



Consumer Tips from Your Community Banker (June 2012)

Buying a Used Vehicle? Avoid Potential Headaches

In June recent graduates often begin new jobs, newly wedded couples set their GPS for honeymoon destinations, and families plan road trips. It's no surprise that June is a big used-car buying month.

Whether you're in the market for a gas-saving commuter car, a sporty model, or a family-size van, careful analysis beforehand can help you buy the vehicle you need at a price you can afford. Consumers sometimes run into issues related to the vehicle itself—safety, reliability, or mileage—while others cite problems with the terms of the sale. Motor vehicle sales ranked sixth last year on Wisconsin's list of top consumer complaints—behind complaints about telemarketing, telecommunications, landlord/tenant issues, home improvement, and identity theft.

To ensure that the vehicle you buy is reliable, ask about its repair and maintenance history. If you are buying your vehicle from a dealer, ask about warranties. If you are buying from a private owner, take the vehicle to your trusted mechanic to be checked out.

Many buyers research model safety records or gas mileage reports and scour the classified ads for the best prices. It's also important to research the auto loan and consider how much you can afford to pay for a car—not to mention insurance, sales taxes, registration, inspection, and title fees.

If you are trading in a vehicle, research how much your car is worth. This will help you negotiate a good deal on your trade-in. Be careful if a dealer offers to pay off anything you owe on a car to be traded in. If you owe more on the trade-in than it's worth, the amount you owe may be rolled into your new loan or deducted from your down payment. The result would be an increase in your monthly payments and the total cost of the loan. Consider waiting to buy another vehicle until you have paid off your existing loan.

The interest rate is usually negotiable. In addition to the dealer's rate quote, ask your community banker about the APR they can offer and about different repayment periods or discounts for automatic payments. At Wisconsin financial institutions, the average rate on a 60-month loan for a used 2010 vehicle selling at \$15,000 was about 4.9 percent in early June 2012.

Be aware of the cost of any additional products. Extended warranties or credit insurance (to cover loan payments if you die, become ill or unemployed) are optional. And you may find a better or cheaper offer elsewhere.

Read the contract carefully before you sign it. Federal law requires lenders to tell you the terms of a loan, including the APR and the total cost, as well as the value of a trade-in.

Wisconsin public agencies offer a wealth of additional information:

- To learn how a credit score can affect your auto loan, visit <http://fyi.uwex.edu/moneysmartheadstart/files/2011/08/HS-Issue-6-Credit-final.pdf>
- For tips on buying a used car on the Internet: <http://datcp.wi.gov/uploads/Consumer/pdf/MV-InternetAutoPurchase434.pdf>
- To read facts about buying a private used car: <http://datcp.wi.gov/uploads/Consumer/pdf/MV-PrivateCarSales113.pdf>