



## Auto Buying Guide

### Introduction

*“Just click here, and this beautiful convertible can be yours for \$1 under invoice. Unbelievable! And we’ve got Zero Percent financing. Even more unbelievable! And we’ll bring this beauty to your home today! And we guarantee the value of your trade-in! Just click here!”*

Listen to the hype – whether it’s online, on TV, or in print – and you’d think high technology and the web make saving money on a vehicle as easy and fast as a click on the mouse. Wrong!

- Did you know a dealer or on-line auto service can sell or lease you a new set of wheels for exactly what the seller paid the manufacturer and still make \$500 to \$1,500 on just the car itself?
- Did you know that “Zero Percent” financing may cost you more than financing at a bank or credit union – even if the bank or credit union’s rate is 6 percent?
- Do you hate dealing with dealers and look forward to buying or leasing a vehicle on-line – or from a buying service – just so you won’t have to deal with the dealer yourself? Guess what: you have to deal with a dealer, even if you use a buying service! All new vehicle sales have to involve a dealer.
- Do you think the web has made it safer for you to research and/or acquire a new vehicle? Unfortunately, it all depends on how prepared you are to deal with the information you’re seeing.

This special auto buying guide in our **StreetWise for Auto Buyers** program is just for you. This program works! If you follow this guide, you can keep up to \$2,000 or so of your hard-earned dollars in your pocket rather than the dealer’s.

**StreetWise** is about education – not hype. This program provides you an oasis from the pressure, confusion, and deception that is rampant in the auto industry and on the web. And it gives you straight answers. For instance, if you come to us with a financing offer and we can’t beat it. We’ll tell you so.

**We can make that promise because our goals are different than the other players in the auto industry.** A dealer and their finance sources have two objectives – sell you their product or service (whether or not it’s the right product for you), and sell it to you at the maximum price you will pay. Our

job, on the other hand, is to make sure you buy what's best for you, and to make sure you pay the least for it.

DCU's vision is that ***All members achieve their financial goals***. You own your credit union. We exist to serve you and make your financial life better. If we achieve our vision with you, we believe you will bring more of your financial business to us. When you do, not only do you benefit, it brings us more resources to help even more members and bring new and improved services to everyone. The long-standing credit union principle of people helping people is alive and well at DCU.

**Okay, let's get started.**

## Chapter 1

# Dealership Tactics

To win in any auto transaction, you first have to understand what the other side is trying to do to you, and why. Since “the other side” always includes a physical automobile dealership – even if you’re buying or leasing from an online service – We’ll take you inside a typical dealership. What’s really going on down there?

**The pressure game starts before you go near a dealership, either on-line or in person.** Just look at the dealer ads. They promise low payments, sales, big money for your trade, and respect for your intellect. But, as with most selling, these promises typically come with some crossed fingers. Many dealers make more during sales than they do at non-sale time. That’s because we consumers automatically equate the word “sale” with “save.” That’s dangerous math. Dealer advertising really has another purpose – to get you to rush down in a fit of excitement (“Really? Just \$99 a month?”) without stopping to think.

**Then The “Track” Systems Take Over** – A “track” system is an automobile sales program designed to put every customer through the exact same sales steps with the sole intent of selling that customer instantly for the maximum profit. The key words here are “instantly” and “maximum profit.” When you arrive at a dealership (or log-on to most auto web sites) the dealership begins to “work” you: put you through the track system.

**The objective is always the same** – get you to pay more for every item and service than you were planning to pay. Want to spend \$450 a month? A savvy dealership will get you to pay \$550. Or they will happily sell you a car for \$450 per month – but it will be a car you could have bought for \$350 per month.

### **Most dealerships are concerned about profit – not your budget**

The people at virtually any dealership and most web sites and buying services, friendly though they may be, have a little different objective in the car transaction than you do. Their goal is always to maximize profit. And that might mean leaving out an important fact or two.

To take one example, what would you do if you owned a dealership that sold cars ranked lowest on the government crash safety reports? Would you tell all your customers, “Oh, don’t forget – our cars are the most dangerous on the road?” See the problem? To survive, the dealership must either lie about the dangerous test results, or simply forget to talk about the results.

**What’s the upshot of this?** The sellers of automobiles generally can’t give you good advice about what you should spend, number one. No salesperson in the auto industry ever prospered by constantly volunteering to cut the price on every sale.

Number two, the sellers of a particular automobile – whether in person or on-line – generally can’t give you the answers you need to questions about such matters as a car’s safety, reliability or resale value.

But these questions are important, aren’t they? And you’ll need the answers before you even look in the direction of the dealership or click on that “Click here to buy” banner. Why? Because once you’re engaged with these folks, the “track system” will take over and speed you along recklessly whether you like it or not.

### **A look at a few of the track system tactics used to “work” you...**

**You stop in the dealership to simply pick up a brochure.**

Even though you have no intention of buying, the smiling salesperson requests your driver’s license, your Social Security number, or simply your address. Or maybe they want to register you for a fabulous free trip. Even though you haven’t given permission, using a modest amount of information about you, many dealerships will now search their databases and quickly open a file on you. And since most dealerships are now owned

by conglomerates, with databases compiled from many companies, the dealership has an informal “read” on your credit without even pulling a credit report. With that informal “read,” the dealership then begins to plan the maximum profit they can make on you, based upon your credit worthiness.

### **The dealership T.O.'s you.**

T. O. stands for “turn over.” You're sitting in a salesperson's office, thinking about how much more fun it would be to replace your hard drive in the dark than go through this, when your salesperson returns with reinforcements. The new smiling face asks for more money. And then the salesperson asks for more. And then the dealership *chaplain* comes in.

The T. O. system operates on the principle of “fresh faces can work miracles.” A miracle, in this instance, is defined as more profit. And as long as you give, they'll keep asking.

### **The “note” system.**

Rather than the T.O. system, some dealerships use the note system. In this technique, the salesperson steps out, returning with a nice note from the sales manager asking for more money. And then another note, then another. Usually, they come back with five, and usually the last two ask for raises of odd amounts of money for instance, \$113.29 or, finally, \$23.19. The note system has one basic problem. It makes you think the dealership is negotiating when it's really only play acting. Consider the “odd” raises. These are simply designed to make it look like you're really a hard bargainer. You know, you think you've got them “down to the pennies.” *Many web sellers use versions of the note system.*

### **The Four-Square system.**

The salesperson divides a piece of paper into four squares and then asks for your “wish list.” What do you want to pay a month? What do you want for your trade? What do you want to pay for the new car? However ridiculous the sums, each is written in a square. Then they ask for a large deposit and your signature in the fourth square.

Then they begin to “work” you on each square separately, starting with a figure far from yours and very slowly negotiating down, constantly scratching through figures. By the time they finish, the paper is illegible, you're frazzled, but the salesperson is smiling. You've agreed to pay an additional \$1,200 to \$1,500 profit.

The four square system is probably the worst system in use today because it was designed to produce some very nice profits by confusing you. Don't deal with dealerships who use this system.

### **Spot Delivery, or “Yo-Yo” selling.**

“You can drive it off today!” That is the most expensive statement any car dealer or web seller can make. Spot delivery means emotion is ruling you rather than good sense. It also means you (very conveniently for the seller) won't have the opportunity to compare costs and terms. Never buy or take delivery of a car on your first visit to a dealership or a web site. Be patient and the price will tumble.

Spot Delivery is called “Yo-Yo” selling by unscrupulous dealers who do this little trick: they deliver you a car on any terms you want. Then a week after you've taken delivery, they call you up and say “Oops, your contract wasn't approved at the figures you wanted. We need an extra thousand in cash, and your payment has gone up \$300 per month!” What can you do if that happens? Usually *nothing*. They've already sold your trade-in, and you unknowingly signed an agreement to let the dealer raise the price! Yo-Yo selling is endemic in the auto business, and is the subject of hundreds of lawsuits at this very moment.

### **What's the moral again?**

Never, ever take delivery on a car unless you're perfectly sure the contract cannot be changed. *By financing with DCU, you are totally protected from Yo-Yo selling.*

### **The Leasing Scam.**

Many dealerships will try to switch you to leasing on the spot. Don't fall for it! Go to **StreetWise** at [dcu.org](http://dcu.org) to read an excerpt from our on-line Leasing guide, and you'll see why dealerships try to switch you:

- The industry has made those profits on leasing because of the deceptive way leasing has been presented and sold. The Florida Attorney General's office, a leader in lease reform, says it best: "The Technical and complex language and the greed of some car salesmen causes car leasing to be an option that is fraught with many pitfalls for the average customer."
- **And that's an understatement!** Since 1993, the Florida Attorney General's office alone has received 19,000 phone calls and written complaints about leasing fraud, and 40 percent of those complaints proved to be actual fraud.

Leasing or a lease-type finance product might be good for you. But you need to decide that based on sound information. If you're even thinking about leasing, read our on-line **StreetWise Leasing Guide**.

### **The "Business Advisor" or "Financial Counselor" scam.**

Even if you have the cash in your pocket to pay for a vehicle, you'll be forced to talk with a dealership's finance sales staff. Or, as they are quaintly called at some dealerships, "Business Advisors" or "Financial Counselors." Why do these high-pressure finance salespersons insist on talking with you? Because dealerships make much more money on financing these days than they normally make on the sale of an actual vehicle. Many dealerships will do virtually anything to convert you to their financing – including shade the truth a bit.

If the dealership can convert you to their financing, they'll sell you credit life and disability insurance that's almost always more expensive than a credit union's but sounds downright cheap on a "pennies per month" basis. Then they'll sell you "protection" packages (rustproofing, undercoating, fabric conditioning) for "just \$19 per month. Why, you can afford that!" But over 60 months, you will pay over \$1140 for products that cost the dealer a \$100. The same approach works for extended warranties or mechanical breakdown insurance, too.

Daily the methods used by many dealerships and on-line selling organizations grow more sophisticated and subtle. For instance, many dealerships now track customers' movements by computer, rate their moods on scales entered in computers, and flash their progress in the buying process on computer screens so managers and other salespeople can monitor the dealerships' careful plan to sell. How can you avoid the traps? Read on.

## Chapter 2

# Auto Buying the *StreetWise* Way

### Many negotiations – not one

Buying a car isn't one negotiation, it's many: your trade, the new car you're buying, the financing – and the newest, most popular profit center – warranties, protection packages, alarm systems and other add-ons. If you don't know what you're doing, you can save money in one area and pay too much in the other. That's why dealers can sell cars for “no profit” and still make thousands on you. And that's why you need to pay very close attention to the right steps.

### The right way, step by step

If you really want to save money and still like your car after the fourth payment, you'll have to look at the car-buying transaction in a new way. Most people find a car and adjust their budget to fit that car's payment. That's the wrong way, and usually means you spend money on car payments you should have invested or spent on more important things.

The ***StreetWise*** approach doesn't start with the car at all; it starts with your budget. ***StreetWise*** also encourages you to slow down rather than speed up. Emotions in car buying should come after you've done it right.

And we define “right” as saving money and buying the right car, too. Doing it our way, versus simply following the dealership's lead, can literally put thousands of dollars in your pocket. So, throw out the conventional thinking and consider this:

### **All cars are bought for cash. No cars are bought with trade-ins or payments.**

Trade-ins and payments only provide you cash. And right now, based upon your budget and your old car, you have an exact amount of cash available to you to buy a new car. That amount of money is called ***Available Cash***, and it's made up of all the cash you have available to buy a car. For instance, the payment you can afford to make buys you cash. That's called *loan cash*. Your trade-in may give you cash. That's called *equity*. Plus there is any cash you have saved that you plan to put toward a down payment.

### **What's your Available Cash figure?**

That's easy to determine. In a minute, we're going to give you information to help you determine that.

### **But, first think about what you can really afford to pay each month on a vehicle.**

Do you want to pay more than you're paying now? Would it make your life easier if you had a lower payment? You decide. If you want a good guideline, most people should keep their car payment below 15% of the monthly gross pay. That can vary greatly depending on your personal financial situation and the size of your other monthly expenses.

### **What would be a sensible payment for you? So how many monthly payments do you want to make?**

Jot that on a piece of paper.

### **How many months should you finance?**

DCU will finance your car, truck, or van for up to 84 months (longer for boats and recreational vehicles).

Financing longer means you're paying vastly more money in interest, and may owe money on your vehicle for years after its useful life is over.

Finance for the fewest months that will fit your budget, and you actually can buy more vehicle. For instance, the difference on a \$30,000 loan financed for 48 instead of 60 months is only \$3.85 a day.\* Pay the higher payment, finance for 48 months, and, in this example, you'll save \$1,680 in interest. And wouldn't it be nice not to have car payments for that fifth year?

\* Assumes a 8.0% APR on the 60-month loan and a 7.5% APR on the 48-month loan.

### **Now, think about your trade-in.**

We're going to give you an easy way to get a rough idea of your trade-in's wholesale value (what a dealer or buying service should give you for it.) Use that for now to get a rough idea of your Available Cash amount.

## Chapter 3

# Available Cash Calculator

This information is designed to help you determine the maximum amount you have available to spend on a car and the estimated loan amount to reach that number. Fill in the information requested.

If the amount of **Available Cash** seems too small for the kind of car you would like to purchase, try extending the term. The same payment over a longer term will typically result in a higher initial loan amount, increasing your **Available Cash**. Or you may want to consider alternative vehicles that better fit your budget. To estimate the value of your trade, visit the CUDL AutoSmart, NADA Guides or the Edmunds web sites. Current rates and terms for DCU Vehicle Loans are available on our rates page at [dcu.org](http://dcu.org).

There are two ways to determine your personal **Available Cash**.

1. You can go to our web site and use the **Available Cash** calculator on the **StreetWise Auto Buying Guide**.
2. Or you can simply fill in the blanks right here and call the DCU Information Center at 800.328.8798 between 8:00 am and 9:00 pm weekdays and 9:00 am to 3:00 pm Saturdays, Eastern Time. We'll tell you your **Available Cash** figure, no obligation!

### Available Cash Calculator

Trade-in value	\$ _____
Amount you owe on your trade-in	\$ _____
Down payment	\$ _____
Monthly loan payment you can afford	\$ _____
Loan term (in months)	_____
Interest rate	_____ %
<b>Loan Cash</b>	\$ _____
<b>Available Cash</b>	\$ _____

These numbers are for informational purposes. It gives you reasonably accurate results of car you can get with your **Available Cash**. Results for your actual loan will vary based on your final rate and loan amount.

### Excellent! Your Available Cash figure rules!

To stay within your budget, **Available Cash** is all the money you have in your car buying account. That's all the money you have to pay for everything – cost of car, taxes, other charges, insurance – everything. Don't exceed your budget.

## Chapter 4

# Research – Then Shop

Now, let's do a little research before you go shopping. Once you know how much **Available Cash** you have, you next need to know the hard facts about vehicles that fit your **Available Cash** figure. For instance...

- What vehicles with the features you want fit your budget?
- What do these cars cost the dealers?
- What is their safety record?
- What about the mechanical reliability of the various models? What about maintenance costs?
- Insurance costs?

Several sites can help you get answers to some of these questions. The CUDL AutoSmart and Edmunds web sites have much of this information. Remember that Edmunds is paid for by auto dealers that participate with their sales program, so be careful. NADA Guides can help you price used vehicles. Simply do research at this point and don't buy! When you've done your research, come back here for some very serious buying tips. The ConsumerReports.org™ web site provides independent test results of most vehicles. There is a subscription fee to access information.

You should also visit the The Center for Auto Safety web site to check the safety record of cars you're considering. It's free.

### After doing your Research, it's time to shop for the one vehicle you like!

Your first visit to a dealership or web site poses the maximum danger to your pocketbook. Those new cars look so good. And you've waited so long. Whether on-line or in person, sellers know how to turn up the fires of your enthusiasm and singe your reason. So put your emotions aside. Be wary. Slow down. Save the emotions for the moment you finally drive away in your shiny new car on budget for a change. With an extra thousand dollars or two in your pocket. Now that's something to get excited about!

### A *StreetWise* Tip: If you're buying used...

Buying used is one of the smartest things you can do because you'll pay less over all. Plus someone else gets to pay for that big drop in value when a new car leaves the lot for the first time. But buying used can also be expensive when people don't understand the specific problems used-car buyers face – on the web or at a dealership. For instance, did you know some dealers and on-line lenders charge you *20% interest* on loans for three year-old cars?

Our rates are always far less because our loan rates for used cars are the same as for new. We don't think you should pay more just because you prefer a used car. Here's an example of the difference...

USED CAR FINANCING	DCU	Dealer	Savings
Loan Amount	\$24,000	\$24,000	
Loan Term	36-months	36-months	
Annual Percentage Rate*	7%	20%	13%
Monthly Payment	\$741.05	\$891.93	\$150.88
Total Interest	\$2,677.81	\$8,109.33	\$5,431.52

\*Actual DCU rates are determined by your personal credit history and are subject to change.

That's why, as a used-car buyer, you need more information than a new-car buyer. So what should you do? Finish reading this guide, even though it deals primarily with new vehicles. The information here is priceless. And then, after reading the rest of this, go to the online ***StreetWise* Used Car** section on the DCU web site.

## Chapter 5

# At the Dealership

### Some Simple Rules To Remember:

#### **Narrow your choice to one or two models or makes before setting foot on a car lot**

Why? Trying to think about a big list will do nothing but confuse you.

#### **Choose two nearby dealerships that carry the vehicle you like**

If you've done your homework, where you buy isn't important as long as the dealership is reputable.

#### **Find only one car at each dealership**

Again, more cars mean more confusion.

#### **Take control of the transaction**

Tell the salesperson you are not buying a car today under any circumstances, but you will buy soon. Today you are just shopping and fact finding. Check the car out. Take a test drive. But be firm and don't let the salesperson lead you into any discussion of buying today. If you start to feel pressure or confusion leave immediately.

#### **Copy all the information from the Manufacturer's Suggested Retail Price sticker before leaving the dealership (MSRP, not the dealer's sticker)**

The MSRP is the lowest priced sticker. Copy the base price of the car, the price and name/code of its options, and anything else listed on the manufacturer's sticker. For now, ignore the dealer's sticker. It contains hugely inflated profits.

NOTE: Pickup trucks, and full-size conversion vans, are not required by law to have an MSRP. So the price sticker on the window may be any figure the dealer wishes. Trucks and vans, however, have a specific cost. Copy down the stock number, the base vehicle and option codes, and prices for the truck or van you've picked. You can find cost information on trucks and vans through the CUDL AutoSmart, Edmunds and NADA Guides web sites.

#### **Compute the dealer's invoice cost – A very important step.**

Why? Dealers want you to negotiate down from their inflated asking price, a very expensive way to negotiate. The **StreetWise** approach negotiates up from what a dealer paid for the one car you like. Don't ever think in terms of percentage discounts off dealer asking price. Don't ever think "sale" price. Know what the dealer paid for the car you like and negotiate up from that. It is hard to nail down the true dealer cost. The CUDL AutoSmart and Edmunds sites might help you estimate it and find out about rebate and incentives available.

#### **Check to see if the car will fit your Available Cash**

It's the moment of truth. After you pay for the car, and give the dealer a profit, and pay tax and other charges, will you still be in budget? We have a simple worksheet to help you determine this, but first decide how much profit you want to pay a dealer, the last variable in the transaction.

What's a fair profit? You have a perfect right to pay all the profit you want. But if your objective is to pay the

least profit a dealer will take for the car, you'll need to start negotiating up from what the dealer paid the manufacturer for the car. That figure usually includes *hidden* dealer profit. And at times, a dealership will be happy to accept cost rather than lose a sale. The only way to know whether a dealer will do so is to offer that figure and stick to it for a while. But if starting at zero bothers you, add any figure you'd like as a profit figure.

## The *StreetWise* Buyer's Fact Sheet

All that information you've gathered is going to pay off. Here is where you determine how much you can offer for that car you like. **Use only whole positive numbers – no commas, decimals, or negative numbers.**

Enter the <b>cost of the car and options</b> :		\$ _____
Enter <b>transportation charge</b> (copied from the window):		\$ _____
Enter the total <b>registration fees, taxes, title</b> (The salesperson can give you this information):	<b>+</b>	\$ _____
This is what the car actually costs the dealer:	<b>=</b>	\$ _____
Enter the <b>profit</b> you want to pay:	<b>+</b>	\$ _____
This is your maximum offer:	<b>=</b>	\$ _____

### One Other Piece Of Important Information

If you're planning to trade your car in, your old car's wholesale value is already included in your **Available Cash** figure. You've, in essence, already turned it into cash. But dealerships don't talk about the transaction like we do. They say "Okay, what you owe us is X dollars and your old car." That dollar figure is called the **difference figure**, and you should figure it right now for the car you like.

Enter your trade-in's <b>wholesale value</b> – the trade-in value you researched for the <b>Available Cash Calculator</b> :	<b>-</b>	\$ _____
This equals your <b>difference figure</b> :	<b>=</b>	\$ _____

Now compare your **maximum offer** to your **Available Cash** to determine if you are over or under budget. Do you see the importance of this little worksheet? It shows the entire transaction in its simplest terms. If your **Available Cash** figure is greater than your **Maximum Offer**, your payment is going to be within your budget.

<b>Maximum offer</b> (with your old car if trading it in):		\$ _____
Enter your <b>Available Cash</b> from the <b>Available Cash Calculator</b> you used online or from calling our information center :	<b>-</b>	\$ _____
This is the difference between your <b>maximum offer</b> and <b>Available Cash</b> . If the number is positive, you're under budget.	<b>=</b>	\$ _____

Wouldn't that be nice? If your **Available Cash** is less than your **maximum offer**, you'll need to find more cash, expect a higher payment, or look for less expensive wheels.

## Chapter 6

# Negotiating with the Dealer

## Negotiating The Right Way

The secret to winning (saving lots of money) is to stay in control, keep things simple, and never be pushed. The following steps will help you.

### 1. Make an appointment with your salesperson.

These men and women work hard and work on commission. If you liked the person who waited on you on your first visit, go back.

### 2. Put these pieces of information on a summary sheet.

- The *wholesale value* of your trade-in if you're trading
- Your **Available Cash** figure
- Your *maximum offer* on the one car you like
- Your *maximum difference* figure, if you're trading

### 3. When you arrive at the dealership, ask to go to the salesperson's office.

You take the initiative; you take control of the situation. Tell the salesperson you are definitely going to buy a car, but not necessarily from that dealership. Say there are other cars you like as well as this one. Why say this? To increase your bargaining power.

### 4. If you have a trade, ask to have it appraised.

Do this before you discuss the new car at all. Keep the transactions separate. But beware: many dealerships will at first refuse to give you the true *wholesale value* of your car at any time. They'll want to talk about *allowance*, a meaningless figure, or worse, may refuse to have your car appraised at all right then. If you run into a dealership that refuses to deal straight with you, find another dealership.

### 5. Agree on the wholesale value of your trade.

If the dealership offers you as much or more than your car's true wholesale value, proceed to the next step. If they won't give you true wholesale, sell the car to the used car source that put a price on it, sell it yourself (the best idea), or go to another dealership.

### 6. Make an offer and be prepared to negotiate on the new car.

You've finished talking about trades. You've agreed what they will pay to buy your car. Now it's time to see what you must pay to buy their car. Two separate transactions. Your goal now, using the cost of the car you like, is to set the scale of bargaining in your favor. How do you do that? Whatever your first offer, expect the dealership to counter offer. And don't be afraid to counter offer yourself – just offer a very small amount of money. The conversation might go like this:

*Salesperson:* "What if I could give you a ten percent discount?"

*You, the smart shopper:* "No, let's do it my way. I'll offer you \$15,000. Invoice cost on that car."

*The flustered salesperson:* "But, my boss will never accept that!"

*You:* "Well, why don't we offer it and see? I'll even sign a buyer's order saying I'll buy at that figure."

*A now calmer salesperson:* "Okay. Let me fill out this sheet. And I'll need a deposit before I can take this offer to my boss. To show him you're serious, you understand."

*You, very firmly:* "I'm sorry, I won't give you any deposit until my offer is approved in writing."

*Salesperson:* "But we're not allowed to do it like that."

*You:* "If you can't, I've got an appointment at a dealership that will."

The salesperson leaves, then returns and agrees to do it your way. You've offered \$15,000. They now ask \$20,000.

*You:* "I'm sorry, no. How about \$15,025."

*Startled salesperson:* "What?"

*You:* "Okay, make that \$15,030."

Do you get the idea? Set the scale of bargaining in your favor. Be raised a time or two, that's part of the game. But don't be raised much. And don't give a deposit until your offer is approved in writing. Dealerships use deposits simply to make it harder for you to escape. Some dealerships, rather than taking money, will ask for your driver's license or credit cards as a deposit. Don't give them.

**7. When you reach agreement and you are looking at a completely filled out *buyer's order*, compare the *amount due* line to our *difference* figure.**

If you don't see this figure, ask the salesperson. Make sure it includes tax, tag, title, and any other dealer charges. Are you on budget? If this figure is below your difference figure, you're home free. If it's above it, stop the transaction. You've just gone over budget.

**8. If the difference figure is okay, give a small deposit.**

Dealers will ask for hundreds or thousands, but, unless you're asking them to order a Cadillac without air conditioning or to paint your car pink and green, don't do it. Any amount of money makes a contract legally binding. \$50 should be enough.

**9. Now be prepared to deal with one or two or even three other *salespeople*.**

You're not free yet. Even if you're paying cash; even if you have a credit union check in your pocket, many dealerships will virtually force you to talk with finance managers (also known as *financial*

*counselors or business managers*). They'll also insist that you talk with their *after-the-sale* manager. This might be a separate person or the finance manager. As we noted earlier, this person will try to sell you warranties, *protection* packages such as rust proofing and undercoating, and add-ons such as alarm systems.

### **Be Prepared For The Leasing Switch.**

And don't forget, this is the time a dealership may try to switch you to leasing. Don't automatically fall for it. Remember that the dealership wants to convert you to leasing because it's better for them, not necessarily better for you. Read our **StreetWise Online Leasing Guide** at [dcu.org](http://dcu.org).

### **How to handle the pressure.**

When it comes to the leasing pitch, simply ignore it. If leasing interests you, leave the dealership at this point, and talk to DCU before going any further.

If you're buying, **StreetWise** recommends a simple approach for evaluating the value of dealership financing, insurance, protection packages, warranties, and other add-ons. After the sales pitch, which invariably presents dealership products and services as the cheapest and best, simply say something like this.

*"That sounds fine. And if your loan and products are cheaper, I'll certainly finance with you. Now, would you mind giving me a copy, completely filled out, of the contract you want me to sign so that I can compare it to other sources?"*

Banks will be happy to give you exact figures. DCU will be glad to do that, too – to tell you exactly what we will charge for the loan itself, life insurance, disability insurance, and warranties. If the dealership is cheaper, shouldn't they be willing to give you these figures, too? To the penny?

If the dealership does that, the credit union will be happy to help you compare costs, and will send you to another source if they're cheaper. But if a dealership won't give you the details, what does that say?

### **What about their insurance, protection packages, warranties, and the like?**

At times, it might be sensible to buy extra rust proofing and undercoating protection – though many consumer groups doubt the need for extra protection. And at times an extended warranty might make sense – though manufacturers' warranties are good these days. But it never makes sense to spend hundreds and thousands more than you need to for these products. Unfortunately, some dealerships are now trying to charge \$1,200 and more for rust protection they used to sell for \$200; they're trying to sell \$300 warranties for \$1,900 or more. We don't think you should spend that type of money without very carefully comparing products. Who wants to throw away an extra \$2,000?

## **10. After you're finished with the finance salesperson.**

Don't celebrate quite yet.

If you're financing at the dealership, many will insist that you take the car home that minute. Remember that's called *spot delivery*. But don't do it. Go home and diffuse a little. Check the dealer's

figures again. Check the car over carefully and give the dealership time to fix the little things wrong with any new car. Make a list of the squeaks, rattles, sticking knobs, and scratches, and have them fixed before you agree to take the car.

If you're financing with DCU and you've come to us first, you'll most likely already have an Auto Loan Check to give the dealer. If you didn't come to us first, applying is easy online, by phone, or in person. You'll get an answer on your application quickly and we'll have you ready to roll in 24 hours or less.

## 11. When you finally pick up your new wheels

Check it over carefully. Don't look at it in the rain. But if everything's okay, smile. You did it the right way and saved a lot more than change!

**Is it worth all this work?** If you care about your money, safety, and sanity, it's more than worth it. And during this whole process, we hope you'll notice that in a business filled with pressure, hype and confusion **StreetWise** is an oasis from it all. Thanks for joining us!

**Thinking About Shopping Right Now?** You can see if you're already approved for a DCU auto loan by logging onto PC Branch. The answer is at the top of the Account Summary screen. If you're not yet approved, don't be concerned. Applying is fast and easy at any branch or, 24 hours a day, you can apply online or by phone at 800.328.8797 (select 3).

## Resources

Before you continue to any resources mentioned in this article, by selecting the link to these resources below, you will be going to a web site hosted by a company separate from DCU. We encourage you to read and evaluate their privacy policies when you enter the site. While we strive to only link you to companies that we feel offer useful information, DCU does not directly support nor guarantee claims made by them. DCU does not have agreements with them that affect vehicle prices. It is vitally important that you negotiate all aspects of a purchase as you would with any concern.

<b>CUDL AutoSmart</b>	<a href="http://www.cudlautosmart.com">www.cudlautosmart.com</a>
<b>NADA Guides</b>	<a href="http://www.nadaguides.com">www.nadaguides.com</a>
<b>Edmunds</b>	<a href="http://www.edmunds.com">www.edmunds.com</a>
<b>Consumer Reports</b>	<a href="http://www.consumerreports.org">www.consumerreports.org</a>
<b>The Center for Auto Safety</b>	<a href="http://www.autosafety.org">www.autosafety.org</a>

## For More Information or to Apply

Visit your local branch, log onto **dcu.org**,  
or call the Information Center at  
508.263.6700 or 800.328.8797



Digital Federal Credit Union

220 Donald Lynch Blvd • PO Box 9130 • Marlborough, MA 01752  
508.263.6700 • 800.328.8797 • **dcu.org** • [dcu@dcu.org](mailto:dcu@dcu.org)  
TTY: 800.395.5146 (For Hearing Impaired Only)

