



# DRIVE AWAY HAPPY!



## The MHV Guide to Financing Your Vehicle







# CAR SHOP LIKE *a* PRO

No one wants to buy a car and regret it a month later. And there are so many options - new, used, buy, lease - that it's easy to make a decision you're not entirely comfortable with. Use this guide to prep for finding and paying for the perfect car.



# SOME THINGS to CONSIDER

Shopping for a vehicle can be complicated and time-consuming. It involves balancing your desires with your economic reality, deciding whether to buy or lease, and knowing what is the best deal for you. To make the process efficient and improve your chances of driving away happy, you will need to consider:

## Your Needs

Think about your transportation requirements. Does your vehicle need to be large enough for a family of five, small enough to fit in tight parking spaces, or fuel-efficient for a long commute?

## Your Wants

Your desires can certainly play a part in the vehicle buying decision. Make, color, features, and style are all important to being happy with your final choice. While it's important to stay within budget, you'll want to balance that with finding a car that you'll enjoy driving.

## Your Budget

It is easy to get carried away and end up with a vehicle that is out of your price range and a monthly payment beyond your capacity. Your budget should dictate your decision. Review your income and expenses to see what you have available each month for auto expenses.

It is important to do your research and compare makes, models, prices, features, miles per gallon, and more. There are many online sites including [AutoSmart](#), [Edmunds](#) and [TrueCar](#) that can help narrow down the best options for you based on your needs, wants and most importantly budget.

## QUALIFYING FOR A CAR LOAN

### Credit Reports + Credit History

Your credit score and report will have a serious impact on the interest rate you're offered. The better your score, the better rate you'll be eligible for. Other factors impact your loan eligibility, too. Length of employment, income, and expenses may also be looked at by a lender.

### Resources to Help You Understand Credit

- [This video](#) explains why the score on your credit monitoring tool might be different than the score your lender sees
- Check out [this podcast episode](#) for common behaviors that could be hurting your score
- And [this article](#) answers the top 4 credit questions – and busts some credit myths

If you're worried about getting approved because your credit isn't the best, or you've only recently starting building your credit, consider a co-signer. This person signs the loan with you. If they have good credit, they can help increase your chance of getting approved. Proceed with caution: as a co-signer, any late or missed payments appear on their credit report as well.

### Understanding DTI

Your debt-to-income (DTI) ratio is another factor lenders will consider when reviewing your loan application. DTI measures how much debt you currently have relative to your income. A DTI that is too high suggests you may be spread too financially thin to be able to make the payments on your car loan. Even if you have a good credit score, a high DTI can cause some lenders to deny your application. Using a monthly budget tool is a great way to manage your finances and keep your debt at a manageable level. [This article gives more information about DTI.](#)





## Financing Options + Implications

Financing your car simply means taking out a loan to pay for it. Since you'll be paying interest on the loan, financing your car does increase the total cost. Before signing any documents, make sure you understand the:

- Exact price you're paying for the vehicle
- Amount you're financing and the finance charge
- Annual percentage rate (APR) – the interest rate of the loan
- How much you'll pay each month, and for how long
- Total sales price

Remember: it's ok to ask for clarification from your lender or the dealership before agreeing to a loan.

## Want Easy? Get Pre-Approved

A Pre-approval is just that: getting approved for a car loan before buying. The biggest benefit of a pre-approval is knowing exactly how much car you can afford. It helps you narrow down your search. Pre-approvals also means you can bypass the financing talk at the dealership. Pre-approvals from most lenders are valid for a period of time, allowing you to lock in a rate while you shop.

Lenders will often ask for certain documentation when applying for a car loan, whether it's a pre-approval or not. Get ahead of the game by making sure you have your ID and proof of income handy.

## Down Payments Help

You can buy a car without a down payment – but you'll be financing the full amount of the vehicle. Saving up a down payment lowers the amount of money you'll have to borrow. And that could mean a lower monthly payment. Set up automatic transfers into a savings account every time you get paid to start setting money aside for a down payment.

# ADDITIONAL COSTS OF OWNING A CAR

## Auto Insurance

Insurance premiums vary by the kind of car you buy – and can be impacted by your credit. Some lenders also require a certain deductible. To keep premiums lower:

- Take a defensive driving course. In NY, **you can save as much as 10%** on your insurance by doing so. [Find a DMV-approved course here.](#)
- Shop around for the best coverage at the best price.
- Pay down excessive debt (especially credit cards) and make sure you don't have any bills in collections. Maintain on-time payments, every time.

## Gas + Maintenance

Gas prices fluctuate a lot. And you don't want to be stuck with a car or truck that costs a fortune to fill. So be sure to factor in the cost of gas and how much driving you do when looking at vehicles. The AAA estimates the average cost of routine maintenance to be about \$0.09/mile. That doesn't seem like a lot, but if you drive 10,000 miles each year that's \$900 you have to be prepared to pay.



## SHOP LOCAL INVENTORY

Ready to look? Check local inventory for the new or used car you want.

[Shop Now](#)



## BUYING USED?

Be sure to check out the test drive checklist at the end of this guide.

# ADVANTAGES *and* DISADVANTAGES of NEW, USED *and* LEASED VEHICLES

After you determine how much you can afford to spend, the next step is to decide between buying new, buying used, or leasing. It is important to be familiar with each option's positive and negative aspects.

## BUYING A NEW VEHICLE

ADVANTAGES	DISADVANTAGES
<p>You can order the exact make, model and options that are most important to you.</p> <p>New vehicles are typically most reliable.</p> <p>Most warranties cover repairs and parts.</p>	<p>New vehicles can be very expensive – with a high purchase price, requirements for full insurance coverage, and costly registration fees.</p> <p>The value of the vehicle depreciates almost immediately.</p>

## BUYING A USED VEHICLE

ADVANTAGES	DISADVANTAGES
<p>Used vehicles are less expensive than new vehicles.</p> <p>As the loan is repaid, the vehicle becomes an asset.</p>	<p>A used vehicle's history is usually unknown. It may have been insufficiently maintained, and therefore less reliable.</p> <p>Older vehicles tend to wear out – the maintenance cost increases over time.</p>

## LEASING A VEHICLE

ADVANTAGES	DISADVANTAGES
<p>The monthly payments are comparatively low.</p> <p>Leases are relatively short-term, so you can drive a new vehicle every few years.</p> <p>You can often get a luxurious model for small monthly payments.</p>	<p>The vehicle does not belong to you.</p> <p>They come with mileage limitations – often 10,000-15,000 per year.</p> <p>You must pay for any additional mileage or damage beyond basic wear and tear.</p>



# DETERMINE HOW MUCH you CAN AFFORD

Create a budget with all of your income and expenses to help you determine how much money you have available for vehicle expenses. Make sure you include a monthly vehicle payment, insurance premium, gas expense, and the projected cost of maintenance and registration. If you find there is little or no money available for auto expenses, you may need to rework your budget by reducing or eliminating non-essential expenses, or reevaluate how much you can afford each month for a car payment.

## Monthly Expenses

Rent/mortgage	\$
2nd mortgage	\$
HOA (association dues)	\$
Property taxes	\$
Homeowner's/renters insurance	\$
Gas/electric (average)	\$
Water/sewer/garbage	\$
Telephone/cell phone	\$
Groceries	\$
Household items	\$
Health insurance	\$
Prescriptions/doctor visits	\$
Daycare/babysitting	\$
Alimony/child support	\$
Tuition/lessons/student loans	\$
Taxes (monthly repayment)	\$
Life insurance	\$
Union dues	\$
Storage fees	\$
Beauty/barber	\$
Movies/video rentals	\$
Internet access	\$
Cable/satellite	\$
Dining out	\$
Sports/hobbies/clubs/gym	\$
Vacations/travel	\$
Books/music/dvds	\$
Clothing purchases	\$
Laundry/dry cleaning	\$
Home maintenance	\$
Pool/hot tub service	\$
Gardening	\$
Gifts/cards	\$
Pet care	\$
Banking fees/postage	\$
Cigarettes/alcohol	\$
Religious/charity	\$

## Monthly Expenses

Car payment #1	\$
Car payment #2	\$
Gasoline	\$
Maintenance/repairs	\$
Auto insurance	\$
Auto registration	\$
Tolls/parking/mass transit	\$
Other	\$
Other	\$
Other	\$
Other	\$
Other	\$
Other	\$
Other	\$
Other	\$
Other	\$
<b>Total monthly expenses</b>	=

## Monthly Income

Job	\$
Spouse's job	\$
Part-time job	\$
Rental/room & board received	\$
Commissions/bonuses	\$
Tax refunds	\$
Investment income	\$
Government benefits	\$
Unemployment insurance	\$
Child support/alimony	\$
Support from family/friends	\$
Other	\$
<b>Total monthly income</b>	=

## Net

Total monthly payments	\$
Total monthly expenses	-\$
Over/under	=\$

# USED VEHICLE TEST DRIVE CHECKLIST

## Before you drive

- Get the Vehicle Identification Number (VIN) so you can check the vehicle history report at [www.dmv.org](http://www.dmv.org) or with another vehicle history report provider.
- Check the National Highway Traffic Safety Administration's website at [www.nhtsa.gov](http://www.nhtsa.gov) for any recall information.

## Engine

- Check the engine oil, transmission fluid and coolant levels when the engine is cool.
- Examine hoses and belts for signs of excessive wear.
- With the engine running, listen for any knocking, ticking or tapping.

## Exterior

- Confirm the VIN. In more recent models, it's usually visible at the bottom of the front window on the driver's side.
- Check the vehicle's body for potential signs of undisclosed accidents, like unevenness in the paint or ripples or dents in the exterior.
- Check the ground beneath the vehicle before and after the engine has been running to see if there are any fluid leaks.
- Take out your ruler and place it inside one of the grooves of the tire's tread. The tires should have at least ¼ inch of tread.
- Check the tires for signs of excessive or uneven wear, cracks or splitting.

- Make sure the tires have no objects lodged in them, like nails or screws.
- When you check for rust, pay special attention to the underside of the vehicle, the wheel wells, the edges of doors and windows, and the trunk.

## Interior

- Are there any rips or stains on the seats?
- How does it smell?
- Do the heating and air conditioning work?
- Test the horn, turn signals, windshield wipers, door locks and dome lights.
- If you have a child who uses a safety seat, check to make sure your safety seat will work with the vehicle.
- Turn the key to the accessory position – the one right before the engine is engaged – and make sure all the dash warning lights illuminate.

## Windows

- Are there cracks that could develop into bigger problems?
- Do all the windows go both down and up?

## Driving

- Does the transmission shift gears smoothly?
- If the vehicle has a manual transmission, is the clutch easy to engage and are the gears easy to shift?
- Briefly take your hands off the

wheel while you are driving at a low speed. Does the vehicle veer to one side?

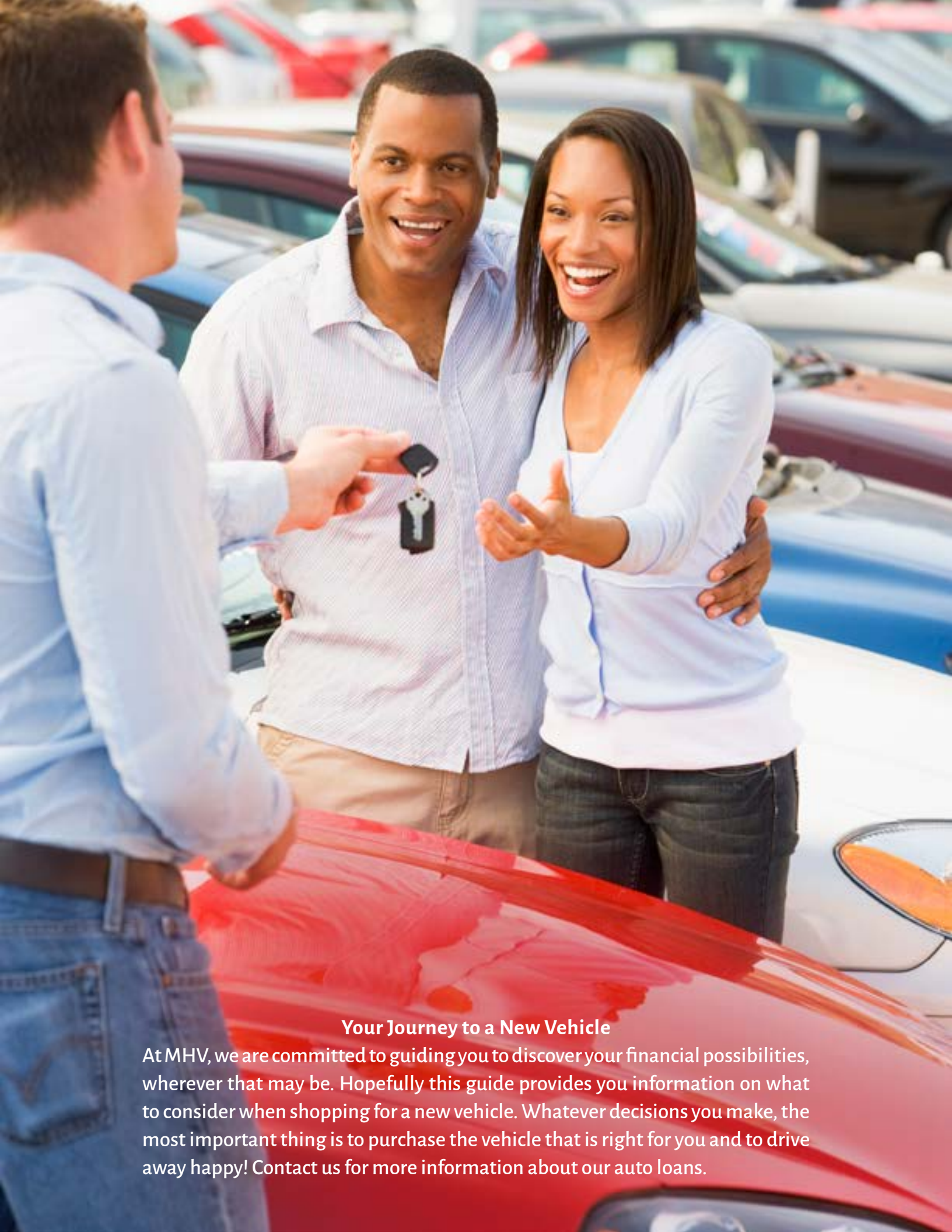
- When your vehicle is idling at a stop sign or light, does the engine sputter?
- Does it lurch forward when you take your foot off the brake?
- Does the vehicle vibrate excessively at high speeds?
- Does the cruise control work?
- Are there blind spots that could make lane changes difficult or dangerous?
- Intentionally hit a few bumps to see how the suspension feels on uneven surfaces.
- In an empty part of a parking lot, turn the wheel as far as it will go to both sides while you are driving and listen for any strange noises.
- While you are still in the parking lot, apply the brakes quickly and firmly.

Look at the gauges while you are driving in the parking lot to make sure they all work and that no warning lights are on.

## Other

- Does the vehicle have a spare tire (in good condition), jack and iron?
- Check that all the lights work, including the brake and hazard lights.
- Open and close and lock and unlock anything that will – all doors, sunroof, trunk, glove box, etc.
- If you can afford to, have a trusted mechanic check out the vehicle for you.





### **Your Journey to a New Vehicle**

At MHV, we are committed to guiding you to discover your financial possibilities, wherever that may be. Hopefully this guide provides you information on what to consider when shopping for a new vehicle. Whatever decisions you make, the most important thing is to purchase the vehicle that is right for you and to drive away happy! Contact us for more information about our auto loans.



MID-HUDSON VALLEY FEDERAL CREDIT UNION

Federally Insured by NCUA