

# Three Steps to Save You \$3,000

by Credit.com

Too many buyers unnecessarily pay more than they need to for their cars. Do you know how to get the deal you deserve? Following these three simple cost-cutting steps can help you save big on your next car purchase.

## 1. Credit Check

Not checking your credit before you start shopping for a car is a huge mistake. Because your auto loan rates are directly tied to your credit scores, even a small inaccuracy on your credit report could cost you. Before you start shopping for your dream car, take an hour to check all three of your credit reports and credit scores online. You need to check all three credit bureaus because you don't know which one a lender will use for your application. If you have a credit score above 750, you can probably qualify for the best rates available and negotiate an excellent deal on your car. If your credit score is lower, see if you can't give it a boost before you apply for a loan.

## 2. Shop Online

Unless you have a perfect credit score in the 800's and can qualify for a 0% offer, you are probably not going to get a good deal on a loan directly from the dealership. Auto loan rates and fees offered by online auto lenders are usually a lot lower than the rates offered by a dealership's financing program. Plus, you can shop and compare rates online without causing damaging inquiries to your credit report. Most online lenders have calculators or rate guides that show you what rate you could receive based upon your credit score.

With an online loan, you fill out the application and receive an approval by email within a few hours. Then the lender mails you a check that is ready to be made out to the person or business selling the car. If you end up not buying a car or not using the loan, you simply toss the check (shredding it first of course). Plus, the check from the lender usually specifies a certain price range (for example, \$9,000-\$10,000). This leaves you with some room for negotiating a lower price with the seller even after you have received your loan approval.

## 3. Negotiate the Price

According to the book *Women Don't Ask*, women are willing to pay \$1,353 more just in order to avoid negotiating the price of a car with a salesperson. That's a lot of lost money, especially if you are financing the car with a long auto loan. Luckily, the internet makes negotiating with car dealers a whole lot easier. Before you start shopping, look up the listed price, invoice, and MSRP of the car you want through an unbiased site like Kelley Blue Book and request free price quotes online. Armed with these facts, you'll have an advantage over the salesperson when you start the negotiations. You should be able to save a couple hundred dollars, if not a few thousands, by negotiating with the car salesperson before you decide to buy.

### Proving It

You may be thinking: This is all fine and dandy, but does it really add up to \$3,000 in savings? Why don't we crunch the numbers using this free auto loan calculator to find out? Let's say you wanted to buy a \$12,000 new car and had \$1,000 saved for a downpayment. If you chose a loan repayment period of 60 months, had a credit score around 700, and got a loan through a dealership you would probably receive about a 9% APR.

**Dealership option:** \$249 a month - \$14,946 total costs

However, if you checked your credit reports and scores before you applied and found a way to boost your score to above 750, your interest rate from the dealership could drop to about 7%.

- **Improved score:** \$238 a month - \$14,257 total costs

You would have already saved \$689 dollars, just by checking your credit reports! That's a pretty good return on your investment. Next, you could reduce your rate even more by shopping for a loan online with your new credit score of 750. You could probably qualify for a 5% APR from an online lender.

- **Online loan:** \$226 a month - \$13,587 total costs

You would have saved \$1,291 by working on your loan options using Step 1 and 2. Finally, if you went to negotiate with the salesperson you could probably make a deal with the seller to reduce the price of the car down to \$11,000. In this case, you would only have to borrow \$10,000 with your 5% APR loan from an online lender.

- **Negotiated deal:** \$189 a month - \$11,323 total costs

**Your total savings from following these three simple steps would equal \$3,623 over the life of your auto loan!**