

Top 5 Worst Car Buying Mistakes

By Credit.com

Credit.com's experts show you how to avoid the five most common car buying mistakes. From dealer scams to credit traps, these mistakes could cost you thousands.

1. Buying new instead of used: Buying a brand new car is almost always a mistake. New cars lose anywhere from \$3,000 to 5,000 in value the second you drive them off the dealer's lot. If you are financing your car purchase with an auto loan, this depreciation means that you are instantly "upside down" on your loan (your loan amount is more than the car is worth). New car scent is appealing, but is it really worth thousands of dollars? Instead, skip this initial drop in value by purchasing a used car. The same model of car that is just one year older can be dramatically less expensive and can still come with the same warranties as the newest model. With all the money you'll save by buying used, you can afford a lifetime supply of new car scent air fresheners. Read more about why buying used makes sense.

2. Not researching online: Thanks to the internet, car buyers have a ton of information available to them these days. Websites like Kelley Blue Book, Cars.com, and Edmunds all offer free information about car models, features, prices, and more. You can even find owner ratings, car suggestions, and reviews on sites like CarTalk.com. Before you take your first test drive, you should compare cars in your price range, decide which car is right for you, and what price is fair to pay.

Once you have selected a car to purchase, be sure to get the VIN number and look up the vehicle's history report online with a company like Carfax. It is important to check a car's history even if it's new. A lot can happen to a new car on the way from the factory. There have been numerous cases of unscrupulous dealers trying to pass off vandalized or damaged cars as brand new. Plus, brand new cars damaged in floods or hurricanes often end up on the market. Avoid bad deals and lemons by doing your research online.

3. Thinking in monthly payments instead of price: A standard car dealer trick is to talk to you about a car's cost in terms of what you are willing to pay each month instead of the actual price. This can be confusing and is often misleading because the salesperson will use the longest auto loan term available (60+ months) to calculate your possible rates. A \$25,000 car with a five year loan has the same monthly payment as a \$16,000 car with a three year loan. The difference? You'll end up paying \$2,500 more in interest for the more expensive car. Unless you are great at calculating loan costs in your head, ask the sales person for the total price of the car and work out the auto loan payments on your own later.

4. Buying add-ons from the dealer: Add-ons are optional features that a dealer adds to a car. Common add-ons include undercoating, CD Stereo, alarm system, window tinting, chrome wheels, pin-striping, and leather seats. These features are often overpriced and used as a way to boost the sale price of the car. Plus, it's been shown that add-ons rarely add long term value to your car. In some situations, such an upgrade to a premium model, these add-ons can actually harm the resale value of a car. If you do decide that you need an add-on, check first with outside companies that may offer the service for less.

5. Financing with a dealership: Dealership financing offices usually offer auto loan rates that are several points higher than what you could receive from an online auto lender or credit union. As part of the car buying process, you should shop and compare auto loan rates from various sources. Reducing your loan from 8% to 4% could save you a bundle on the car of your dreams. However, dealership financing can be the best deal in some specific situations. For example, if you have bad credit and can't get a loan from an outside lender or if you qualify for a special 0% offer, dealership financing may be your best choice. Evaluating all of your options before you choose a loan is the best way to ensure that you are getting a good deal.

Avoiding these common mistakes can help you save thousands of dollars on your next car. You can read more about avoiding car buying mistakes in the [Buying a Car](#) and [Auto Loan](#) sections of our website.