

## **Did You Do Your Homework Before Your Last Auto Financing Decision? Will You Next Time?**

There's no doubt – financing is a way of life in America. It puts the fabled “American Dream” within our reach, offering opportunities to start a new business, buy a home, or purchase a car that gets us to work and helps keep us connected with our families and friends. But if any financing decision is entered into lightly or without good researching or decision-making skills, we can get in over our heads.

There is good news to report. According to a survey by AWARE (Americans Well-informed on Automobile Retailing Economics), 64 percent of the 60 million Americans who plan to finance their next vehicle say they will compare auto financing rates from multiple sources – compared to only 20 percent of consumers who, during their last vehicle purchase, compared financing rates from more than one source.

The AWARE survey also explored other important components of vehicle financing decision-making, such as checking one's credit. Encouragingly, 54 percent of consumers will check their credit score before shopping for vehicle financing – a vast improvement over the 17 percent who checked their credit before purchasing their last car or light truck. And consumers feel very strongly that budgeting is a vital step prior to making vehicle financing decisions, with 80 percent of Americans saying they intend to create a budget for their next purchase.

To continue helping empower consumers with good auto financing research skills, AWARE reminds car and truck shoppers to:

***Develop a budget:*** Create a price range and don't go over it. Make sure you factor in vehicle related costs outside of a new car payment, such as insurance, maintenance and gas costs.

***Get a recent copy of your credit report:*** If you are financing your automobile, your credit history will affect the finance rate you are able to secure. Therefore, get a copy of your free credit report so you'll know what creditors are seeing when judging your credit worthiness. Go to [www.annualcreditreport.com](http://www.annualcreditreport.com) for your credit report.

***Shop around for financing:*** There are thousands of sources of financing for automobile purchases, such as dealerships, banks, credit unions, financing companies, savings banks, loans from stock brokerage firms, and home equity loans. With a highly competitive marketplace it's important to check annual percentage rates and other financing terms from multiple sources.

***Educate yourself:*** Make sure you are familiar with common terms you're likely to hear or read in the course of purchasing or financing a vehicle, such as down payment, fixed- and variable-rate financing, and on- and off-site financing. Many of these terms can be found in the glossary at [www.autofinancing101.org/learningsuite](http://www.autofinancing101.org/learningsuite).

***Read any contract carefully before signing it:*** Ask questions about anything you do not understand.

***Make your payments on time:*** Late or missed payments incur late fees and can even cause your vehicle to be repossessed, permanently. A bad payment record will also appear on your credit report, damaging your ability to get credit in the future.

A host of tools, calculators, articles and other resources to help consumers sufficiently prepare for their auto financing decisions can be found in the “Auto Financing Learning Suite” section of AWARE’s Web site ([www.AutoFinancing101.org/LearningSuite](http://www.AutoFinancing101.org/LearningSuite)).

These tips were brought to you by AWARE, a non-profit organization seeking to build a greater understanding about how auto financing works. AWARE is supported by leaders of the vehicle financing industry, and is perhaps the only resource that focuses exclusively on auto financing education in materials, a Web site, and other educational offerings that are entirely free of marketing, advertising, or sales efforts. Visit [www.AutoFinancing101.org](http://www.AutoFinancing101.org) for financing calculators, tips, and other free educational materials, which are available in both English and Spanish.