Automobile Buying and Financing

HARVARD UNIVERSITY EMPLOYEES CREDIT UNION
THRIVE
Financial Wellness

Free Financial Counseling, Blogs, Workshops, Worksheets, Short Videos, Calculators and online education portal.

HUECU.ORG/THRIVE
The Credit Union Difference

As a not-for-profit, HUECU puts members first in the form of better rates on savings and loans, lower & fewer fees, and more free services and perks.
Make a Plan
Lease or Buy?

**Advantages of Leasing**
- Can drive new car every few years
- May be lower monthly payment
- Lower up-front costs

**Disadvantages of Leasing**
- Vehicle does not belong to you
- May be hard to get out of contract
- May have to purchase a specific car insurance plan

**Pay fees for:**
- Exceeded mileage limit
- Returned condition
- Terminating contract early
New or Used?

✅ Advantages of Buying New
- Reliability
- Manufacturer’s warranty
- Customize

❌ Disadvantages
- Higher cost vehicle and insurance rate
- Immediate depreciation

✅ Advantages of Buying Used
- Lower cost
- Slower depreciation

❌ Disadvantages
- More work to learn car history
- Usually limited or no warranty
- May have higher maintenance costs
- May need replacement sooner
Tips for Buying Used

- Ask for repair history
- Get VIN and run vehicle history report
- Take to independent mechanic
- Private sales offer little or no consumer protection
- Most private sales are ‘as is.’
Keep, Sell or Trade-in?

**KEEP**

Will anyone in your family need a car soon?

**SELL OR TRADE-IN**

Research the value of your current car

Fix minor dings and scratches on car and thoroughly clean inside and out.

Can usually get more money if you sell privately than trade-in to dealership.
Know Your Finances
What is Your Budget?

CAR EXPENSES

Monthly Payment & Insurance

Taxes & Registration

Inspection

Wear and Tear

Gas & Parking

Oil Changes
## Effects of Down Payment

<table>
<thead>
<tr>
<th></th>
<th>$25,000</th>
<th>$25,000</th>
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<tbody>
<tr>
<td><strong>PURCHASE PRICE</strong></td>
<td>$25,000</td>
<td>$25,000</td>
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<tr>
<td><strong>DOWN PAYMENT</strong></td>
<td>-$0</td>
<td>-$5,000</td>
<td>-$10,000</td>
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<tr>
<td><strong>LOAN AMOUNT</strong></td>
<td>$25,000</td>
<td>$20,000</td>
<td>$15,000</td>
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<tr>
<td><strong>MONTHLY PAYMENT</strong></td>
<td>$472</td>
<td>$377</td>
<td>$283</td>
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<tr>
<td>(5 years @ 5.00%)</td>
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<td></td>
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<tr>
<td><strong>TOTAL INTEREST PAID</strong></td>
<td>$3,307</td>
<td>$2,645</td>
<td>$1,984</td>
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<tr>
<td><strong>TOTAL VEHICLE COST</strong></td>
<td>$28,307</td>
<td>$27,645</td>
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HUECU Calculators

HUECU.ORG/CALCULATORS
# Credit Score Impact

<table>
<thead>
<tr>
<th>CREDIT SCORE</th>
<th>790 at 5%</th>
<th>670 at 8%</th>
<th>520 at 16%</th>
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<tbody>
<tr>
<td><strong>LOAN AMOUNT</strong></td>
<td>$20,000</td>
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<td><strong>MONTHLY PAYMENT</strong></td>
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<td>$486</td>
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<tr>
<td>5 Year Loan</td>
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<td><strong>TOTAL INTEREST PAID</strong></td>
<td>$2,645</td>
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<tr>
<td><strong>TOTAL VEHICLE COST</strong></td>
<td>$22,645</td>
<td>$24,332</td>
<td>$29,182</td>
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</table>
Do You Need A Co-signer?

LENDER MAY REQUIRE CO-SIGNER IF:

- Little or poor credit history
- First-time buyers

Co-signer is legally responsible for debt. Car loan may have negative impact on their credit score.
Free Credit Report

ANNUALCREDITREPORT.COM
GreenPath

GreenPath Financial Wellness offers free credit, budget and COVID-19 counseling.

HUECU.ORG/GREENPATH
Financing Strategy
# Cash Back or 0% Rate

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<tr>
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<th>Cash Back</th>
<th>0% Interest Rate</th>
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<tbody>
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<td>Cash Back</td>
<td>$25,000</td>
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<tr>
<td>Remaining Cost</td>
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<tr>
<td>Remaining Cost</td>
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<tr>
<td>Monthly Payment</td>
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<tr>
<td>Total Interest Paid</td>
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<tr>
<td>Total Vehicle Cost</td>
<td>$22,645</td>
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## Loan Terms

<table>
<thead>
<tr>
<th>TERMS</th>
<th>4 YEAR</th>
<th>6 YEAR</th>
<th>7 YEAR</th>
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<td>LOAN AMOUNT</td>
<td>$20,000</td>
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<td>MONTHLY PAYMENT AT 5%</td>
<td>$461</td>
<td>$322</td>
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<tr>
<td>TOTAL INTEREST PAID</td>
<td>$2,108</td>
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<td>$3,745</td>
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<tr>
<td>TOTAL VEHICLE COST</td>
<td>$22,108</td>
<td>$23,191</td>
<td>$23,745</td>
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### ITEMS TO CONSIDER

- What will be the vehicle value at the end of the term?

- How will that monthly payment impact your future goals?
**Finance Options**

- Car Dealers
- Banks
- Credit Unions

### HUECU AUTO LOANS NEW OR USED – UP TO 110% FINANCING

<table>
<thead>
<tr>
<th>APR²</th>
<th>MAXIMUM TERM</th>
<th>MAXIMUM AMOUNT</th>
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</thead>
</table>
| AS LOW AS 2.99%³ | UP TO 72 MONTHS | $75,000 (NEW)  
$50,000 (USED) |

⁴⁵⁶⁷⁸⁹Visit www.huecu.org for current rates and terms.
Get a Pre-Approval

✅ Gives you an advantage when going to the car dealer.

✅ Allows you to know rate in advance.
Overview of Auto Loan Process

- Submit loan application (usually online)
- Dealership provides institution with NEW Registration and Title Application
- Sign final loan documents
- Funds available for auto purchase

**CAR DEALER**

- May provide their own financing and/or work with lenders across the country
- Process usually occurs at car dealership
Know the Contracts

Once it’s signed you’re responsible

Ask questions

Good dealers will encourage questions, they want to protect their long term reputation
Know Your Rights

**TRUTH IN LENDING ACT**

Lender must clearly disclose terms of borrowing

**CONSUMER LEASING ACT**

Lessor must clearly disclose terms of leasing

**LEMON LAW**

Entitled to new car or refund if buy lemon

Usually only applies to new cars
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