

What should I know before shopping for a car?

There are a number of **potential pitfalls** in shopping for a car. Here are a few to keep in mind:

1. **If you are trading in your old car don't expect to get "high book" for it.** If a dealer offers you high book for your trade, you can bet the extra money has been added to the price of the car you are buying. When a dealer takes your car in trade, he is making a wholesale purchase. He is not willing to pay more for your car than he would pay for the same car at the dealer auction. You can get more for your car by selling it yourself because that would be a "retail" sale rather than a "wholesale" sale. So why trade it? The benefits to trading vs selling include lower sales tax on your new car purchase, avoiding the hassle of advertising, fielding phone calls, waiting at home for people to come see your car that never show up, and it's a whole lot quicker to trade it in than it is to sell it, but convenience always costs extra. If your trade in value is mysteriously equal to the payoff amount of your loan, it's likely there's extra money built into the price of the new car to cover the amount you owe that exceeds the "real" trade in value. It would be a good idea to get a book value of your trade-in before you go shopping.

2. **Don't forget that the amount you agree to pay for a car is not the total amount you need.** You have to add 6.25% (or more, depending on local tax rates) for sales tax. Property tax is another added expense. The amount is based on the year of the car you are buying: the newer the car, the more the property tax you will pay. Property tax on new cars is \$150.00. If you are buying a car from a dealer, you will have to add dealer fees (generally known as "doc fees"). These can range from \$50 to \$400. Each dealer is required to disclose the amount charged on a sign posted in his office. Look for it. It's usually on the wall behind the potted plant. If one dealer wants \$100 less than another dealer for the same car, watch out for a higher doc fee.

3. **A dealer makes money by selling a car at a profit.** This is known as "front end" profit. A dealer also makes money by selling things after the sale of the car, such as financing, paint sealant, disability insurance, extended warranties, GAP Insurance, etc. This is known as "back end" profit. GAP insurance, disability insurance, and credit life insurance are available through the Credit Union at a lower cost, as well as financing.

4. **If you are buying a car from a private party, make sure you know where the title is.** If the seller has a loan on the car, you will need to find out the name of the bank or credit union that has the title, the amount of the loan payoff. Don't forget that the state will still get 6.25% of what you pay for the car in sales tax. This is collected at the time you register your car. Be sure to factor that into your decision and your loan request.

5. When a new car dealer is offering an unbelievably low financing rate, there is usually a rebate associated with the low rate. You can have the low rate or you can have the rebate, but not both. Find out what the rebate option is. It could be to your advantage to take the rebate and finance the lower cost of the car at the credit union. This is especially true if you are in the habit of paying your loans off early or trading your car in before the loan is paid off. If you take the low dealer financing rate and forgo the rebate, then pay the loan off early, you have forfeited part of your "discount". By taking the rebate, you get the entire discount up front.

6. If a used car is selling for significantly below book there is usually a reason. One of the most common reasons is a salvage title. You have the right to ask the seller if the title is "branded". If you have an opportunity to see the title, look for the words "Rebuilt/Restored" printed on the face of the title. This usually means the car has been wrecked or stolen, then rebuilt and sold. This is quite common in Utah now because our laws are more lenient than those of other states. Several businesses in Utah specialize in buying totaled cars from other states to rebuild and sell in Utah. A "branded" title does not necessarily mean a bad car, but don't plan on it holding its value. You can investigate the vehicle's history on the internet at www.carfax.com or other similar sites. There is usually a cost for this information, but the cost of the history report can be a good investment compared to the cost of buying a bad car.

7. When looking at a car that you are interested in, jot down the entire VIN (Vehicle Identification Number) usually located on the dashboard, visible thru the windshield on the driver's side. The number can also usually be found on a tag on the driver's door jamb. Make sure the two numbers match. Also make note of the sub-model (EX, GT, Sport, Limited, etc). That along with a list of equipment on the vehicle and the odometer reading will help us get an accurate book value for the car. We're happy to help. Car buying can be a pain, but when armed with the right information it can actually be fun! Happy Hunting!