Wheels 101®
Buyers Guide
Auto loan on older than usual vehicle

Rating: 5/5

 Convenience: 5/5
 Ease of Opening: 5/5
 Rate & Terms: 5/5
 Accessibility: 5/5

Only having a membership for around a year I was concerned about being able to borrow on a 2003 model car. I called over the phone and submitted an app and by the end of the day had my response. Not only was it approved, but at fair rate. A lot of times rates are much higher on older cars. Thanks ufcu! You have my business and my loyalty.

Quick, easy and convenient!

Rating: 5/5

 Convenience: 5/5
 Ease of Opening: 5/5
 Rate & Terms: 5/5
 Accessibility: 5/5

Super quick and convenient. I was able to do most of the loan online and just dropped off signatures when it was all said and done! The loan officers are awesome and very helpful! Yet again another reason why I stick with UFCU for EVERYTHING!!!

Absolutely the Best!

Rating: 5/5

 Convenience: 5/5
 Ease of Opening: 5/5
 Rate & Terms: 5/5
 Accessibility: 5/5

I've done lots of car loans in my life. The folks at UFCU are by far the very best. The way they do business is a model for all other businesses to follow. Fast, friendly, easy and very reasonable. Before you do a car loan anywhere else, you owe to yourself to look at UFCU and like me, you too will be a loyal customer!
University Federal Credit Union is different from any bank or automobile dealership. Because you own us, our financial welfare is directly tied to your financial welfare. Our goal is to help you buy wisely and save money, not simply to sell you a loan. That’s why you never have to negotiate with us. You always get the best price on every product and service, regardless of your negotiating skills. And that’s why we make you this promise. We’ll send you to another financing institution if they will give you a cheaper loan. Do you know any dealership or bank that will do that?

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Listen to the hype, and you'd think saving money in a car transaction is as easy as turning on your phone. In reality, it's about as easy as understanding your cell phone contract or your bill! And don't think saving money is easier after the recession that began in 2007 and its consequences. Sure, there are fewer dealerships. But there are more mega dealerships. Fewer dealerships and more mega dealers mean less competition. In my opinion, many mega dealers use the worst consumer tactics, too. And many dealerships now prosper because they fight toughest for customers. That fight includes a lot of tactics designed to confuse and at times intimidate you.

- Did you know that dealers can sell you a vehicle for no profit on that vehicle and still make thousands of dollars on you in the whole transaction?
- Did you know that “0%” financing is a fantasy for most people? As few as 8% of vehicle buyers who finance actually get such a promotional rate.
- Did you know that even if you get “0%”, the seller’s total profit on your purchase may still be thousands higher than you need to pay?

At the best dealership, you can throw away thousands of dollars if you are not very careful. Why? Because just about everything is negotiable at a dealership!

- The price of the vehicle is negotiable. Even though the seller may be willing to accept a cheaper price, they're not obligated to offer it.
- The amount you’ll get for your trade-in is negotiable. Sellers aren’t required to give you your vehicle’s true appraised value.
- Your interest rate is negotiable. Even if you qualify for a lower rate, a seller is not required to give you that rate! I regularly see members financing through dealers pay $4,000 or $5,000 more in interest than they need to pay!
- The cost of “add-ons” is negotiable. Some customers pay $1,900 for service agreements; others pay $900 for the same agreement.
- Some customers pay hundreds in unnecessary fees while others pay nothing.
Even safety and reliability are “negotiable” at dealerships.
If you sold the most dangerous car in America, would you tell all your customers that fact when they walk onto the lot? If you sell the most unreliable car in America, would you advertise that? Sellers can’t really tell you about safety and reliability.

How do you survive?
Actually, it’s easy! Because the car business is more competitive than ever, any dealership would rather sell you a vehicle for virtually no profit rather than lose a sale. The toughest dealership in Texas will slash their total profit, if you know how to ask. Even the dealership that sells the most unreliable vehicle will steer you to their best vehicle, if you know how to ask.

This guide helps you understand what happens at the dealership and teaches you how to gather the simple information that enables you, the customer, to pay the lowest total profit at virtually any dealership. The guide also works great with many of our online tools at UFCU.org.

So, what are we waiting on? Let’s get started!
The pressure starts before you get there. Just look at the dealer ads. They promise low payments, sales, big money for your trade, and respect for your intellect. But, as with most selling, these promises come with some crossed fingers.

Did you know that many dealers make more during sales than they do at non-sale times? That’s because consumers automatically equate the word “sale” with “save.” That’s dangerous math.

The real purpose of that dealership’s “Sale of a Century” advertising isn’t necessarily to give you the sale price. The purpose is to get you to rush down in a fit of excitement (“Really, just $129 a month?”) without stopping to think or compare costs or products.

What’s happening on the web? The same types of techniques are also used on dealership websites and at Internet buying services. The pressure and deception is less obvious on the web, but it’s still there. For instance, an online seller may sell you a new vehicle for an “Internet price,” a very low price. But that same seller may give you less than your trade-in is really worth in real dollars. Why do customers fall for that? They feel more comfortable dealing on the web than in face-to-face negotiations.

Why can’t dealerships help you make smart decisions? Although the people at any dealership (in person and online) will usually be nice and smiling, they have a different objective in the car buying transaction than you. Their business goal is to maximize profit. Accomplishing that goal might mean leaving out an important fact or two.

Dealerships wouldn’t survive long if they didn’t always put the best light on their products and prices. For example, what would you do if you owned a dealership that sold cars ranked lowest on the government crash safety tests? What would you tell all your customers? “Oh, don’t forget—our cars are the most dangerous on the road.” What would you say to a person who offered you a $2,000 profit? “Oh, we only want a $200 profit today!”

See the problem? To survive, even the best dealerships can’t give you the answers you need to questions about such matters as a car’s safety, reliability or resale value, its cost to the dealer, or the amount you should budget to pay for a new vehicle.
These questions are important. You'll need the answers before you even look in the direction of any seller of vehicles, on the lot or on the web. Why? Because once you're there, the “Track System” will take over, whether you like it or not.

**What are track systems?**

Track Systems are simply different ways to control you, confuse you, and put you on the road to maximum profit for the dealership. When you recognize and understand the system, you'll start on the road to saving big money. Here are the most popular Track Systems and selling techniques out there.

**The Deposit/Driver's License Technique**

You're barely seated when your salesperson requests your driver's license, or your Social Security number, or a deposit “to show my boss you folks are serious.” These requests have two objectives. First, if they get your money, you can't leave. Second, if they have your driver's license and/or Social Security number, they can run a credit check on you. Oh, did they forget to ask you first? Why would they do that? To determine the amount of profit they can squeeze out of you.

**The “T.O.” System**

“T.O.” stands for “turn-over.” You're sitting in a salesperson's office thinking you would rather extract your own wisdom tooth than go through this process, when your salesperson returns with reinforcement. The new smiling face asks for more money. Then the salesperson asks for more. And then the dealership chaplain comes in... The T. O. system operates on the principle of “fresh faces work miracles.” A miracle, in this instance, is defined as more profit for the dealership. And as long as you give, they'll keep asking.

**Spot Delivery**

“You can take it home today!” That is the most expensive offer any car dealer can make to you. Virtually every car dealership in Texas makes that offer daily.

To the dealer, spot delivery means you won't have the opportunity to compare costs and terms. This is a real danger to your pocketbook and sanity.

If you are financing with a dealership, the even greater danger of spot delivery comes days or even weeks after you’ve taken the car home, when the seller uses the tactic to squeeze more money out of you. Typically, you get a call later saying your credit wasn’t approved on the terms you agreed to, but your old car has already been sold. You're forced to pay a larger down payment and higher monthly payments. Thousands of consumers around the country are ruined financially by spot delivery every year.
Don’t fall for spot delivery! If you are financing at the dealership, never take delivery of a vehicle if the dealership tells you the finance contract is a “conditional” contract (one subject to change later by the dealer).

The Note System
Unlike the “T.O.” track system, which turns you over to another salesperson, the “note” system uses nice notes from the sales manager asking for more money.

Usually, the salesperson comes back with five notes, and usually the last two ask for raises of odd amounts of money—for instance, $113.29, and, finally, $23.19 (rather than $114 and $24). The note system has one basic problem. It makes you think the dealership is negotiating when it’s really only play-acting. Consider the odd amounts of money. By asking for $113.19 rather than $114, the dealership makes you feel like a tough negotiator. You think you’ve bargained them down to the last penny.

The “Four-Square” System
This system actually started in Texas. A salesperson puts a piece of paper in front of you divided into four squares and then asks for your “wish list” for each square. What do you want to pay a month? What do you want for your trade? What do you want to pay for the new car? Your wish is written in a square, however ridiculous the amount. They then ask for a large deposit and your signature in the fourth square.

Then they begin to “work” you on each square separately, starting with a figure much higher than the figure you wished you could pay. For instance, if you wished you could pay $300 a month, they tell you the payment will be $600. The dealership then very slowly negotiates down from their high figure, constantly scratching through figures. By the time the dealership finishes, the paper is illegible, you’re frazzled, and the salesperson is smiling. You’ve agreed to pay an additional $1,200 to $1,500 profit.

The four-square system is probably the worst system in use today because it was designed solely to confuse you. Avoid dealerships that use this system.

The Finance Manager or “Business Manager” Approach
Even if you have the cash in your pocket to pay for the vehicle, you will be forced to talk with the dealership’s finance people. Why? At most dealerships, the majority of profit on sales is made in the finance office. This holds true even if you aren’t financing with the dealership!
How can that happen? Most people think the need to negotiate is over when they get to the finance office. “Well, folks,” the salesperson may say, “now that you’ve gotten that great price, let’s go get the paperwork filled out.” Your guard goes down. That’s when the dealership goes to work on your pocketbook.

Finance managers, even if they are called business managers, financial advisors, or financial counselors, are simply high-paid salespeople who are almost always paid on commission. They are not unbiased, trained financial counselors, even though some may portray themselves as such. Their job is to “crush the back end” and “load ‘em up.” That’s finance manager lingo for add as many unnecessary fees and products as possible to your sale.

The “Leasing Is Better” Approach

Even if you’ve negotiated a great deal (as a matter of fact, especially if you’ve negotiated a great deal), most dealerships these days have one final surprise for you. They’re going to try to “switch” you to leasing rather than buying. They’re not doing this as a public service.

Leasing a vehicle is generally much more profitable to a dealership than selling that very same vehicle. Many times, dealerships can make thousands more by leasing you the very same car you’ve agreed to buy.

Leasing generally provides you less protection than buying. Drive more miles than your lease allows and you’ll pay a hefty penalty. Decide to turn your car in early and you’ll usually pay a hefty penalty. Lease a lemon, and you’re stuck! You don’t own it, so you generally don’t have the rights a buyer would have.

Leasing may make sense for some drivers in certain circumstances, but don’t be switched to leasing at the dealership.

A Final Word on Track Systems

Track systems, in any shape or form, are not friends of your pocketbook. The methods grow more sophisticated and subtle every day. For instance, many dealerships now track customers’ movements and buying attitudes by computer, so that managers and other salespeople can monitor those customers’ progress through the steps of the dealerships’ careful plans to sell.

How can you avoid the traps? Read on.
First you need to understand the transactions. Buying a car isn’t one negotiation; it’s many negotiations.

- You negotiate the value of your trade.
- You negotiate the price of the new car you’re buying.
- You negotiate the cost of financing, if you’re thinking about financing at the dealership.
- You negotiate the cost of fees, warranties, protection packages, alarm systems and other add-ons.

If you don’t know what you’re doing, you can save money in one area and pay too much in other areas. That’s no fun at all. So pay very close attention to the right steps in the buying process.

2.1 THE RIGHT WAY TO BUY, STEP BY STEP

The Wheels 101 approach doesn’t start with the car. It asks you to slow down rather than speed up, and think first about how much money you have to buy a car. Speed always costs you money in the car buying transaction. So, throw out conventional thinking, get a pencil, and do it like this.

How Much Can You Really Afford to Spend On a Car?

Most people let a dealership determine how much money they can afford to spend, a budget-busting way to find a car. Dealerships love to confuse you by talking about “payments,” “trade-in value,” and “difference figures.” The numbers are always changing! Who can understand that? Nobody.

Instead, let your budget tell you how much cash you have available to you to buy a vehicle.

Your Budget Determines Your Available Cash.

Based on your budget, you have an exact amount of money available to you right now to buy a car.
That amount of money is called “Available Cash.” Available Cash is made up of three things.

1. The cash your payment will buy you. Payments don’t buy you a car; they buy you a lump sum of cash. For instance, if you say, “I want to pay $400 for 60 months,” what you are really saying is “I can afford to buy about $18,000* in cash to purchase a car.”

   *[The actual amount would be determined by your qualified rate.]

2. Any cash your trade-in may give you after paying off your old loan.

3. Any other cash you may have. Rebate money or savings, for instance.

Understanding Available Cash turns you into a “cash” buyer. Cash buyers always have it easier. Here’s an example of the power of understanding your Available Cash figure. Please tell me which statement is the easiest to understand:

• “I drive a three-year-old Subaru Forester SUV and I owe $13,050.57 on it. I also have $1,000 in savings I want to use as an extra down payment. I want to pay $400 per month for 60 months on a new car.”

• “I have $31,000 in Available Cash.”

Both of those statements say the same thing. If you know your Available Cash figure you will always be on budget!

How much Available Cash do you have right now?

That’s easy! Just follow these six simple steps.

1. Determine how much you can afford to pay each month for a vehicle.

Can you afford to pay more than you do now? Do you need to pay less? Determine how much you can comfortably afford to pay per month. As a guideline, we recommend that your car payment should be no more than 15% of your gross monthly income. But, you decide.

What would be a sensible payment for you? Write the figure here.

$______________________.

2. Decide how many months you want to finance.

The longer you finance, the more interest you’ll pay. That’s why we hope you’ll go with the fewest months that will fit your budget.

For instance, the payment on a $15,000 loan financed for 48 months costs you only $2 a day more than the payment on a $15,000 loan financed for 60 months. You spend more on break, don’t you? By increasing your payment $2 a day, you would save over $1,000 in interest. And you would have twelve fewer payments. Genius! Pass “Go” and go directly to a nice, long weekend in the Caribbean!
So, how many months do you want to make payments?

I WANT TO MAKE ______________ PAYMENTS

3. Estimate the cash from your automotive loan.

To estimate the lump sum of cash your desired payment (step 1) and term (step 2) will bring a current interest rates, use the calculator at UFCU.org. On our home page, click on "Loans," and select "Auto Loans." Use the calculator "How Much Will You Pay." Select "Payment Amount," then enter the figure from Step 1. Enter your desired term in months or years. Next, enter the current UFCU interest rate for the term and your estimated credit level (excellent, good, average, fair/no score, etc.) Then click "Calculate." The "loan principle" is the cash amount your preferred loan will provide. Write that loan principle amount here.

$____________________

Important: Remember this figure is an estimate, Interest rates and your credit level can change. In Step 6, we show you how UFCU can help you get the loan you qualify for based on steps 1-5.

4. Determine if your old car will contribute any cash to your Available Cash pile.

- Determine your old car’s wholesale value. That's the amount a dealer will pay you for it. You can call UFCU for a rough figure, or you can visit UFCU.org, click "Tool & Advice," select "Buy or Own A Car," and use the Vehicle Value Tool. Write the figure here.

  My old car’s rough wholesale value is: ........................................... $____________

- Determine a rough “Payoff” on your old loan. Multiply out the remaining payments and write the figure here.

  My remaining payments total: .................................................. $ ______________

- Now, subtract your payoff from your wholesale value.

  My old car’s rough wholesale value ........................................ $____________

  Minus my estimated payoff .................................................. ($ ____________ )

  The difference in the two figures ........................................... $ ______________

- Is the difference a plus or a minus? If it’s a plus, congratulations! That figure will be added to your Available Cash pile. If the figure is a minus, you may be in trouble! Call UFCU at (512) 498-CARS or (800) 252-8311 before heading to any dealership.

Why use a “rough” wholesale figure for the value of your old car? Determine its true wholesale value. Clean it up, drive it to three or four used-car operations, and ask them what they will pay to buy your old car outright. The highest offer is what your car is worth in true wholesale dollars right now.
5. Decide what additional cash you have to use as a down payment.

Do you plan to use cash from savings as a down payment? Are you considering a model with a specific cash rebate? Write those figures here.

- Cash from savings .................................................. $ ____________________
- Rebate ........................................................................ $ ____________________

You can find out about available rebates on specific models by visiting one of the online commercial pricing guides such as nadaguides.com, kbb.com, or edmunds.com. Get your rebate figure, ignore the sales pitches, and come back here to wheels101.com. There is also a helpful link on the UFCU website. Click on “Tools & Advice,” and “Vehicle Values.”

6. Figure your total Available Cash figure.

Using a pencil and paper. Put the figures from steps 3, 4, and 5, into the following form and add them together to determine your total available cash.

- ESTIMATED CASH FROM MY DESIRED LOAN (Step 3) $__________________
- NET WHOLESALE VALUE OF MY TRADE-IN (Step 4) $__________________
- TOTAL CASH DOWN PAYMENT AND REBATE (Step 5) $__________________
- TOTAL AVAILABLE CASH $__________________

When you’ve finished, write your Available Cash figure here.

MY AVAILABLE CASH IS $__________________

Using a UFCU representative. If you want UFCU to figure your “Available Cash” figure for you, fill this form in, using the information from the first five steps before calling UFCU at the numbers below.

1. I plan to pay $ _________ per month for_________ months (from #1 and #2).
2. My trade-in is a (year) _________(Make)_________ (Model)
3. My car is financed at_________ (if you still owe on it)
4. My loan number is_________ (if you still owe on it)
   (You’ll find this info on your trade-in on your payment booklet)
5. I also plan to put down this much cash: $__________ .

Now simply call (512) 498-CARS or (800) 252-8311 and we’ll tell you your “Available Cash” figure, no obligation! Write the figure here.

MY AVAILABLE CASH IS $__________________
The Point to Remember: Your Available Cash is all the money you've got to spend for your vehicle, including the cost of the car, taxes, and other charges. Exceeding your Available Cash is like bouncing a check on your budget.

2.2 SHOPPING FOR A NEW VEHICLE

Now that you are a smart “cash” buyer, be smart about choosing the vehicle that fits your budget. Does safety matter to you? How about reliability? How about resale value? How about the costs to operate the vehicle, like insurance? Sellers generally can’t give you useful information about these critical questions. We can. Following are some great links to tough, consumer-oriented websites that tell you the truth about safety and reliability and help you research insurance and other ownership costs. UFCU offers low cost payment protection, mechanical breakdown protection and even car insurance. Call us for a comprehensive, low cost quote.

Now that you are a cash buyer, protect that cash!

Learn how to shop before you head to a dealership or website. Like a chocoholic’s first whiff of a candy factory, your first visit to the dealership poses the maximum danger to your pocketbook. Those new cars look so good, and dealerships know how to turn up the fires of your enthusiasm and singe your reason.

So put your emotions aside. Be wary. Slow down. Save the emotions for the moment you finally drive away in your shiny new car — on budget for a change and with an extra thousand or two in your pocket. Now that's something to get excited about!

Here are some simple rules to remember:

• Get pre-approved at University Federal Credit Union. Pre-approval makes you a cash buyer and cash buyers know exactly what they can afford and how much money they can spend on a vehicle. It is important that you know about your credit before you step foot in a dealership. Through our pre-approval program, UFCU can go through your credit with you and tell you what to expect when you get to the dealership. If you think you have “bad” credit, you need to talk to UFCU first. We can explain your credit and talk about your options. Getting pre-approved through UFCU has never been easier! Apply online 24 hours a day, 7 days a week at UFCU.org.

• Narrow your choice to one or two models or makes that fit your Available Cash figure before setting foot on a car lot. Think about cars with an MSRP or “sticker price” roughly equal to your Available Cash figure. You might pick two Honda dealerships or one Honda and one Chevy dealership, for example, but narrow the choice to two.
Choose two nearby dealerships that carry the vehicle you like. If you’ve done your homework, where you buy isn’t important. Even the toughest dealership will give you a great price if you know how to ask. That’s why we strongly recommend that you shop and buy locally.

Call each dealership and ask if you are required to sign a forced or binding mandatory arbitration (BMA) agreement if you buy a car from them. Virtually all consumer organizations, including Consumer Reports Magazine, recommend that you not buy vehicles from dealerships that require forced arbitration agreements. These agreements severely limit your legal rights, although they generally don’t limit the dealers’ rights to take action against you. If any dealership requires a forced arbitration agreement, consider finding a dealership that doesn’t have a forced arbitration or BMA clause in its contracts. But here’s the rub: About 99% of all dealerships have forced arbitration clauses. You may be forced to buy from a dealership with this very bad clause. Want more details? Visit www.fairarbitrationnow.org.

Find one car at each dealership that best fits your needs. Make sure you would really like to drive that car for years.

Don’t buy on this visit! Take control of the transaction. Tell the salesperson you are not buying a car today under any circumstances, but you will buy soon. Take a test drive, but be firm. Don’t let the salesperson lead you into any discussion of buying today. If you start to feel pressure or confusion, leave immediately.

Copy all the information from the Manufacturer’s Suggested Retail Price (MSRP) sticker (not the dealer's sticker), before leaving the dealership. The MSRP is the lowest price sticker. Copy the Vehicle Identification Number number, the base price of the car, the price and name/code of its options, and anything else listed on the manufacturer’s sticker. For now, ignore the dealer’s sticker, which usually is glued next to the Manufacturer’s sticker. The dealer sticker normally contains highly inflated profits.

Generally, pickup trucks and full-size conversion vans are not required by law to have an MSRP, so the price sticker on the window may be any figure the dealer wishes. Trucks and vans, however, have a specific cost. Copy down the stock number and the base vehicle and option codes and prices for the truck or van you’ve picked. The next step tells you how to find the true cost of trucks and vans, as well as cars.

Now compute the dealer’s invoice cost. What did the dealer pay for the specific vehicle you like? Smart buyers always negotiate up from what the dealer paid for the specific vehicle, never down from the dealer’s asking price! How do you compute the dealer’s
invoice cost? You can call UFCU and they’ll figure the cost for you. Or you can visit UFCU.org, click “Tools & Advice,” and then “Vehicle Loans.”

- **Check to see if the car will fit your Available Cash.** This is the moment of truth. After you pay for the car, give the dealer a profit, and pay tax and other charges, will you still be within your budget? Use the “Wheels 101 Buyer’s Fact Sheet” located on the next page to help you do this, but first decide how much profit you want to pay a dealer. This is the last variable in the transaction.

- **Determine a fair profit.** What is a “fair profit,” anyway? You have a perfect right to pay all the profit you want. But, for most of us, the least any dealer will take is the fairest profit! The only way to determine the least a dealer will take is to make your first offer the dealer’s invoice cost for the vehicle. That figure usually contains “hidden” profits. At times, a dealership will be happy to accept “cost” rather than lose a sale. The only way to know whether a dealer will do so is to offer that figure and stick to it for a while. But if starting at zero bothers you, add any figure you’d like as a profit figure.

### 2.3 WHEELS 101 BUYER’S FACT SHEET

Here’s an easy place to pull all this loose information together. Just fill in the blanks. If you need any help, give us a call.

1. Put the cost of the vehicle, including freight and options, here: $ ______________________
2. Then, add the profit you want to pay: $ ______________________
3. Now, add tax, title, license (the salesperson told you): $ ______________________

   The TOTAL gives you your offer on the vehicle: $ ______________________

Now compare your offer to your Available Cash figure to determine if you are over or under budget.

   My Available Cash figure is: $ ______________________
   My offer on this vehicle is: $ ______________________
   I am under/over budget by this much: $ ______________________

Do you see the importance of this fact sheet? It shows the entire transaction in its simplest terms. If your Available Cash figure is greater than your maximum offer, your payment is going to be within your budget, as you expected. If your Available Cash is less than your maximum offer, you’ll need to find some more cash, expect a higher payment, or look for a less expensive vehicle.
Another Piece of Important Information: Your “Difference Figure”

If you’re planning to trade in your car, your old car’s wholesale value is already included in your Available Cash figure. You’ve, in essence, already turned it to cash. But dealerships don’t talk about the transaction in these terms. For example, dealership contracts typically do not show the wholesale value of your trade-in or the discount from MSRP represented by the new vehicle price you negotiated. Instead, the dealership says, “Okay, what you owe us is X dollars and your old car.” That dollar figure is called the “difference figure.” You should determine your “difference figure” right now for the car you like. You will use it in negotiating for the vehicle and reviewing the contract to be sure you are within your budget. It will help you ignore that treacherous catch-all category in auto sales contracts, the “allowance.”

Your maximum offer on the car you like: .................... $ _____________________
Minus your trade-in’s wholesale value: ......................... $ _____________________
Equals your difference figure: ......................................... $ _____________________
Three
Dealing with the Dealership – Negotiating the Right Way

The secret to winning (i.e., saving lots of money) is to stay in control, keep things simple, and never be pushed. The following steps will help you.

1. **Make an appointment with your salesperson.** These men and women work hard and work on commission. If you liked the person who assisted you on your first visit, go back.

2. **Put these pieces of information on a summary sheet.**
   - The wholesale value of your trade, if you’re trading.
   - Your Available Cash figure.
   - Your maximum offer on the one car you like.
   - Your maximum “difference” figure, if you’re trading.

3. **When you arrive at the dealership, ask to go to the salesperson’s office.** Take the initiative and you take control of the situation. Tell the salesperson you are definitely going to buy a car but not necessarily from that dealership. Say there are other cars you like as well as this one. Why? To increase your bargaining power.

4. **If you have a trade, ask to have it appraised before you discuss the new car.** Keep the transactions separate.

   Many dealerships will, at first, refuse to give you the true wholesale value of your car. They’ll want to talk about “allowance,” a meaningless figure, or worse, they’ll refuse to have your car appraised. If you run into a dealership that refuses to deal straight with you, find another dealership.

5. **Agree on the wholesale value of your trade.** If the dealership offers you as much or more than your car’s true wholesale value, proceed to the next step. If they won’t
give you true wholesale, sell the car to the used-car source that put a price on it, sell it yourself (the best idea) or go to another dealership.

6. Make an offer on the new car and be prepared to negotiate. You’ve finished talking about trades. You’ve agreed what they will pay to buy your car. Now it’s time to see what you must pay to buy their car. These are two separate transactions. Your goal now is to set the scale of bargaining in your favor.

Remember you are going to bargain up from dealer invoice cost or whatever you determined would be your lowest offer. Then keep control of the negotiations.

How do you do that? Whatever your first offer, expect the dealership to counter offer. Don’t be afraid to counter offer yourself. Just offer a very small amount of money. The conversation might go like this:

Salesperson: “What if I could give you a 10% discount?”

You, the smart shopper: “No, let’s do it my way. I’ll offer you $15,000, the invoice cost on that car.”

The flustered salesperson: “But, my boss will never accept that!”

You: “Well, why don’t we offer it and see? I’ll even sign a buyer’s order saying I’ll buy at that figure.”

Salesperson, now calmer: “Okay. Let me fill out this sheet. I’ll need a deposit before I can take this offer to my boss in order to show him that you’re serious, you understand.”

You, very firmly: “I’m sorry, I won’t give you any deposit until my offer is approved in writing.”

Salesperson: “But we’re not allowed to do it like that.”

You: “If you can’t, I’ve got an appointment at a dealership that will.” The salesperson leaves, then returns and agrees to do it your way. You’ve offered $15,000. They now ask $20,000.

You: “I’m sorry, no. I will go up a bit. Why don’t I give another $25?”

Startled salesperson: “What?”

You: “Okay, make that an extra $30. I’ll give you $15,030.”

Do you get the idea? Set the scale of bargaining in your favor. Be raised a time or two, that’s part of the game. But don’t be raised much. And don’t give a deposit until your offer is approved in writing. Dealerships use deposits simply to make it harder for you to escape.

Rather than taking money, some dealerships will ask for your driver’s license or credit cards as a deposit. Don’t give it to them.
7. When you reach agreement, and you are looking at a completely filled out “buyer’s order,” compare the “amount due” line to your “difference” figure. If you don’t see this figure, ask the salesperson. Make sure it includes tax, title, license and any other dealer charges. Are you on budget? If this figure is below your difference figure, you’re home free. If it’s above it, stop the transaction! You’ve just gone over budget.

8. If the difference figure is okay, give a small deposit. Dealers will ask for hundreds or thousands, but, unless you’re asking them to order a Cadillac without air conditioning or to paint your car pink and green, don’t do it. Any amount of money makes a contract legally binding. Fifty dollars should be enough.

9. Now be prepared to deal with one or two or even three other salespeople. You’re not free yet. As I warned earlier, even if you’re paying cash, even if you have a credit union check in your pocket, many dealerships will virtually force you to talk with finance managers. They’ll also insist that you talk with their “after-the-sale” manager. This might be a finance manager or separate person. This person will try to sell you warranties, “protection” packages such as rustproofing and undercoating, and add-ons such as alarm systems.

10. Be prepared for the leasing switch. Don’t forget, this is the time a dealership may try to switch you to leasing.

How to Handle the Finance Manager’s Sales Techniques

If you are financing with UFCU, of course, you won’t have these pressures. Dealership finance managers can’t manipulate figures as easily to increase their profits if you aren’t financing with them. Wheels 101 recommends a simple approach for evaluating the cost of dealership financing, insurance, protection packages, warranties, and other add-ons. Ask the dealership to give you printed figures to compare to other loan sources. Here’s one way to do it. After the sales pitch, which invariably presents dealership products and services as the cheapest and best, you might say, “That sounds fine. If your loan and products are cheaper, I’ll certainly finance with you. Now, would you mind giving me a copy, completely filled out, of the contract you want me to sign so that I can compare it to other sources?”

Banks will be happy to give you exact figures and so will the credit union. UFCU will tell you its charges for the loan itself, payment protection, and warranties. If the dealership is cheaper, shouldn’t they be willing to allow you to walk out with a completely filled-out copy of their finance contract?
Wheels 101 Tip: Signing Things: Look at your paperwork carefully and make sure the dealership doesn’t ask you to sign a Forced Arbitration or Mandatory Arbitration agreement. Sometimes, these are called “Dispute Resolution Mechanisms.” These agreements take away many of your legal rights, even if a seller steals from you or sells you a lemon. How to protect yourself? Contact any source before visiting it. If they require a mandatory arbitration agreement, don’t go to that source, and tell them why.

If the dealership will let you walk out with a copy of their filled contract, bring it to a UFCU financial center location or fax it in. UFCU’s fax number is (512) 421-7455. UFCU will print out an amortization schedule for the exact same amount of money. You decide which is cheaper. If a dealership won’t give you a copy of their filled-out contract to compare to our figures, what does that say?

Remember UFCU’s promise at the front of this guide. If another source is cheaper, we’ll send you there.

What About Dealer “Add-Ons”?
Some dealers try to force you to pay for “environmental packages” or “protection packages” containing items like additional rust proofing, extra fabric conditioning, or paint protection. Virtually all consumer groups consider these products worthless. If you agree, don’t pay for them. All dealers offer extended service contracts, too. These contracts can make sense if you’re planning to keep your car for longer than the manufacturer’s warranty, but it never makes sense to spend hundreds and thousands more than you need to for service agreements. If you think you may need one, talk to UFCU about our credit union-backed plans.

After You’re Finished with the Finance Salesperson
Don’t celebrate quite yet. If you’re financing at the dealership, don’t forget that many will insist you take the car home that minute. It’s the evil spot delivery tactic. Don’t fall for it! Never take delivery of a vehicle unless the final contract figures have been agreed to by the financing company. Don’t sign “conditional” sales contracts that allow the seller to change the terms of your contract!

If you’re financing with the credit union, just call, and we’ll have you ready to roll in an instant.

Giving the Vehicle One Last Inspection
When you finally pick up your new wheels, check that beauty over carefully. Don’t look at it in the rain, which can hide surface defects. If everything’s okay, smile. You did it the Wheels 101 way and probably saved a lot of money!
A used car, wisely bought, is a much better buy than a new car for many of us. Usually you can buy more car for your money, have less depreciation, and enjoy lower payments. Three good reasons to smile. If you’re not careful, however, buying a used car can be a disaster. You might pay too much for a car that’s unsafe, a lemon, and vastly overpriced. Three good reasons to buy a bike instead.

Do it the Wheels 101 way, and you’ll be driving a fine buggy every time. Here’s how.

1. Get pre-approved at University Federal Credit Union. Pre-approval makes you a cash buyer and cash buyers know exactly what they can afford and how much money they can spend on a vehicle. It is important that you know about your credit before you step foot in a dealership. Through our pre-approval program, UFCU can go through your credit with you and tell you what to expect when you get to the dealership. If you think you have “bad” credit, you need to talk to UFCU first. We can explain your credit and talk about your options. Getting pre-approved through UFCU has never been easier! Apply online 24 hours a day, 7 days a week at UFCU.org.

2. Determine your Available Cash. See Chapter 2 for the steps. Write that amount here:

   $____________________________.

3. Do your homework.

   • Where can you find a good used car that fits your Available Cash?
   • How can you know if that used car has been totaled?
   • How do you know if it’s safe?
   • How do you price a used car?
   • Which used cars have good resale value and maintenance histories?

To find answers to these questions, use the resources in Chapter 2.2. But before you go there, read on.
4. Shop for cars with a “Wholesale value” about $1,200 under your Available Cash figure. Don’t worry about the car’s “asking price.” That’s what the dealer dreams you’ll pay.

Incidentally, the reason you’re looking for cars $1,200 under your Available Cash figure is to leave room in your budget for dealer profit, taxes and the like.

Don’t worry about where you shop, either. When you buy a used car, where you shop isn’t nearly as important as how carefully you shop. Look in the newspaper. Look at used car and new car lots.

Use websites such as eBay or other online markets cautiously: Unfortunately, many unscrupulous sellers are pushing wrecked cars and worse on sites such as eBay, and guarantee generally doesn’t protect you enough from this fraud. What do I recommend? Don’t buy from eBay without personally seeing the vehicle.

CARFAX is another service that can be abused by unscrupulous sellers. Many dealers now use a CARFAX report to convince you a used vehicle is in top shape. But here’s the problem: CARFAX can give no guarantee that the records on the car are complete. Lack of complete data gives an unscrupulous dealer wiggle room when talking about the condition of a vehicle. How do you protect yourself from that? Always—always—have any used vehicle checked out by a mechanic, even if CARFAX says it’s perfect.

Don’t shop on rainy days when it’s hard to see body damage and you’re less likely to give the car a thorough checkover. Don’t be in a hurry. Used cars are unique, and a car that looks just fine can be a monster.

5. If you like a particular car, attempt to get the name and number of the previous owner. If a seller won’t (or can’t) give you this information, make sure you check this car out very carefully with the help of a mechanic or diagnostic service.

6. If possible, talk to the previous owner and ask them a) how many miles were on the car when it was traded in; and b) what was wrong with the car? Make a list of the car’s problems, in detail. On rental and lease vehicles, you probably won’t get the name of the actual person who drove the vehicle. But you do have the right to know if that vehicle was a rental vehicle, driven by many persons, or a lease vehicle, usually driven by one person. Generally the title of the vehicle will tell you, so insist on seeing it.
7. Have the car checked out by a diagnostic service. Again, if the seller won’t let you do this, don’t buy the car. Don’t even take it as a gift.

There are good mobile diagnostic services, such as Auto PI (www.AutoPI.com) in Austin.

8. Now, budget the repair costs and use them as bargaining chips. If your Available Cash figure is $15,000, and a mechanic says you need to spend $1,000 on repairs, you can’t spend more than $14,000 on that particular car. Don’t be shy in telling the seller.

Forget “asking price,” as we said. Start bargaining up from wholesale value, a figure your trusty credit union will give you.

9. After you agree on price, negotiate a warranty. Don’t even mention warranties until you agree on price. If you do, some sellers will just add the cost of a warranty to their selling price without telling you.

Fight for a free ninety-day, 100% drive train warranty. Under the terms of this warranty the seller will repair anything that makes the car run for three months. Power windows and the like aren’t covered, but you can live with that. If you can’t get a free ninety-day warranty, try for a sixty or thirty day.

Avoid any “50/50” warranty. You know, you pay half, they pay half. What’s the problem here? If you have a $50 repair, some dealers will give you a bill for $100. Your 50 percent now just happens to be the whole bill.

Dealing with the Dealer.
Lots of fun and games happen at dealerships, and if you’re not prepared, your pocketbook is not going to like you. Before going any further, read “Negotiating the Right Way,” the third chapter of this trusty buyer’s guide. There we give you dealer tactics and very successful ways to counter them.
Don’t forget that you can find more tools to help you buy a vehicle on UFCU.org. Select the "Tools & Advice," tab and select "Buy & Own a Car." You’ll also find resources including UFCU's current auto loan rates at "Car Loans" under the "Loans" tab.
Remember, if you have any questions, you’ll find a well-trained Wheels 101 advisor by calling (512) 498-CARS or (800) 252-8311.

University Federal Credit Union’s Wheels 101 program is an oasis from the pressure and confusion many people feel in the car-buying arena. Isn’t that what you’ve been looking for?