

Car Ads: Reading Between the Lines

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Many new car dealers advertise unusually low interest rates and other special promotions. Ads promising high trade-in allowances and free or low-cost options may help you shop, but finding the best deal requires careful comparisons.

Many factors determine whether a special offer provides genuine savings. The interest rate, for example, is only part of the car dealer's financing package. Terms like the size of the down payment also affect the total financing cost.

Questions About Low Interest Loans

A call or visit to a dealer should help clarify details about low interest loans. Consider asking these questions:

Will you be charged a higher price for the car to qualify for the low-rate financing? Would the price be lower if you paid cash, or supplied your own financing from your bank or credit union?

Does the financing require a larger-than-usual down payment? Perhaps 25 or 30 percent?

Are there limits on the length of the loan? Are you required to repay the loan in a condensed period of time, say 24 or 36 months?

Is there a significant balloon payment -possibly several thousand dollars - due at the end of the loan?

Do you have to buy special or extra merchandise or services such as rust proofing, an extended warranty, or a service contract to qualify for a low-interest loan?

Is the financing available for a limited time only? Some merchants limit special deals to a few days or require that you take delivery by a certain date.

Does the low rate apply to all cars in stock or only to certain models?

Are you required to give the dealer the manufacturer's rebate to qualify for financing?

Questions About Other Promotions

Other special promotions include high trade-in allowances and free or low-cost options. Some dealers promise to sell the car for a stated amount over the dealer's invoice. Asking questions like these can help you determine whether special promotions offer genuine value.

Does the advertised trade-in allowance apply to all cars, regardless of their condition? Are there any deductions for high mileage, dents, or rust?

Does the larger trade-in allowance make the cost of the new car higher than it would be without the trade-in? You might be giving back the big trade-in allowance by paying more for the new car.

Is the dealer who offers a high trade-in allowance and free or low-cost options giving you a better price on the car than another dealer who doesn't offer promotions?

Does the "dealer's invoice" reflect the actual amount that the dealer pays the manufacturer? You can consult consumer or automotive publications for information about what the dealer pays.

Does the "dealer's invoice" include the cost of options, such as rust proofing or waterproofing, that already have been added to the car? Is one dealer charging more for these options than others?

Does the dealer have cars in stock that have no expensive options? If not, will the dealer order one for you?

Are the special offers available if you order a car instead of buying one off the lot?

Can you take advantage of all special offers simultaneously?

You're not limited to the financing options offered by a particular dealer. Before you commit to a deal, check to see what type of loan you can arrange with your bank or credit union.

Once you decide which dealer offers the car and financing you want, read the invoice and the installment contract carefully. Check to see that all the terms of the contract reflect the agreement you made with the dealer. If they don't, get a written explanation before you sign. Careful shopping will help you decide what car, options, and financing are best for you. Manik Thapar (MBA) <http://www.careerpath.cc>