

Keys to Car Buying





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Content courtesy of TaxRates.org, 2024—Sales Tax in NYS, p. 11, http://www.tax-rates.org/new_york/sales-tax-by-county.

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Welcome!

If you are attending this session, chances are you are considering the purchase of a vehicle. There are many elements that make up the true cost of owning a vehicle. In this session, we will cover topics including the buying process, how to obtain credit, terms of automobile loans, and costs associated with purchasing and owning a vehicle.

Since a typical consumer spends 17% of their net income on transportation, making a good financial decision about which car to drive is important. In addition, you want to be able to buy the right car for the right amount of money that fits your budget and your situation. Learn to navigate the process now, so you don't get lost on your way!



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Purchasing an Automobile

Your mission: Find the perfect automobile.

This workbook will guide you through the planned buying process to evaluate your options, determine how you will pay for the vehicle, and protect your investment.

STEP ONE

Prioritize Wants



List the people who might frequently travel in or use your automobile. Consider how many seats and entry points (doors) you will need. Do you have certain needs for extra head room or leg room?

Describe how the automobile will be used

How Much Car Can You Afford?

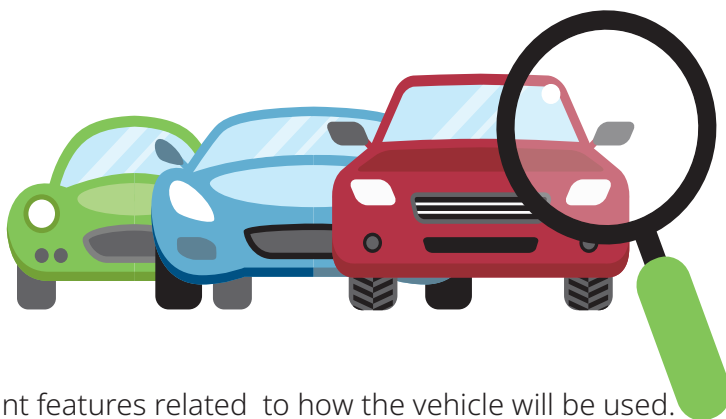
Directions: Use the Practical Money Skills for Life™ website to calculate what you can afford.
www.practicalmoneyskills.com/en/resources/financial-calculators/auto/auto-afford.html

DOWN PAYMENT, TRADE-IN VALUE AND REBATES	LENGTH OF LOAN	AFFORDABLE MONTHLY PAYMENT	INTEREST RATE	SALES TAX
Varies	60 months	Monthly net income x .12 = _____	7.25%	Varies by State and County of Residence

What is the total amount you can afford?

STEP TWO

Conduct Research



What Type of Cars Meet Your Needs?

Directions: Place a check mark next to important features related to how the vehicle will be used.

Add features if needed.

- ☐ Price
- ☐ Year made
- ☐ Gas mileage
- ☐ Fuel type
- ☐ Number of doors
- ☐ Total number of miles (if used)
- ☐ Country of assembly
- ☐ Number of seats
- ☐ Type of engine
- ☐ Transmission (automatic or manual)
- ☐ Body style (e.g. SUV, compact car, etc.)
- ☐ Navigation system
- ☐ Amount of trunk or cargo space
- ☐ Towing capacity
- ☐ Warranty
- ☐ Safety ratings
- ☐ Interior style
- ☐ Environmental impact
- ☐ Color

<input type="checkbox"/>	_____
<input type="checkbox"/>	_____
<input type="checkbox"/>	_____

Directions:

1. Visit the Kelly Blue Book "Cars for Sale Near Me" website www.kbb.com/cars-for-sale.
2. Enter your zip code.
3. Answer the questions/modify search filters to indicate your desired features.
4. Click the picture of any model to learn more about that model, including additional features, vehicle history, and consumer reviews.
5. Identify three automobiles you would like to research further. Record the make, model, year, and price in the table on the next page.

STEP TWO continued

Conduct Research



Prioritize Features

Directions:

1. Column one: Identify the eight most important automobile features, and list them in order of importance. When applicable, be specific and identify what is important about that feature. For example, if high gas mileage is important, rather than listing gas mileage, indicate 30+ miles per gallon.
2. Column two: Indicate why that feature is important.
3. Columns three—five: Evaluate each vehicle and place a check mark along with any applicable notes in each column if the vehicle has that desired feature.
4. Last row: For each option, total the number of check marks.



DESIRED FEATURES (listed in order of importance)	WHY	AUTOMOBILE 1:	AUTOMOBILE 2:	AUTOMOBILE 3:
		Make:	Make:	Make:
		Model:	Model:	Model:
		Year:	Year:	Year:
		Price:	Price:	Price:
(most important) 1.				
2.				
3.				
4.				
5.				
6.				
7.				
(least important) 8.				
	Total Desired Features			

Which vehicle would you select and why?

Were you able to have all of the features you wanted?

If not, what trade-offs did you make?

STEP THREE

Spending Plan Evaluation

Financing Options

1. Identify three financing options for your desired automobile. Consider a variety of lending sources including the dealership, depository institutions or websites such as www.bankrate.com/funnel/auto.

	FINANCE OPTION 1:	FINANCE OPTION 2:	FINANCE OPTION 3:
Lending Source			
Interest Rate			
Additional Terms/Fees			
Length of Loan			

2. Visit the Practical Money Skills for Life™ website to calculate the monthly payment for each finance option.

www.practicalmoneyskills.com/en/resources/financial-calculators/auto/auto-payment

Monthly Payment	\$	\$	\$
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3. Identify an advantage and disadvantage of each finance option.

Advantages			
Disadvantages			

Which financing option would you use and why?

If you had a poor credit score, what are two ways this could influence your access to credit and/or credit terms?

1.

2.

What happens if you pay more than the minimum monthly payment each month?

In addition to the monthly payment, what are three additional automobile expenses to include in your spending plan?

1.

2.

3.

STEP FOUR

Make the Purchase

Your Present Self Impacts
Your Future Self



Directions: Use short answers to respond to the following questions.



Over time, how will the automobile's depreciation impact your net worth?

Would you purchase an extended warranty for this vehicle? Why or why not?

What are two ways you will protect yourself from fraud when purchasing/owning an automobile?

1.

2.

Throughout the research and purchase process, what are two strategies you can use to critically evaluate information?

1.

2.

What are two ways you could minimize or reduce your out-of-pocket transportation costs?

1.

2.

If you have an automobile loan, what are two actions you will take to maintain a positive credit rating?

1.

2.

Why is it important, and required, to have insurance for your automobile?

What are two steps you can take to feel confident with the potential lenders, dealerships, and/or sales personnel you interact with?

1.

2.



Buying A Car: Consumer Tips

Before You Negotiate:

Terms You Should Know

Manufacturer's Suggested Retail Price

(MSRP) is the price recommended by the manufacturer that is posted on a new car. Most are NOT sold at this price.

Invoice price is the manufacturer's initial charge to the dealer.

Extended Warranties or Service Contracts

are expensive and very profitable to the dealer. Check carefully to see what both the manufacturer's warranty and the extended warranty cover. Often, the items most likely to need repair or replacement will not be covered by the extended warranty. A copy of the terms and conditions of the service contract must be provided by the dealership. You are entitled to a full refund, less any claims paid, within twenty days of the mailing of the service contract or within ten days if the contract is delivered at the time of sale.

Considering a Used Car?

- Have a trusted mechanic check out a used car before you buy it.
- Check an online service, such as **www.CarFax.com**, to find accident and repair records, including whether a car was declared salvage, labeled a "lemon," or if there are problems with the odometer.
- Look for signs of odometer tampering such as loose dashboard, broken speedometer, digits on the left side that don't line up.
- Check the title carefully for inconsistencies, erasures and numbers that appear to have been written over.
- Be very wary of titles that say "NOT THE ACTUAL MILEAGE".



Know Your Price Range

Before you start looking at cars, determine what you can afford to pay. Consider:

- How much do you have on hand to pay up front, in cash and/or trade-in?
- If you will borrow, what is the highest monthly payment you can afford?
- Take into account take-home income, living expenses, and any debt you currently owe.

Choosing a Vehicle

- Do some research. Websites, such as Consumer Reports, include reviews of reliability and value for new and used cars over several model years. They also compare features to help you choose a make and model.



- Other sources, such as Edmunds (**www.edmunds.com**) or Kelley Blue Book (**www.kbb.com**), record the price of new and used cars.
- Some surveys indicate that consumers who carefully research the price of cars pay an average of 5% less than consumers who have not.
- Test drive any vehicle you are interested in, including driving on different road conditions.

Choosing a Dealer

- Check with the Better Business Bureau to find out if the dealer is reputable.
- Visit websites that review dealerships to see what other customers say.
- Considering a private sale for a used car? You may find a lower price, but such a sale is not covered by the Used Car Lemon Law, which provides important protections.



Trade-Ins

- Trading in your vehicle? Remember: a selling price discount is sometimes offset by a lower offer for a trade-in with a higher interest rate.
- Get a trade-in value from several dealers.
- Check websites or publications such as the J.D. Power Values (www.jdpower.com/cars) or Kelley Blue Book for suggested trade-in values (www.kbb.com/whats-my-car-worth).

Signing a Contract

- Don't give in to high-pressure sales tactics; don't be afraid to walk out of the dealership if you feel like you are being manipulated.
- Be wary of "one-day only" deals.
- Take your time to read the contract. Make sure all verbal promises are included in your written contract. If necessary, take the unsigned contract with you and read it over in the quiet of your own home.
- Be certain the car's Vehicle Identification Number (VIN) matches the number on your contract.

Financing

- Shop around for financing. Often, your own bank will "prequalify" you for a loan. Use that to compare other offers.
- Dealers sometimes make greater profits on financing than they do on the car itself, so negotiate finance charges.



- If you have credit problems, you may not be eligible for the advertised financing.
- Look out for a balloon payment, which is a large payment due at the end of the finance agreement.
- Always know the total amount that you are paying for the car, including interest, and not just the monthly payments.

Refunds of Deposits

- Many consumers mistakenly believe they are entitled to a refund of their deposit if they decide not to buy a car. However, there is no right to cancel a contract, unless the dealer fails conspicuously post the refund policy. If the dealer assists you in arranging for financing and you have not picked up the vehicle, you may cancel at any time prior to signing a finance agreement and receive a full refund.



New and Used Car Lemon Laws

- If your new or used car is a "lemon" there is help. Contact the Attorney General's office for directions on how to file a claim or work out a settlement with the car dealer. Consumer Help Line 800-771-7755 or visit www.ag.ny.gov.



New York State Lemon Law

Used and new cars have differing qualifications and guidelines to be eligible for the lemon law. Below are some key summary points for both. Consult the NYS Attorney General website for details: (<https://ag.ny.gov/resources/individuals/car-auto/lemon-law-program>).

Used Cars

What to know about the law

If you bought or leased a defective used car, New York state's lemon law may be able to help. Under this law:

- Your dealer must give you a written lemon-law warranty. If it does not, contact our Consumer Frauds and Protection Bureau.
- Under the lemon-law warranty, the dealer must repair any defect in the covered parts, free of charge. Remember that many parts are not covered.
- If the dealer is unable to fix your car after three or more tries, you may be able to receive a full refund.

Your New York state car dealer must give you a warranty with the following terms:

If the car had been driven this many miles:	Then your warranty must cover (whichever comes first):
18,001-36,000 miles	60 days or 4,000 miles
36,001-79,999 miles	60 days or 3,000 miles
80,000-100,000 miles	30 days or 1,000 miles

The warranty must cover the following parts (remember that many parts are not covered): Engine, transmission, drive axle, brakes, steering, and other parts: radiator, alternator, generator, starter, ignition system (not including battery)

How a car qualifies for the lemon law

Your car must meet all of the following conditions:

- You bought, leased, or received it after it already had 18,000 miles on it.
- It is at least two years old.
- You bought or leased the car from a New York dealer.
- The car had a purchase price or lease value of at least \$1,500.
- The car had been driven less than 100,000 miles when you bought or leased it.
- You use the car for mostly personal purposes.

For more details on the Used Car Lemon Law, visit: <https://ag.ny.gov/publications/used-car-lemon-law>

New Cars

Did you buy or lease a defective new car?

- You may be able to get a refund or replacement under New York's lemon law if the car meets two conditions:
- Your new car is not in the condition described in your written warranty.
- The manufacturer or its authorized agent cannot fix the car after a reasonable number of tries.

For your car to be covered under the lemon law all of the following must be true:

- The car was covered by a lemon-law warranty when you first received it.
- The dealer bought, leased, or transferred the car before it had 18,000 miles on it, or the dealer first received the car from the manufacturer less than two years ago.
- The car was bought, leased, or transferred in New York state or is currently registered in New York state.
- The car has been used mostly for personal purposes.

In addition, your car's manufacturer must try a certain number of times to fix your car for any defect covered by the warranty, free of charge.

You may be able to get a refund or replacement for your car if either of the following is true:

- The manufacturer cannot fix your car after four repair efforts.
- You are unable to use your car for a total of at least 30 days while the dealer is fixing it.

The manufacturer is not required to refund or replace your car if either of the following is true of the problem:

- It does not greatly reduce your car's value.
- It resulted from abuse, neglect, or unauthorized modifications.

For more details on the Used Car Lemon Law, visit: <https://ag.ny.gov/publications/new-car-lemon-law-guide>



How to Obtain Credit

Shopping for Credit

As with the purchase of any good or service, it pays to shop for credit. Comparing offers across different lenders provides you with the opportunity to find the best credit terms to fit your needs. Consider the following:

- **Interest rate**—What is the annual percentage rate (APR)?
- **Fees**—Are there fees associated with the application process and/or the use of the credit? Are there any fees for repaying the loan early?
- **Missed or late payment**—What does the credit contract indicate are consequences of missed or late payments?
- **Default**—What is the consequence of not paying back the borrowed amount in full? Credit scoring models recognize that a person may want to shop around to find the best credit terms for them. Therefore, multiple inquiries for the same type of loan, like a mortgage or automobile loan, are counted as a single inquiry if conducted within any 14-day period. This minimizes or eliminates any impact on a credit score.

Applying for Credit

The exact process to obtaining credit varies depending on the lender and type of credit. However, most lenders require two steps:

1. Credit application: A credit application is a form requesting information about the applicant (you). Depending upon the lender, credit applications may be completed in person or online. Credit applications usually ask for the following categories of information, but specific

questions will depend on the type of credit and the lender:

- a. Personal information: Name, address, Social Security number, etc.
- b. Amount of credit requested: The lender will ask how much you want to borrow, and may also ask how long you need to pay it back and how you intend to use the loan.
- c. Information regarding your ability to repay the loan: Lenders will probably ask about your income, and may require proof. They will also want to know of any additional debt.

2. Credit history check: Most lenders will check your credit history by obtaining a copy of your credit report and/or credit score to determine how likely you are to repay the credit (your credit worthiness). You may not be able to obtain credit if you are under the age of 18. Some lenders in some states will lend to a minor with an adult co-signer. Borrowers and/or co-signers will need to demonstrate sufficient income to make the payments and be creditworthy. To obtain a credit card between age 18 - 21, you must have a co-signer or proof of independent sufficient income to make payments.

Leasing vs. Buying with a Loan

When you get a vehicle, you don't always have to take on a traditional car loan. You could save enough cash to buy it or consider if leasing is right for you. So what's the deal with leasing? Depending on your circumstance, leasing could be the right path for you. Before deciding to lease, make sure you understand the costs, fees, and requirements that come with your deal. If you think you may have **difficulty with mileage limits or returning the car in good condition**, you might want to revisit a traditional car loan.

LEASING ADVANTAGES	LEASING CONSIDERATIONS
New car with latest features	One lease after another may cost more in the long term than buying
Covered by warranty	Mileage limits and fees for exceeding them
May include maintenance	Charges for excess wear and tear when returning
May have lower monthly payment	Fees for early termination



Sales Tax in NYS

When purchasing a vehicle, you pay the sales tax rate of the county where you live—not where the purchase is made. New York's sales tax rate is 4% and it has 2,158 cities, counties, and special districts that collect a local sales tax in addition to the New York state sales tax. This can cause rates to vary by county.

In the table below, locate where you live. If it is not listed then it is among those which charge a combined total of 8% sales tax. Further rate details can be found at www.tax-rates.org/new_york/sales-tax-by-county.

Allegany County 8.50	New Rochelle 8.38%	Rome 8.75%	Westchester County 7.38%
Dutchess County 8.13%	New York City 8.88%	Saratoga County 7.00%	White Plains 8.38%
Erie County 8.75%	Oneida County 8.75%	Saratoga Springs 7.00%	Yonkers 8.38%
Glens Falls 7.00%	Ontario County 7.50%	Suffolk County 8.63%	
Herkimer County 8.25%	Orange County 8.13%	Utica 8.75%	
Mount Vernon 8.38%	Putnam County 8.38%	Warren County 7.00%	
Nassau County 8.63%	Rockland County 8.38%	Washington County 7.00%	

You are responsible for your present self and future self.

You are responsible for understanding your obligations as a borrower, including the terms of a credit contract.

Before signing a credit contract, shop around for the best credit terms for you and consider the future implications of paying back the amount borrowed.



Automobile Insurance

Purchasing a vehicle is a significant financial commitment. Making sure it is protected with the right coverage is critical. To properly protect yourself it is important that you maintain the proper level of coverage for your particular situation. It is also important to protect yourself, your family, and your passengers. Don't wait until you have an accident to find out what is covered.

Auto Policy Coverage You Must Have:

Required coverage varies by state and minimum coverage amounts may be determined by law. The following coverages are required by New York State.

- **"No Fault" or Personal Injury Protection** covers injuries to driver, passenger/s, or pedestrians
- **Liability** - pays claims for injuries and property damage
- **Uninsured Motorist** - covers you, household family members, and your passengers for injuries caused by a negligent uninsured driver or in a hit-and-run incident.

Optional Coverages to Consider:

- **Increased coverage amounts** for all required coverage listed above.
- **Collision** - for vehicle damage when it is in an accident
- **Comprehensive** - for vehicle damage caused by other incidents - (e.g., fire, theft, flooding)
- **Medical Payments** - pays medical and funeral costs for you and your passengers
- **Other Coverages** - payments for additional circumstances such as towing, rental, serious injuries or death, spousal coverage, or mechanical breakdowns

Experts often tell you to buy as much car insurance as you can afford. It is important for you to know the basics on how auto insurance works and which coverages are most important. Compare car insurance quotes only when you understand the coverages that are best for you.

Compare Insurance Prices and Discounts

Auto insurance is a highly competitive business, and one of the most effective ways to reduce insurance costs is simply to shop around. Look for an insurance company that will provide a good price along with excellent service. Most auto insurance

companies also offer discounts for things like a safe driving record, car safety features, anti-theft devices, electronic payments, payment in full, by purchasing your homeowner's or renter's insurance from the same company that insures your car, and more. Make sure you're getting rewarded for being a safe driver and for having a safe car by shopping around for a car insurance company that appreciates your record.

Consider Higher Deductibles

Insurance prices are based on how much money the insurance company believes it could have to pay. If you agree to pay for a larger portion of your own damages by raising your deductibles, your car insurance company automatically knows they won't have to pay as much for your claims. Because of this, they will usually give you a lower premium. If you decide to raise your deductibles to save money, be sure you can afford to pay the deductible if you have to make a claim.

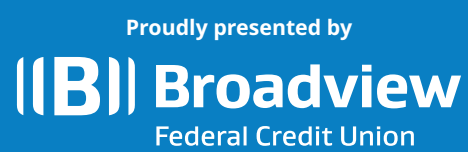
Coverage Affects What You Pay

The majority of your car insurance premium generally goes toward the legally-required liability portion of your policy. It's typically not a good idea to reduce this portion in an attempt to save money, because you'll be responsible for any amount of damages above your policy limits. However, other coverages, although generally helpful, could be reduced or eliminated to lower your premium. If you have an older car that's not worth very much, or if you won't have a problem paying for a new car, high levels of optional collision and comprehensive coverages may not make economic sense.

Choose the Car You Want to Buy Carefully

The Highway Loss Data Institute compiles insurance accident statistics for most types of cars. Many insurance companies use data like this to set their prices. For example, if the car you drive is very expensive to repair, the company is going to have to pay more if you get in an accident. Conversely, if the car you drive is extremely safe and protects occupants well, your insurance company may not have to pay as much if you're involved in a crash. If your model of car is generally less likely to be stolen, your car insurance company is less likely to have to pay to replace it.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



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