

New Car Buying Guide

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New Car Buying Guide

Buying a new car is usually the second most expensive purchase many consumers make, after the purchase of their home.

This guide, which includes a checklist and a worksheet, is intended to help give you the information you need to make a smart deal on a new car.

Buying Your New Car

Before you step into a dealer's showroom, it helps to know what car model and options you want and how much you are willing to spend. That way, you are less likely to feel pressured into making a hasty or expensive decision and more likely to get a better deal. To help you shop, you may want to consider the following suggestions:

- * Check publications at a library or bookstore that discuss new car features and prices. These may provide information on the dealer's costs for specific models and options.
- * Shop around to get the best possible price by comparing models and prices at dealer showrooms. You also may want to contact car buying services and broker buying services and make comparisons there.
- * Plan to negotiate on price. Dealers may be willing to bargain on their profit margin, which is generally between 15 to 20 percent. This is usually the difference between the manufacturer's suggested retail price and the invoice price. To help you do this, refer to the worksheet listed at the end of this brochure.
- * Consider ordering your new car if you do not see the car you want on the dealer's lot. This usually involves a delay, but cars on the lot frequently have options you do not want -- which add considerably to the cost.

Learning the Terms

To give you a better sense of the negotiating room you have when buying your car, it helps to understand the following terms, listed here in order of increasing price:

INVOICE PRICE is the manufacturer's initial charge to the dealer. This is usually higher than the dealer's final cost because dealers often receive rebates, allowances, discounts, and incentive awards. The invoice price always includes freight (also known as destination and delivery). If you are buying a car based on the invoice price (for example, "at invoice," "\$100 below invoice" "two percent above invoice") be sure freight is not added to the sales contract.

BASE PRICE is the cost of the car without options, but includes standard equipment, factory warranty, and freight. This price is printed on the Monroney sticker (see below).

MONRONEY STICKER PRICE, which appears on a label affixed to the car window and is required by federal law, shows the base price, the manufacturer's installed options with the manufacturer's suggested retail price, the manufacturer's transportation charge, and the fuel economy (mileage). The label may not be removed by anyone other than the purchaser.

DEALER STICKER PRICE, usually on a supplemental sticker, is the Monroney sticker price plus the suggested retail price of dealer-installed options, such as additional dealer mark-up (ADM) of additional dealer profit (ADP), dealer preparation, and undercoating.

Financing Your New Car

If you decide to finance your car, you have the option of checking the dealer's rate against banks, credit unions, savings and loans institutions, and other loan companies. Because interest rates vary, shop around for the best deal and compare the annual percentage rates (APR).

Sometimes, dealers offer very low financing rates for specific cars or models, but may not be willing to negotiate on the price of these cars. In addition, they may require you to make a large downpayment to qualify for these special interest rates. With these conditions, you may find that it is sometimes more affordable to pay higher financing charges on a car that is lower in price or to purchase a car that requires a smaller downpayment.

Some dealers and lenders may ask you to buy credit insurance, which pays off your loan if you should die or become disabled. Before you add this cost, you may want to consider the benefits available from existing policies you may have. Remember, buying credit insurance is not required for a loan.

Trading in Your Old Car

After getting your new car for the best possible price, only then discuss the possibility of a trade-in. First, however, find out the value of your old car. You may want to check the library for references and periodicals that can tell you how much your car is worth. This information may help you get a better overall price from the dealer. Remember, too, that though it may take longer, you generally will get more money by selling the car yourself.

Considering a Service Contract

Service contracts that you may buy with a new car provide for the repair of certain specified parts or problems. These contracts are offered by manufacturers, dealers, or independent companies and usually initially run concurrently with the manufacturer's warranty. Remember: a warranty is included in the price of the car; a service contract costs extra.

Before deciding to purchase a service contract, read it carefully and consider some of the following questions:

- * What is the difference between the coverage under the warranty and the coverage under the service contract?
- * What repairs are covered?
- * Who pays for the labor? The parts?
- * Who performs the repairs? Can repairs be made elsewhere?
- * How long does the service contract last?
- * What is the cancellation and refund policy?

For Further Information

In addition to checking publications about new car features and prices when buying a car, you may find it helpful to read other Federal Trade Commission brochures. These include: "Car Ads: Low Interest Loans and Other Offers," "Service Contracts," "Warranties," "Buying a Used Car," and "A Consumer Guide to Vehicle Leasing." For a free copy write: Public Reference, Federal Trade Commission, Washington, D.C. 20580. For further information, you may want to write to: Division of Marketing Practices, Federal Trade Commission, Washington, D.C. 20580. Although the FTC generally does not intervene in individual consumer disputes, it can take action if there is evidence of a pattern of deceptive or unfair practices.

Checklist for Buying a New Car

You are likely to get a better deal on a car if you know beforehand exactly what you are looking for and what you are willing to spend. Therefore, before signing a sales contract with a car dealer, you may want to:

- * Decide which car model and specific options you want.
- * Find out the invoice price (the lowest price) of the model and each option you want.
- * Decide how much you are willing to pay the dealer, if anything, above the invoice price.
- * Compare final sales prices with other dealers and buying services.
- * Compare financing costs from various sources, such as credit unions and savings and loans institutions, with those of car dealers.
- * Find out the value of your old car, independent of a dealer's trade-in offer.
- * Decide if you need an optional service contract or credit insurance.

Worksheet for Buying a New Car

To help you negotiate the price of your next new car, you may want to use this worksheet to establish your bargaining room before you talk with a dealer.

Model _____

Base Price	Invoice Price*	Retail Price
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Options:

Transmission:

Automatic

Stick

Air Conditioning

Engine:

Size

Diesel

Sound System:

AM-FM

AM-FM Cassette

Power Brakes

Power Steering

Power Locks

Power Seats

Rear Window Wiper/Washer

Rear Window Defogger

Luggage Rack

Tires:

Full-Size Spare

Steel Belted Radials _____

Mirrors: _____

Dual _____

Remote _____

Passenger Visor _____

Other: _____

* The invoice price may be obtained by looking at the dealer's invoice or by reviewing new car publications.

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