

# State Department Federal Credit Union

## Topics of Interest

### Think 0% At The Dealer Is The Best Rate?

Finance your auto loan with your Credit Union, not the dealer.

Shopping for a new car? If you're in the market and have decided to purchase a car, you'll find several financing options. These days, more and more dealers are offering low-rate loans.

While it's nice to have choices, they can be downright confusing. And expensive. In the final analysis, you may be better off with conventional auto financing from your Credit Union.

Below are some "hidden costs" in dealer financing options:

- Dealers' low-rate loans and rebates almost always are available only on slower-selling models. These cars may have lower resale values.
- Dealers' low-rate loans can have bigger prepayment penalties and can require bigger down payments.
- Dealers' loan terms could be as little as two year financing - meaning huge payments each month.
- Dealer financing plans usually are limited to dealer stock. That means you may have to sacrifice the color, style, and/or options you want. Unwanted options can add 25% to 30% to the sticker price of your car.

### An example:

Sometimes you will need to choose between a rebate and a low financing rate. Say the dealer is offering 0% financing or \$3,000 rebate on a \$25,000 vehicle. Look at the difference each makes in your monthly payment:

\$25,000 @ 0.00% @ 36 months = \$705/month payment (Dealer)

\$22,000 @ 4.49% @ 36 months = \$660/month payment (SDFCU)

With the dealer 0% financing option, you will be paying \$2012.40 more over the life of the loan.

So, don't be impressed by auto dealers' low-rate advertising. Make sure you read the fine print.