

# BUY SMART: Affordable New Car Buying in 5 Steps

Courtesy of  
METRO Federal Credit Union



## STEP #1: Piggy Bank and Pocket Book Planning

- 1) **Establish your monthly car budget limits.**
  - ✓ Feel free to call METRO for payment estimates!
- 2) **Review current monthly living expenses.**
  - Mortgage/Rent
  - Utilities
  - Food
  - Clothing
  - Medical
  - Savings
- 3) **Determine how much money is available from your NET monthly income for car expenses. (Don't forget car insurance!)**

# “Do The Math”

- Don't Forget..... STASH SOME CASH!
  - Set aside money every paycheck for emergency bills OR to help with your down payment



# Get Pre-Approved at METRO

- METRO offers FREE loan Pre-Approvals
- Print an application from our website and view current, competitive loan rates
  - [www.mcu.org](http://www.mcu.org)





## STEP #2: New Car Costs and MSRPs

- 1) **Collect actual Dealer Cost and MSRP lists for each vehicle you are considering to purchase.**
  - Use CarQuotes.com on METRO's website to build and price your NEW vehicle.
  
- 2) **Calculate the dealer's cost for the vehicle including all options.**
  - METRO has New Car Pricing Guides – stop in and take a look!
  - CarQuotes.com can assist in determining costs!

# New Car Buying



- Visit [www.mcu.org/auto\\_services.htm](http://www.mcu.org/auto_services.htm) and click on METRO's CarQuotes.com link to get started
- Check recent cash back incentives for all makes and models
- Build and Price your new vehicle
- Identify dealer invoice pricing and MSRP



**CarQuotes.com**

## STEP #3: Current Car Trade-in Values

If you have a trade-in to use toward your New Vehicle purchase:

- 1) Confirm model & year with your VIN number
- 2) Check on Low Mileage Credits or High Mileage Penalties
- 3) Make several copies of the data for your trade-in
  - ✓ METRO suggests that your best negotiating tool is Kelley Blue Book for your trade-in value - the pricing on KBB is inflated for dealership use. This means that KBB will give you the highest value for your trade-in.
- 4) Confirm your payoff amount for any current auto loan
- 5) Trade-in Credit = Trade-in \$ Value minus Loan \$ Payoff
  - \$9,000 (trade-in value) - \$7,500 (loan payoff) = \$1,500 Trade-in credit
  - \$9,000 (trade-in value) - \$9,500 (loan payoff) = **\$500 negative trade-in equity (added to total on bill of sale)**



# Determining Kelley Blue Book Trade-In Value

[www.kbb.com](http://www.kbb.com)

- After entering your vehicle information, zip code, and vehicle options on KBB, the mileage credit/deduction will automatically be determined.
- You will be provided with four different valuations. Each value is based on the current condition of your vehicle:
  - Excellent, Very Good, Good, or Fair
- Pick the value that best describes the condition of your auto.



# STEP #4: Negotiating Your Best Deal

- 1) New Vehicle Price = ONLY Dealer Cost + Dealer's Fair Profit.
  - If Dealer refuses to accept New Vehicle Price, stop talking, leave and find another dealer!
- 2) Sales Tax = ONLY (New Vehicle Price LESS Trade-in Value) X Tax Rate

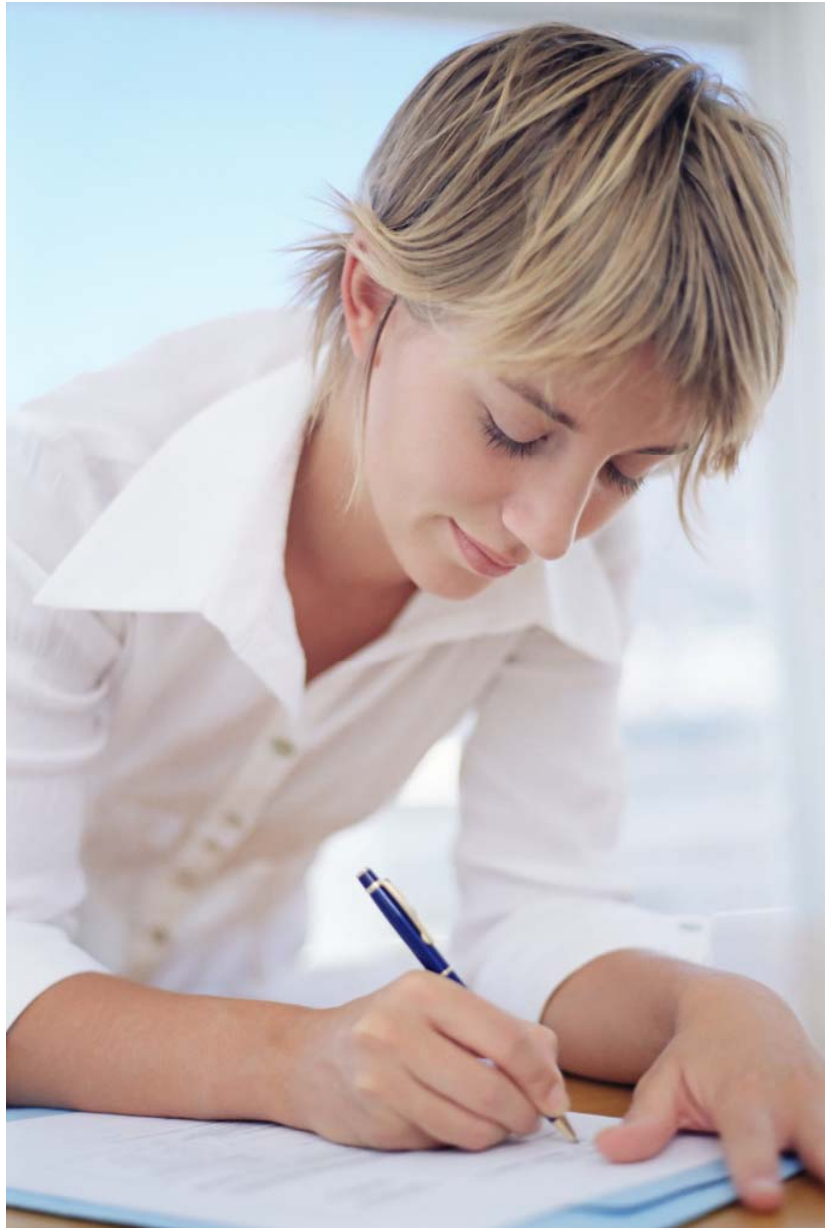
## 3) ADD:

- +New Vehicle Price
- +Sales Tax
- +Misc Doc Fees  
(Title, Transfer, etc.)

## • SUBTRACT:

- Trade-in Credit
- Manufacturers  
Rebates/Cash Back

- 
- **TOTAL =** Bottom Line  
Purchase Cost



## STEP #5: Completing the Transaction

- 1) Most Dealer provided add-ons (extended warranty/undercoating/etc.) are available more economically from third parties, i.e., aftermarket.
- 2) Keep in mind that dealerships often run your credit multiple times when negotiating financing. Too many credit inquiries can negatively impact your credit score.
- 3) **If you are already Pre-Approved by METRO, there will be NO dealer inquiries on your credit! Tell the Salesperson that you already have financing.**





## BENEFITS OF FINANCING AT METRO:

- FREE PREAPPROVALS
- COMPETITIVE RATES
- ONE CREDIT INQUIRY ON CBR
- PAYROLL DEDUCTION
- PERSONALIZED SERVICE

# Cautions Regarding Leasing

## **Leasing only saves you money when:**

- You don't exceed the annual mileage caps
- The total monthly leasing cost is less than monthly loan payment
- You don't anticipate purchasing the vehicle after the lease term expires

Monthly Leasing Cost = Monthly lease payment + \$ Due @ inception / #months lease

Monthly Loan Payment = Monthly loan payment + \$ Down Payment / #months loan

- Leased vehicle Residual Values are realistic;  
lower Residual Values = higher monthly lease payments



# More Helpful Information.....

- Insurance
  - Notify your agent of your car purchase!
  - Keep in mind that many factors determine your insurance rate – specifically the **year, make and model** of your new auto, your **driving record** and your **personal demographics**
  - Be prepared for an increase in your insurance premium
    - ✓ Ask your agent if your carrier has a New Car Discount
- Other Factors that Determine Insurance Cost:
  - Vehicle safety features
  - Car alarm
  - Coverage
  - Number of vehicles you insure
  - Driving record
  - Number of drivers



## Helpful Links:

### New Auto Resources:

[http://mcu.org/loan\\_services.htm](http://mcu.org/loan_services.htm)

- Kelleybluebook.com
- Nadaguides.com
- CarQuotes.com
- edmunds.com