



Comparing auto loans

Learn how to shop for an auto loan and evaluate the total cost to help you negotiate a deal you can afford.

KNOW WHAT YOU CAN NEGOTIATE

Shopping for an auto loan and negotiating the terms can save you hundreds or even thousands of dollars over the life of your loan. Learn more about what is negotiable at consumerfinance.gov/consumer-tools/getting-an-auto-loan/know-what-is-negotiable.

CHECK YOUR CREDIT SCORE

A higher score will help you get a lower interest rate and reduce the total loan cost. Learn how to raise your score in Module 7: Understanding Credit Reports and Scores.

REVIEW YOUR LOAN CONTRACT BEFORE SIGNING

Lenders are required to give you documents that explain the loan. Before you sign, check that the annual percentage rate (APR), amount financed, finance charges, and total of all payments are correct. Make sure you and the lender have copies of the signed paperwork.

If you don't understand something, ask them to explain it again until it makes sense. Consider bringing someone with you to help review the papers before you sign. Review the "Spotting red flags" handout in Module 9 to learn what to watch out for in the sales process.

What to do

- **Bring this tool with you** to each lender or car dealership and record each loan offer.
- **Compare the offers** using interest rate and length of the loan.

A step further

Consider more than just the monthly payment. A low payment over a longer term may mean you pay more interest and it could put you at risk of owing more on the car than it's worth.



Comparing auto loans helps you get the best deal

1. Bring this with you when you shop for an auto loan.
2. Fill in each row to help find the best deal.

⌚ = things you can negotiate

Figure out your upfront costs

EXAMPLE CHOICE 1 CHOICE 2

| | | | |
|--|------------|-----|-----|
| A. Price of the car ⌚ | \$20,000 | | |
| B. Additional features, services, or add-ons ⌚ Optional items like extended warranties, upgraded packages, or service plans | + \$300 | + + | + + |
| C. Taxes, title, and non-negotiable fees State and local taxes, title fees | + \$1,400 | + + | + + |
| D. Negotiable fees ⌚ Delivery charges, origination fees, document fees, and preparation fees | + \$100 | + + | + + |
| E. Cost of the car before interest (add rows A, B, C, and D) | = \$21,800 | = = | = = |

Calculate how much you need to borrow

| | | | |
|---|------------|-----|-----|
| F. Down payment ⌚ A larger down payment will lower the total cost of your loan | - \$3,000 | - - | - - |
| G. Trade-in value ⌚ (if you already have a car) A higher trade-in value will lower the total cost of your loan | - \$100 | - - | - - |
| H. Total amount to finance (row E minus rows F and G) | = \$18,700 | = = | = = |

Determine how much money you'll pay over the life of the loan

Before deciding on the length of the loan and payment options, calculate the total amount you'll make in loan payments. You might write down several possible loan option scenarios for the same car to see what works best for you.

| | | | | | |
|--|------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| I. Interest rate  | 3.5% | % | % | % | % |
| J. Length of loan  | 48 months (4 years) | ___ months (___ years) |
| K. Monthly payment | × \$418.00 | × | × | × | × |
| L. Total amount paid on the loan (multiply months in row J by amount in row K) | = \$20,067 | = | = | = | = |

Find the total cost of your purchase

Choose your two best offers from row L and compare your total cost.

| | | | |
|---|------------|---|---|
| M. Add in down payment and trade-in value (add rows F and G) | + \$3,100 | + | + |
| N. Total cost of your purchase (add rows L and M) Total cost of the car, including all of the interest over the life of the loan | = \$23,167 | = | = |
| O. Total cost of car before interest (copy row E from the prior page) | - \$21,800 | - | - |
| P. Total interest paid over life of the loan (subtract row O from N) | = \$1,367 | = | = |

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