



Americans Well-informed on
Automobile Retailing Economics

Educating consumers about auto financing



Auto Financing: Know Before You Go

KNOW HOW DEALER FINANCING WORKS

When buying a vehicle, you can secure your financing via your bank or credit union; this is called direct financing. You can also secure affordable financing via your auto dealership; this is known as indirect financing.

Dealers typically have relationships with a number of financial institutions, and can work with you to get competitive financing options from a number of lenders at the same time. Dealers may also offer interest rate discounts, that may meet or beat a competing credit offer that customers secure on their own. This is why it can be helpful to look into *both* direct financing and indirect financing options.

KNOW THE PROCESS

- **FINANCING TERMS NEGOTIATION**
Dealers may be able to offer discounted interest rates for legitimate business reasons, including to meet a customer's monthly payment budget.
- **SPECIAL INCENTIVES**
Customers may not qualify for all incentives advertised, for example, if their credit is impaired, they have specific financing terms, or participate in a competing incentive program.
- **VOLUNTARY PROTECTION PRODUCTS**
Dealerships often offer products like extended service contracts that protect against a mechanical breakdown, or a Guaranteed Asset Protection (GAP) waiver that typically waives obligations not covered by your insurance company if your vehicle is totaled, stolen or destroyed. These products are completely optional and may be available from other sources.
- **PRICE NEGOTIATION**
You usually can negotiate pricing on new or used vehicles, trade-ins, optional financing and voluntary protection products. Knowing what other dealerships and finance sources offer for such items puts you in the driver's seat for a competitive deal.

KNOW THE TERMS

- **INVOICE PRICE**
What the manufacturer charges the dealer for the vehicle before any rebates, allowances, discounts, and incentives the dealer receives.
- **BASE PRICE**
The cost of the car with standard equipment and any factory warranty, but no options. This price is listed on the sticker affixed to the car window.
- **MONRONEY STICKER PRICE (MSRP)**
This is required by federal law and shows the base price, the manufacturer's installed options with the manufacturer's suggested retail price, the manufacturer's transportation charge, and fuel economy (mileage); the sticker is affixed to the car window and may only be removed by the buyer.
- **DEALER STICKER PRICE**
The MSRP plus the suggested retail price of dealer-installed options, including additional dealer markup or profit, dealer preparation, and any dealer preinstalled products like undercoating; it is an additional sticker on the car window.
- **OUT-THE-DOOR PRICE**
The total price before financing, including options, taxes, Department of Motor Vehicles fees and documentation fee.
- **TOTAL SALE PRICE**
The total vehicle price and finance transaction, including the car and all additional items selected, the buyer's down payment, and finance charges; this amount is part of the Truth in Lending disclosures provided to the consumer at signing of the financing.

KNOW BEFORE YOU SIGN

Before you complete your purchase, carefully and thoroughly read the important terms and conditions included in the financial documents you sign, such as the length of the financing, the actual monthly payment, payment due date, Annual Percentage Rate (APR) and other costs.