



## CAR BUYING

# Three Deals of Car Buying

### DEAL NO. 1

### THE PURCHASE

#### HOW MUCH CAN YOU AFFORD?

- Total amount
- Down payment
- Monthly amount
- Prepare a spending plan
- Calculate debt-to-income ratio
- Check your credit report

#### WHAT TYPE OF CAR SHOULD YOU BUY?

- New or used
- Size and style
- Safety and performance
- Cost to insure

#### WHERE SHOULD YOU BUY?

- Dealership
- Private seller
- Internet
- Car-buying service

#### WHAT IS A FAIR PRICE?

- Invoice versus MSRP
- Library and Internet
- New and used car cost guides

#### EXERCISE YOUR LEGAL RIGHTS

- Read all the contract details
- Do not leave any blanks
- Do not buy unnecessary and unwanted items
- Use the power of the pen
- Have Legal Assistance Office review the contract before signing
- Take action if you have a complaint

### DEAL NO. 2

### THE FINANCING

#### WHERE WILL YOU FINANCE?

- Credit unions
- Bank
- Dealership
- Finance companies

#### HOW MUCH WILL THE MONEY COST?

- Simple interest
- Add-on interest

#### AVOID COMMON PITFALLS

- Know your credit rating
- Know what current interest rates are
- Get pre-approved
- Know the best deal available
- Do not be rushed or pressured

#### NEGOTIATE A GREAT DEAL

- Do your homework
- Take your time
- Limit the information you give out
- Shop twins
- Ask for discounts
- Take a road test
- Avoid unnecessary add-ons
- 180-degree Turn

#### KNOW THE "TRICKS OF THE TRADE"

- Put to ride
- Lowballing and highballing
- Bait and switch
- Padding
- Mutt and Jeff routine
- "Your car"

### DEAL NO. 3

### THE TRADE-IN

#### TRADING VS. SELLING

#### WHAT IF YOU OWE MORE THAN THE CAR IS WORTH?

#### WHAT IS A FAIR PRICE?

- What is the dealer willing to pay?
- Only negotiate after you are done with your purchase and financing on your new vehicle.





## CAR BUYING Sources of Help

### WHERE TO GET INFORMATION AND HELP

- A&FRC Financial Counselor
- Armed Forces Disciplinary Control Board
- Base Legal Office
- Better Business Bureau
- Consumer magazines
- Consumer protection agencies
- Credit unions—Car Buying Assistance Programs
- National Automobile Dealers Association (NADA)
- New and used car pricing guides (Edmunds, NADA, Kelley Blue Book)

### ONLINE AUTO LOAN CALCULATORS

- **Autotrader.com**  
<https://www.autotrader.com/calculators/?selectedTab=0>
- **Bankrate.com**  
<https://www.bankrate.com/calculators/auto/auto-loan-calculator.aspx>
- **Edmunds.com**  
<https://www.edmunds.com/calculators/>
- **NavyFederal.org**  
<https://www.navyfederal.org/products-services/loans/auto/car-loan-calculator/>
- **USAA.com**  
<https://www.usaa.com/cars/loan-calculator>

### REMEMBER TO...

- Do your homework.
- Prepare a budget to know what you can afford.
- Keep it three separate transactions: the purchase, the financing, the trade-in.
- Have used cars checked by a trusted mechanic before purchase and do not forget to get a CARFAX report.
- Have the Air Force legal office check the contract before signing.
- Beware of the “tricks of the trade.”

### USEFUL WEBSITES

- [www.annualcreditreport.com](http://www.annualcreditreport.com)
- [www.autobytel.com](http://www.autobytel.com)
- [www.autotrader.com](http://www.autotrader.com)
- [www.bankrate.com](http://www.bankrate.com)
- [www.bbb.org](http://www.bbb.org)
- [www.caranddriver.com](http://www.caranddriver.com)
- [www.carfax.com](http://www.carfax.com)
- [www.carmax.com](http://www.carmax.com)
- [www.consumerreports.org](http://www.consumerreports.org)
- [www.consumersunion.org](http://www.consumersunion.org)
- [www.fueleconomy.gov](http://www.fueleconomy.gov)
- [www.edmunds.com](http://www.edmunds.com)
- [www.epa.gov/greenvehicles/learn-about-green-vehicles](http://www.epa.gov/greenvehicles/learn-about-green-vehicles) (EPA Green Vehicle Guide)
- [www.iihs.org](http://www.iihs.org)  
(Insurance Institute for Highway Safety)
- [www.intellichoice.com](http://www.intellichoice.com)
- [www.kbb.com](http://www.kbb.com)
- [www.motortrend.com](http://www.motortrend.com)
- [www.nada.org](http://www.nada.org)

### ONLINE “COST OF OWNERSHIP” INFORMATION AND CALCULATORS:

- Edmunds.com: <http://www.edmunds.com/tco.html>

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## Choosing a Bank or Credit Union

There are many bank or credit union options available to you. You may have kept the same bank or credit union you used as a civilian, or you might be shopping for a financial institution that better meets your needs. When deciding on a bank or credit union, you should consider the following factors: convenience and accessibility; available services; fees, charges and requirements; security and, most of all, compatibility to your lifestyle and financial needs.

### CONVENIENCE

For most people, convenience and accessibility are major factors in choosing a financial institution. The most convenient financial institutions offer numerous electronic banking options, have a large ATM network, offer all the services you need to manage your money, and can be accessed from locations across the United States or worldwide.

### AVAILABLE SERVICES

What services are offered at your prospective bank or credit union? Look for an institution that offers a wide variety of services. Some services you might be interested in include:

**Electronic banking options:** Does the bank or credit union offer online bill pay, remote deposit or transfers? Can you access and manage your account with a cellphone or mobile app?

**Overdraft protection:** If you overdraw your account, what happens? You may be able to link your checking account to a savings account or line of credit to protect yourself.

**Credit and investments:** Does the bank or credit union offer credit cards, competitive loan rates, and investment services?

**Interest:** How much interest is paid on various accounts and when (daily, monthly, quarterly, yearly)? To compare rates offered locally to those from

financial institutions around the nation, visit [www.bankrate.com](http://www.bankrate.com).

**Customer Support:** Does the bank or credit union offer adequate customer support? Can you easily reach a customer support representative without having to go into a building or without a lengthy phone wait?

### SERVICE CHARGES, FEES, AND REQUIREMENTS

All banks and credit unions have account requirements, fees, and service charges. You should fully investigate what those are and determine whether they are reasonable for your banking needs. By law, institutions must tell you about all applicable service charges that you will be charged. Here are some of the common service charges, fees, and requirements you might find when shopping for a bank or credit union:

**Monthly service or maintenance fees:** Although some institutions (more credit unions than banks) offer “free” checking, many charge a monthly service or maintenance fee. Additionally, on some accounts, you may be charged a service fee for going under a minimum balance. Be sure to find out whether the accounts you are considering require a minimum balance and the fee for going under this amount. If fees for minimum balances are charged, it may be more cost effective to have a non interest-bearing account and avoid the service fees.

**Usage fees:** Is there a usage fee charged when you go beyond a certain number of transactions or if you do not use the account for a certain length of time?

**ATM fees:** You will probably pay a fee or fees ranging from \$3-\$7.50 to use another bank’s ATM. Avoid excessive ATM fees by using a bank that does not charge you to use their ATM or see if your financial institution reimburses ATM fees.

**Foreign transaction fees:** These fees are charged per transaction and may also include a percentage of a cash advance or purchase. They are charged every time you

use a card to get cash at a foreign ATM (which usually offer the best currency exchange rates) or to make purchases abroad. Since deployment is an essential part of the military lifestyle, these should be carefully considered when choosing a bank or credit union.

**Online banking or bill pay fees:** Is there a charge for paying your bills online? Do you have to pay to sign up for online account or app services?

**Check writing costs:** What does it cost to purchase checks? Can they be ordered online? How many checks do you need to write each month, and is there a fee for writing checks?

**Overdraft fees:** What is the charge if there is not enough in the account to cover a check, transfer, or withdrawal? Financial institutions usually charge \$25 to \$35. The bank may overdraw the account to pay the check or honor the debit, or they may not honor it at all but still charge you the non-sufficient funds fee.

**Overdraft protection:** What are the costs associated with this service? This fee is typically between \$20 and \$30 each time the financial institution pays an overdraft transaction. You may also have to pay interest to use overdraft funds.

*Ideally, you should maintain adequate funding in your account, making this service unnecessary.*

**Stop payment fees:** If you make an error with a check or payment or cancel an order after a payment has been sent, you have the right to request that your bank or credit union stop payment on transactions that have not yet been processed. You must allow the bank sufficient time to carry out your request, and there is usually a charge for the service.

**Fees for paper statements:** With the move to electronic (paperless) statements, some banks and credit unions may now charge a fee for providing a paper copy of bank statements or for printing older statements. A good practice to avoid this fee is to routinely download and save your statements.

**Fees for research assistance:** If you need help with your account from a customer service representative, you may be charged for this service. The charge will usually occur if your account requires extensive work, often because your statement has not been reconciled for an extended period of time.

**Fees to close an account:** Some accounts will include fees, averaging from \$5 to \$25, for closing an account within the first 90 days.

## COMPATIBILITY

Most importantly, a financial institution needs to be compatible with your lifestyle and banking needs. Service members and their families often have unique banking needs that cannot be met by all financial institutions. Here are things to consider when deciding whether a bank or credit union meets your needs:

**Does it allow for direct deposit?** Oddly, some small banks may not offer the option of military direct deposit.

**Are you able to access your account(s) remotely?** And ideally, can you access them from anywhere in the world, by computer or phone?

**Can you deposit checks remotely and pay your bills online?** If so, are there fees associated with these services?

**Does your bank or credit union offer no-fee ATMs or ATM fee reimbursement (in case your bank does not have a branch or ATM when you move)?** Many institutions offer interactive maps on their websites that let you search for branch offices, dedicated ATMs, and no-fee shared ATMs.

**Does your bank or credit union offer deployment status services (e.g., interest rate reductions, bill deferment)?** Although not offered at all financial institutions, you may find that some military banks and credit unions cater to deploying service members through a wide range of services and perks.

**What are the bank's guidelines for honoring powers of attorney?** Some financial institutions require a power of attorney to be filed in-person and in advance of a deployment.





## Choosing a Credit Card

### INFORMATION YOU SHOULD KNOW:

- Is there an annual fee? If so, how much? Can it be waived?
- What is the interest rate on any balances?
- If there is a low introductory rate, how long is it in effect? What rate will be charged after the introductory period?
- What is the grace period on purchases?
- What are the terms for balance transfers and cash advances?
- What additional fees apply, such as late payment fees, over-limit fees, and others? Are there other hidden charges, such as an increase in the interest rate in the event of a late payment?
- Are other “services” tacked on to your account for which you will have to pay? (Avoid high-priced add-ons such as credit life, credit disability, or credit unemployment insurance.)
- How widely is the card accepted and what are the overseas transaction rates?
- Does the card have a rewards program?

### MANAGING YOUR CARD:

- Pay on time.
- Aim to pay more than the minimum amount due.
- Keep your balance low.
- If you have a high balance, consider a plan to pay off or reduce your credit card debt by using a power payment schedule.
- Call the credit card company and request that they lower your interest rate and eliminate your fees. It costs nothing to ask.
- Are you eligible for rate-reduction benefits under the Servicemembers Civil Relief Act (SCRA)?
- Check your statements monthly and report suspicious or fraudulent charges to your credit card company immediately.

### CREDIT TERMS

**Annual Percentage Rate (APR):** APR is a measure of the cost of credit, expressed as a yearly rate. It must be disclosed before you become obligated on the account and shown on your account statements. The card issuer also must disclose the “periodic rate,” the rate applied to your outstanding balance to calculate the finance charge for each billing period.





**Average Daily Balance:** If you do not have a grace period, this is the most common finance charge calculation method. This calculation uses the average of your balance during the billing cycle to calculate your finance charges.

**Balance Transfers:** Many credit card companies offer incentives for balance transfers (i.e., moving your debt from one credit card to another). Many credit card issuers offer transfers with low introductory rates that rise significantly after the introductory period, and some issuers also charge balance-transfer fees.

**Delinquency Rates:** Some cards with low rates for on-time payments apply a very high APR if you are late a certain number of times in any specified time period. Information about delinquency rates should be disclosed in credit card applications.

**Grace Period:** The grace period lets you avoid finance charges by paying your balance in full before the due date. Without a grace period, the card issuer may impose a finance charge from the date you use your card or from the date each transaction is posted to your account.

**Variable Rates:** Some credit card plans let the issuer change the APR when interest rates or other economic indicators change. These rate changes also can raise or lower the finance charge on your account.

If you are considering a variable-rate card, the issuer must tell you that the rate may change, how much it may change and how frequently, and how the rate is determined.

#### **USEFUL WEBSITES:**

Bankrate.com: [www.bankrate.com](http://www.bankrate.com) (comparison shopping for rates)

Consumer Financial Protection Bureau: [www.consumerfinance.gov](http://www.consumerfinance.gov)

Consumer Reports: [www.consumerreports.org/cro/credit-cards/buying-guide.htm](http://www.consumerreports.org/cro/credit-cards/buying-guide.htm) (card-buying guide)

Creditcards.com: [www.creditcards.com](http://www.creditcards.com) (credit card industry ratings)

Federal Trade Commission: [www.consumer.ftc.gov/topics/credit-and-loans](http://www.consumer.ftc.gov/topics/credit-and-loans)





## Credit Reports

### WHAT IS A CREDIT REPORT?

A credit report is a detailed account of your credit, employment, and residence history. It also lists any judgments, tax liens, bankruptcies, or similar matters of public record entered against you. Lenders use credit reports to determine your creditworthiness.

### HOW DO YOU GET YOUR CREDIT REPORT?

By federal law, you are entitled to a free copy of your credit report annually from each of the nationwide credit reporting companies: Equifax, Experian, and TransUnion. To order your free credit report, visit [www.annualcreditreport.com](http://www.annualcreditreport.com) or call (877) 322-8228. You may also obtain a free credit report/score from your local Airman and Family Readiness Center (A&FRC) personal financial counselor and educator.

You are also entitled to a free report if you are denied credit, insurance, or employment based on information in your report. You must ask for your report within 60 days of receiving notice of the denial. The notice will give you the name, address, and phone number of the credit reporting agency used to make the decision, and you should contact them directly.

#### Experian

(888) 397-3742  
[www.experian.com](http://www.experian.com)

#### TransUnion

(800) 916-8800  
[www.transunion.com](http://www.transunion.com)

#### Equifax

(800) 685-1111  
[www.equifax.com](http://www.equifax.com)

You can also request one free report a year if your report is inaccurate because of fraud, including identity theft. Otherwise, a credit reporting company may charge you a reasonable amount for another copy of your report within a 12-month period.

### HOW OFTEN SHOULD YOU CHECK YOUR REPORT?

Check your credit report at least once a year for errors, negative information that could prevent you from obtaining a security clearance or mortgage, and signs of identity theft.

## WHAT DOES A CREDIT REPORT CONTAIN?

Credit reports contain the following information:

- Identifying information, such as your name, Social Security number, date of birth, current and previous addresses, and employers.
- Information about your credit accounts, such as your balance and payment history.
- Any bankruptcies, foreclosures, liens, or judgments against you.
- Inquiries (i.e., when someone checks your credit report). This includes “hard” inquiries, where you applied for credit, or “soft” inquiries for background checks and preapproved offers.

## HOW DO YOU CORRECT INFORMATION ON YOUR CREDIT REPORT?

Under federal law, both the credit-reporting agencies and the information provider (the person, company or organization that provides information about you to an agency) are responsible for correcting inaccurate or incomplete information in your credit report and must investigate items in question, usually within 30 days of notification. Dispute forms are provided on the credit reporting agencies' websites, or you can request a hard copy.

Here are the basic steps for disputing inaccurate information:

- Write a letter to the credit reporting agency; explain each dispute and request an investigation to resolve issues. Send copies (not originals) of supporting paperwork.
- Send a similar letter of dispute to the creditor.
- Send all letters and materials by certified mail, return receipt requested.
- The reporting agency will initiate an investigation, contacting creditors to verify the accuracy of the information. If the information cannot be verified, it must be removed.
- When the investigation is complete, if changes were made to your credit report, the credit reporting agency must send you a free copy of your credit report.
- If the investigation uncovers an error, you have the right to request that a corrected version of your credit report be sent to everyone who received the report during the previous six months.

You can read additional information on how to correct information on your credit report at the Federal Trade Commission website: [www.consumer.ftc.gov/articles/0151-disputing-errors-credit-reports](http://www.consumer.ftc.gov/articles/0151-disputing-errors-credit-reports).

## WHAT DO I DO IF I SUSPECT IDENTITY THEFT?

If you find suspicious accounts or information on your credit report, it might be an indication of identity theft. If you suspect you are a victim of identity theft, contact the Federal Trade Commission at (877) IDTHEFT or [www.consumer.gov](http://www.consumer.gov). The FTC is the primary resource for information on identity theft.

For additional information on identity theft, see [www.consumer.ftc.gov/features/feature-0014-identity-theft](http://www.consumer.ftc.gov/features/feature-0014-identity-theft). You may also want to sign up for a Consumer Awareness course at your local A&FRC.

