

Buying a Vehicle

What it is: Choosing a reliable and affordable vehicle is a big decision and should be researched carefully. Next to a home purchase, and student loans, a vehicle loan is probably one of the biggest loan decisions you will make.

How it works: Take time to consider what options are important to you.....great mileage, lots of seating, or 4 wheel drive? Next, consider whether you want a new or used vehicle. A new vehicle may cost more and depreciate more quickly but will come with a warranty. A used car is only a bargain if it is reliable. You can compare the price of a used vehicle through consumer publications such as the "Blue Books" used by dealers to determine price ranges for used cars. Also, consider buying a vehicle history report before you buy a vehicle. The report should tell you if the car has been in an accident or has a salvage title.

It's common for people to put a lot of energy into choosing the right car and negotiating the best possible purchase price, and then simply take whatever loan comes their way. So, before you choose your car:

- Check your credit report (do it free at www.annualcreditreport.com) weeks or months before you plan to buy. Why? If you find any inaccurate information on your report, you'll have time to get that information removed.
- Work with a local lender to get pre-approved financing for a car loan. You might start with your own bank or credit union. Getting pre-approved does not mean you have to borrow the money from that lender, but it gives you a reference point for comparison.

Why it matters: It's important to find the best vehicle for you at the best price.....then negotiate financing. Settling the purchase price before even discussing financing may enable you to negotiate a better price.

Who should care: Knowing your options is important. Be aware that the lowest possible monthly payment is not necessarily the best deal. A low monthly payment could mean high

interest rate and extended payment period. Also, be realistic about the vehicle you can afford. If you can't keep up with the monthly payments, you could lose your car and all the money you have already invested in it.

For more information

- Federal Deposit Insurance Company www.FDIC.gov
- Consumer Financial Protection Bureau at www.consumerfinance.gov
- Iowa State University Extension and Outreach website at www.extension.iastate.edu/humansciences