

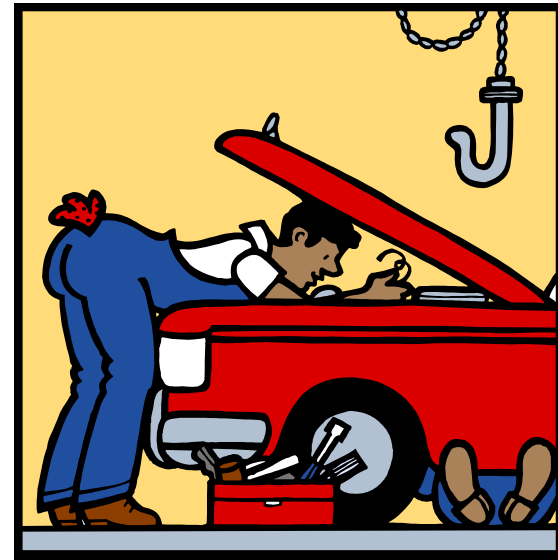
**Hello and welcome to Car/
Motorcycle Buying for the Savvy
Consumer:**

Module 2

***Inspections, Warranties, and
Financing.***

**During this training
session you will learn about
inspecting the vehicle, different
types of warranties, and financing
costs. The last slide lists websites
which apply to this module.**

**This training consists of
15 slides and should take
approximately 20 minutes**



Points to Ponder

Before you get started we would like you to take a couple of minutes to read the following questions. Look for the answers as you review this module.

1. A dealer is required to fix serious defects on a car even if I bought the car “As Is”

True

False

2. Before buying a used car I should do the following in addition to requesting a CarFax

A. Have the car inspected at an independent certified mechanic

B. Check the car over for signs of mold or water damage

C. Test drive the car on different types of roads

D. All of the Above

3. When shopping around for a car loan (financing) I should talk to the loan department of my bank or credit union about obtaining pre-approval before I go to the dealership.

True

False

Visual Inspection

Consumer Tip

Bring a flashlight, pen & paper, paper towel and a magnet. Your inspection does not preclude the need to take the vehicle to a certified independent mechanic



NADA – Inspection Checklist

www.nadaguides.com/default.aspx?LI=1-20-9-5101-0-0-0&l=1&w=20&p=9&f=5102&a=8&as=34

Motorcycle T-CIOCS Inspection Checklist

<http://msf-usa.org/downloads/T-CIOCSInspectionChecklist.pdf>

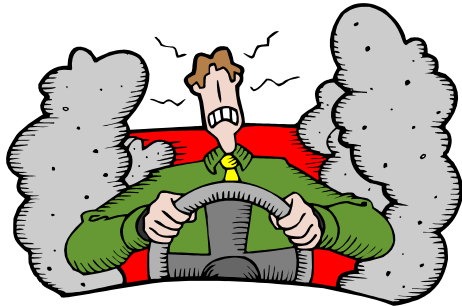
New or Used Cars

- **Inspect the interior, exterior, and engine**
- **Look in Trunk**
 - spare wheel & jack
 - signs of mold & water damage
- **Floor Mats**
 - are they included
 - signs of mold & water damage under mats
- **Touch, turn, adjust**
 - mirrors
 - A/C & heater
 - radio / CD player
- **Maintenance – ease of use**
 - check oil & transmission, windshield fluid, radiator, etc.

Test Drive

Consumer Tip

If buying a used car have a friend follow you during your test drive. Look for exhaust smoke and suspension.



Edmunds – How to test drive a vehicle

www.edmunds.com/advice/buying/articles/78387/page008.html

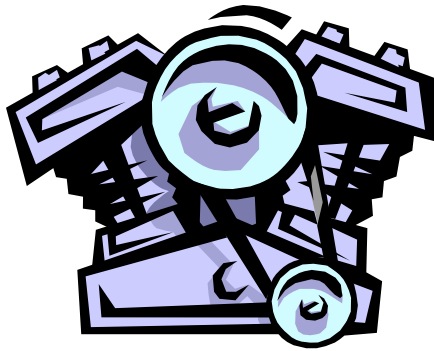
Test Drive Basics

- **Drivers License**
 - salesperson will make a copy. Write on copy “do not run a credit check”. Ask salesperson to sign statement and keep a copy
- **Route**
 - use same type of roads you drive on
- **Listen to your car**
 - turn off radio
 - if salesperson accompanies you tell him/her to point out features before or after test drive not during.
- **Write down Vehicle Identification Number** (ensure that is the same number listed on the contract you sign)

Warranties

Consumer Tip

A used car may have part of the manufacturers warranty left. Call the manufacturer to see if warranty can be transferred or if it is still valid.



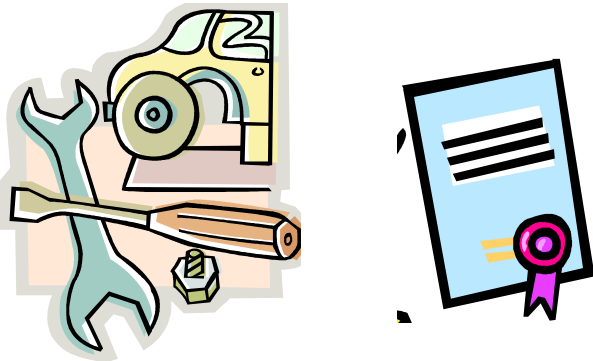
Manufacturer Warranty

- **Basic (Bumper to Bumper)**
 - does not cover wear & tear
 - batteries & tires usually have different coverage
- **Drive train**
 - engine, transmission, etc
 - not everything is covered
- **Rust or Corrosion**
- **Roadside Assistance**
 - varies, ask for specifics
 - your insurance policy may provide some coverage

Auto Service Contracts

Consumer Tip

When buying a certified pre-owned car ask who is certifying the vehicle and what is covered. Is the vehicle backed by the manufacturer or just the local dealer? Get it in writing!



Auto Service Contracts

www.ftc.gov/bcp/edu/pubs/consumer/autos/aut02.shtm

“After Market Warranties”

- **No two warranties are the same**
 - shop around and look on the internet
- **Length of Warranty**
 - may overlap manufacturers warranty
- **Where to take car for repairs**
 - ask who backs the warranty
 - procedures when you are out of town
- **What is covered**
 - mechanical breakdown (specific parts and/or labor)
 - wear and tear usually is **not** covered
 - many exclusions such as preexisting conditions or damage
- **Easy to void**
 - read the fine print

AS IS – No Warranty

Consumer Tip

A voluntary turn-in of a vehicle you no longer want but still owe on is a repossession. The vehicle will be sold (usually for a lot less) and you will be required to pay the balance owed.



The image shows a form titled "BUYERS GUIDE" with a header "Front Side of Buyers Guide". The form includes fields for "Buyer's Name", "Address", "City/State/Zip", and "Phone". Below these fields are two checkboxes: " AS IS - NO WARRANTY" and " WARRANTY". The "AS IS - NO WARRANTY" option is selected. Below the checkboxes are sections for "VEHICLE INFORMATION" and "SALES INFORMATION". At the bottom of the form, there is a note: "An independent inspection before you buy can help you if problems occur."

Buyers Guide

A sheet of paper known as the buyers guide is required to be posted on all used vehicles (not motorcycles) at a used car lot

- Front side states what warranties if any are included
- **AS IS means just that – no warranty**
 - you will pay all costs for any repairs
 - the dealer assumes no responsibility
 - oral promises are difficult to enforce
- **Ensure all guarantees are written on the buyers guide**

Additional Costs

Consumer Tip

Check with your DMV to determine sales tax in your area. Title & license fee vary depending upon type of vehicle. Dealership might charge additional fees.



Example

Price of car	\$10,000
Sales tax (6.25%)	625
Title (in state)	15
License fee	50
Misc Tax & Fees	25
Document Fee	50
Service Warranty	<u>+ 935</u>
Total Cost *	\$11,700

*The Financing & Insurance (F&I) Department manager will try to sell you additional items.

Finance Rates

Consumer Tip

Watch out for variable rate financing. The finance rate changes over the life of the contract.



\$11,700 vehicle loan financed for 60 months

APR	Monthly Payments	Finance Costs	Total Payment
18%	\$297.10	\$6,125.89	\$17,825.89
14%	\$272.24	\$4,633.91	\$16,333.91
10%	\$248.59	\$3,215.11	\$14,915.11

- Notice that the monthly payment amount does not vary by a significant amount
- You will pay \$2,910.78 dollars more for the same car using 18% verses 10%
- There are a number of online auto calculators you can use for free

Length Of Financing

Consumer Tip

Ask yourself what the condition of your vehicle will be by the time it is paid off.



**\$11,700 vehicle loan financed
using 18% APR**

Number of Payments	Monthly Payments	Finance Costs	Total Payment
36	\$422.98	\$3,527.21	\$15,227.21
48	\$343.69	\$4,796.63	\$16,496.63
60	\$297.10	\$6,125.89	\$17,825.89

- In this example the monthly payments vary by a significant amount along with the finance costs.
- 72, 84, and 96 month financing is sometimes available. The longer you finance a vehicle the more you will pay.

Motorcycle Financing

Consumer Tip

Rule of 78 – complex formula used in computing interest . Because the Rule of 78 weights the earlier payments with more interest than a simple interest method, paying off a loan early will result in the borrower paying more interest overall.



Two Types

- Installment Loans (Best type)
- Private Label *Credit Card* loans
 - revolving credit lines
 - introductory rates which can skyrocket
- Ask
 - Can the rate change & why
 - Pre payment penalties
 - Additional fees
 - Simple interest or Rule of 78

Financing

Consumer Tip

The FICO® score ignores all auto- or mortgage-related inquiries that occur in the most recent previous 30-day period (called the "buffer" period) since it is common for consumers to go to multiple dealers or lenders. Prior to that buffer period, within any 14-day period auto or mortgage related inquiries are counted as just one inquiry.

**Financing
Available**

Understanding Vehicle Financing

www.ftc.gov/bcp/edu/pubs/consumer/autos/aut04.shtm

More on Financing

- **Order your credit report & score**
 - at least a month out and review for errors
www.annualcreditreport.com
- **Shop around for best financing**
 - talk to your bank or credit union's loan department about obtaining pre-approval
- **Zero percent financing**
 - you need stellar credit
 - you usually have a choice of a rebate or zero percent financing, not both
- **Down Payment**
 - reduces the amount you are upside down in a deal and can give you negotiating power
- **Co-signer**
 - can assist you qualifying for a loan or a better financing percentage
 - cosigners are responsible if you default on the loan

Rebate vs Lower Interest Rate

Consumer Tip

Caution: Steer clear of places that recommend you get a loan for your down payment



48-Month Car Loan Comparison

APR	0%	3.99%
Cost of car	\$20,000	\$20,000
Less Down Payment	\$4,000	\$4,000
Less rebate	\$0	\$2,000
Amount to finance	\$16,000	\$14,000
Monthly payment	\$333.33	\$316.04
Total cost	\$16,000	\$15170.12
Savings	\$0	\$829.88

In this example you save \$829.88 by obtaining your own financing from your financial institution and taking the dealer rebate

It's In The Fine Print

Consumer Tip

Balloon payments, Final payment, and WFPO are different terms for the same thing. How do you plan on making the last payment?



Actual Car Advertisement

\$299/mo

**48 payments @299/mo WFPO \$13,046.25
\$1000 down + TT&L Due WAC**

Deciphering the fine print

- You will pay \$299 a month for 48 months
- Your 49th payment will be \$13,046.25
WFPO (with final payment of)
- Tags, title & license are not included in price
- You must put \$1,000 down
- WAC (with approved credit)

What else can be found in the fine print

- Ad at this price only
- Only one in stock
- Not responsible for typographic errors
- Picture (or Art) for illustration purposes only
- On selected items only
- Certain restrictions apply
- Rebates in lieu of factory financing

Websites

Checklist to test drive a vehicle

How to Test Drive a Car

www.edmunds.com/advice/buying/articles/78387/page008.html

Vehicle Financing Information

Understanding Vehicle Financing

www.ftc.gov/bcp/edu/pubs/consumer/autos/aut04.shtm

NADA Tips and Advice

Includes Inspection checklist, Vehicle Financing, & Incentives

www.nadaguides.com/default.aspx?LI=1-28-0-5000-502-502-50205&l=1&w=20&p=9&f=5100

Motorcycle T-CIOCS Inspection Checklist

<http://msf-usa.org/downloads/T-CLOCSInspectionChecklist.pdf>

Money.cnn.com tips and advice

Includes Financing & Warranty information

<http://money.cnn.com/magazines/moneymag/money101/lesson17/>

Warranties

Auto Service Contracts

www.ftc.gov/bcp/edu/pubs/consumer/autos/aut02.shtm

Warranty and Roadside Assistance Coverage

www.edmunds.com/advice/warranties/articles/43094/article.html

Know the Facts about Auto Service Contracts

www.bbb.org/us/article/424

Miscellaneous

Free Credit Report as authorized by congress

www.annualcreditreport.com

Auto loan calculator

www.bankrate.com/brm/auto-loan-calculator.asp