

BUYING A NEW CAR



prepared by
**MOUNTAIN HOME AFB
GUNFIGHTER LEGAL OFFICE**



INTRODUCTION

Buying a new car is the second most expensive purchase many consumers make, after the purchase of a home. This brochure is designed to help acquaint you with some terms that might help you.

CHOOSING YOUR NEW CAR

Leave yourself plenty of time to shop for a new vehicle so you can research models, pricing and financing. Before you buy, make a realistic assessment of your transportation needs and your financial resources -- how much you can afford to spend for down and monthly payments. In addition to the internet, books and magazines in the library can help you compare different cars. After doing some research, you should narrow your search down to a set of cars and test drive several different ones. If you cannot find the model you want with the options you require, you may be able to order a vehicle to your specifications. After you have selected a vehicle, be prepared to negotiate and perhaps visit several different dealerships in order to get the best price that you can.

Terms of the Trade

There are several important terms to understand, before you look to buy a new car. They are listed in increasing order of price.

INVOICE PRICE is the manufacturer's original price to the dealer. This is **usually higher than the dealer's final cost** because dealers often receive rebates and holdbacks from the manufacturer. Invoice always includes freight (destination & delivery) so make sure freight is not added on to a deal offered at \$100 above invoice. It is possible to obtain the manufacturer's invoice price from a variety of sources. The National Automobile Dealers Association (NADA) provides this information at

www.nadaguides.com. Knowing how much a particular vehicle cost the dealer will put you in a much better bargaining position. Dealers can often afford to reduce their profit margin on a vehicle somewhat in order to make a sale.

BASE PRICE is the cost of the car without options. This includes standard equipment, factory warranty & freight.

STICKER PRICE appears on a label affixed to the car window and required by federal law shows the base price, manufacturer's installed options, manufacturer's suggested retail price (MSRP), and transportation charges. Only the purchaser can remove this label.

DEALER STICKER PRICE is usually a supplemental sticker. It equals the sticker price, plus suggested retail price of dealer installed options and additional dealer markup for car preparation and undercoating. This amount can also include additional dealer profit. When in doubt, ask for an explanation.

FINANCING YOUR NEW CAR

If you are looking to finance your new car, take the time to check the dealer's rates against those rates being offered by banks, credit unions and/or other dealers. Because interest rates vary widely among institutions, comparing them can save you a lot of money. You will also generally pay less in total interest with a shorter financing agreement than with a longer one. You will likely qualify for a lower rate if you can make a substantial down payment.

Some dealers will offer very low finance rates on certain models of cars. This may result in their being unwilling to negotiate on the price of the car. These conditions may lead you to decide to pay higher financing charges on a car that is lower in price. If you are financing a car, always look to

find the **TOTAL SALES PRICE** of the arrangement. This will be the cost of the car plus the cost of the loan, the true bottom line figure. It will show you how much that loan will cost. Remember, if this amount exceeds what you can afford to pay, walk away from the deal!

Beware of signing a contract that does not specify what the interest rate for the purchase will be or that states that your interest rate is contingent on lender approval!!! Tell the dealer that you will wait to take delivery of your new vehicle until you can receive guaranteed financing terms. If you sign a “contingent” contract, the dealer may contact you later and tell you that you were not approved for the previously quoted rate of interest and that new financing terms must be arranged. If you have signed such a contract and this happens to you, consider whether you are willing and able to accept the new financing terms. If you are not, tell the dealer you wish to return the new car, cancel the deal, and get your trade in back. If the dealer refuses, contact the legal office immediately for an evaluation of your situation.

You should also be aware that there are dangers involved in financing cars over periods of time (five or six years) that exceed their useful life. You may find yourself in a situation where you need to get rid of a car that is worth less than the amount of money you owe on it. You might have to finance part of the cost of your old car “into” your new car. If the process repeats, there is a danger that you will go deeper and deeper into debt with each car you purchase. This phenomenon is another reason that it is to your advantage to make a down payment on a car because you will generally finish paying off a car sooner if you make one.

TRADING IN YOUR OLD CAR

There are two options here: let the dealer take your old car on trade and assign a value to it, or sell it yourself. In order to make that decision, you need to know the value of your old car. You can find that information through the NADA car guide, available at www.nadaguides.com. The car dealer will not be giving you top value for your car – you may realize more if you sell the vehicle privately. However this method takes longer and requires more “legwork” on your part so it may not be best in all cases.

SERVICE CONTRACTS

These are contracts offered by manufacturers, dealers and independent companies that run concurrently with the manufacturer’s warranty. Before you decide on a service contract consider:

What is the difference between the coverage under the warranty and the coverage under the service contract?

What repairs are covered? Who pays for labor and parts and in what percentages?

Who performs the repairs? Do you have a voice in selection?

What is the area in which the warranty is accepted? Will mechanics where you live or travel perform repairs and bill the warranty provider or must you pay for all repairs out of your own pocket and submit a claim to the warranty company?

How long does the service contract last? What is the cancellation and refund policy?

For more information on the topic of service contracts, please see the handout entitled “Auto Service Contracts.”

FINAL WORD

If you have any doubt about your purchase, **WALK AWAY FROM THE DEAL!** Don’t sign anything until you have read it, understand it and want to close the deal. Get assistance in reviewing the sales agreement. The legal office and the family services center are two places to start. It may also be wise, especially if you are purchasing your first car, to consult a more senior Air Force member or supervisor who has more experience in financial matters than you do. Ask for advice or assistance before you sign a contract; there is no “cooling off period,” during which you can cancel a purchase from a dealer, in the state of Idaho! Being over 18 years of age and signing your name is all it takes to buy a car.

***This handout is general in nature. It is not a substitute for legal advice from an attorney regarding individual situations. (August 2021)**

For additional information on this and other legal topics, see the Air Force Legal Assistance Website: <https://aflegalassistance.law.af.mil>