

## **Buying a Car**

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

**How it works:** Unfortunately, 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. Note: the same thing happens with houses and home loans, too.

Before you choose your car:

- Check your credit report (do it free at [www.annualcreditreport.com](http://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, but it can also be wise to shop around with several different financial institutions to see where you can get the best terms. 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:** If you're working with a seller (such as a car dealership) who can help arrange financing, don't mention the interest rate you've been offered for your car loan until after you have seen what is the best rate they can offer you. This allows you to choose the option that is best for you. Some experts recommend not even mentioning that you have been pre-approved for financing elsewhere until after you have definitely negotiated the vehicle's purchase price. Why? Some dealers might reduce their selling price on the car, thinking they'll make it up with a little extra profit through the financing. Settling the purchase price before even discussing financing may enable you to negotiate a better price.

**Who should care:**

### **For more information**

- Internal Revenue Service at [www.IRS.gov](http://www.IRS.gov)
- Consumer Financial Protection Bureau at [www.consumerfinance.gov/](http://www.consumerfinance.gov/)
- Iowa State University Extension and Outreach website at [www.extension.iastate.edu/humansciences/](http://www.extension.iastate.edu/humansciences/)

**While you are car-shopping:**