
Maintenance						
Repairs						
Financing						
Insurance						
Tax Credit						
<b>Yearly Totals</b>						

### Five-Year Costs of a Used Two-Year-Old Car

	Year 1	Year 2	Year 3	Year 4	Year 5	5-yr Total
Depreciation						
Taxes and Fees						
Fuel						
Maintenance						
Repairs						
Financing						
Insurance						
Tax Credit						
<b>Yearly Totals</b>						



NAME: \_\_\_\_\_ CLASS PERIOD: \_\_\_\_\_

## Shopping in Your Community for an Auto Loan

Now it's time to shop for a loan at lending institutions in your community. Some possible places are banks, savings and loans, credit unions, and finance companies. Again assume that you are buying a new car for \$20,000. Your trade-in and down payment come to a total of \$5,000, and the principal of the loan is \$15,000. The repayment period is four years.

Kind of loan: \_\_\_\_\_ Principal: \_\_\_\_\_ Repayment period: \_\_\_\_\_

Name of Place	APR
1.	
2.	
3.	
4.	

### Questions:

- Which bank offers the lowest APR?
- Which bank offers the highest APR?
- Did any lender offer a lower APR if you had a checking or savings account at that institution?
- Are the loans quoted only in terms of their interest rate, or are there other costs involved?
- Would you get a better deal from a local lending institution or from an online source?
- Name one advantage and one disadvantage of shopping for a loan in your local community compared to shopping for a loan on the Internet.