

Shopping Guide: Car Financing

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Car Financing Shopping Guide

Ask these basic questions when you shop for financing for an automobile. These questions are only a start and should not be considered legal advice. It is best to seek the assistance of experts and always advisable to shop around. Financing a car with a loan from a bank or credit union may save you money rather than financing through the dealer.

1. What kind of loan can you get from a bank, credit union or by contacting a lender directly? Is it better than the loan you can get from the dealer?
2. What is the total amount of the loan?
3. What is the annual percentage rate (APR)?
4. What is the loan term (how long is the loan for)?
5. What is the monthly payment? Is it low because the loan term is long, meaning you'll pay more in interest over the life of the loan?
6. How much in interest will you pay over the life of the loan?
7. What is the source of the financing? Is the dealer who sold the car providing the financing? Is it coming from a financing company?
8. When you are about to close the deal, ask if the financing has already been approved, or if approval is still pending. If it's still pending, wait until it's approved before you sign. (This will prevent you from falling into the "Yo-Yo" sale trap, where you think you have bought the car, only to be called by the dealer a few days later, who will claim that the financing has fallen through. You will then be asked to buy the car under new, much worse terms.)
9. What fees are attached to the sale? There should be no more than a small document preparation fee, if anything.
10. Sometimes unwanted products are included in the sale to generate fees. Does the sale include any of the following?
 - Credit life insurance
 - Auto club memberships
 - GAP Insurance
 - A service contract that doesn't provide good coverage
11. Don't drive the car off the lot unless you have a signed contract for financing if you financed through the dealer.