



SMART

FIRST CAR
FINANCING

FIRST TIMER'S GUIDE
Vehicle Purchasing

 CREDIT
UNIONS



SO MANY
OPTIONS





Maybe you're looking to buy your first car. Or your first *real* car. Either way, you face a lot of choices when you're buying your first vehicle.

Do you want heated seats for those cold Canadian winters? Or do you need cruise control to keep you in the limit? Are you living in a city where a microcar can squeeze into small spaces? Or do you go off road a lot and need an SUV to get you there? Should you lease or own? Buy new or used? Get a loan with a fixed or variable interest rate?

These are just some of the questions you'll have to ask yourself when you start thinking about purchasing your first vehicle.

And your credit union is here to help you get the information you need to make the best decision possible so you drive away from the lot with a confident smile on your face.

The best place to start is right here.

Our First Timer's Guide will get you started on choosing the right vehicle to meet your needs, determining your best financing option, and how to save money along the way. At the credit union, we want to make sure you have all the tools and information you need so you get behind the wheel of your ideal vehicle while staying on budget.

Choose your road.

- If you've already done some research and want to talk to one of our financial experts about vehicle purchasing, [contact us](#) today.
- If you're still looking for more information, read on. We have lots of helpful tools, advice and links to get you on your way.

Are you ready for that new set of wheels?

How much can you afford?

Buying your first vehicle is a significant purchase. Figuring out how much you can afford is the first step. That way you'll know if you're in the market for a beater, a Beamer or something in between.

Our [First Timer's Guide to Budgeting](#) will help you get a sense of how much of your budget can go towards that new set of wheels. And you can always book an appointment with your credit union to discuss your options.

Other Costs to Consider

When buying a vehicle, the purchase price isn't the only cost to keep in mind. For example, depending on where you live and how much your drive, all-season tires might not do the trick—so you'll have to invest in a set of summer and winter tires. These types of additional costs are a significant part of owning a vehicle. You should take them into account when you're trying to calculate how much of a monthly payment you can afford. Important costs to consider include:

Cost of vehicle:

- Purchase Price
- Additional Dealership Fees

Upfront costs:

- Down Payment
- Vehicle Insurance
- Loan Protection Insurance (recommended)
- Vehicle Registration
- Vehicle Permit

Ongoing costs:

- Loan Payment
(including optional loan protection insurance)
- Vehicle Insurance Payment
- Vehicle Servicing and Maintenance
- Winter Tires or New Seasonal Tires
- Fuel Costs
- Vehicle Permit Renewals
- MVI Safety Inspection



Minivan or monster truck: *Which vehicle is right for you?*

Choosing the right vehicle should be fun. But you should consider what you're going to use the vehicle for and what features are most important to you, to narrow down the choices. A sports car might be a blast in summer but what about when there's 3 feet of snow on the ground? And it might be nice to have oversized mud tires, but do you really need them driving in the city, considering how much they'll cost in extra gas mileage? Start by asking yourself the following questions:

What will you be using your new vehicle for?

- Work (sales travel, trade work, etc.) or as a second car?
- Daily or weekend driving?
- Frequent long trips or short trips?
- More city, highway or rugged terrain driving?
- Travelling with children or pets?
- Do you need extra storage capacity?
- Will you be travelling with sports equipment?
- If you're in the market for a more non-traditional vehicle, like a boat to take out on the lake or an RV for long road trips—no problem! Just talk to your credit union to find out how to make your dream vehicle a reality.

What features are important to you?

- Do you want cruise control?
- Would you prefer a hybrid to a regular vehicle?
- Would you prefer power seats, windows, or locks?
- Do you want a sunroof?
- Would you like heated seats?
- Do you want GPS and Bluetooth compatibility?

GOOD TO KNOW

There can be more advantages to being green when choosing an environmentally-friendly vehicle. Like lower interest rates and flexible repayment options. Be sure to ask about green advantages when discussing financing options.

The chart below gives you an overview of the different classes of vehicles on the market to help you narrow down your choices.

TYPE	DESCRIPTION
Microcar	Microcars are the smallest automobile on the market and are best suited for city driving and light loads.
Sub-compact car	Sub-compact cars are best suited for short distances and lighter loads.
Compact car	Compact cars are economical multipurpose vehicles.
Mid-size car	Mid-size cars are generally more expensive to purchase and maintain than lower class categories.
Full-size car	Full-size cars are great for long distances, typically have more powerful engines, and are built for comfort.
Sports car	Sports cars offer performance and luxury.
Luxury car	Luxury vehicles are generally the most expensive to purchase and maintain.
Minivan	Minivans are ideal for large families looking for safety and convenience.
SUV (compact, mid, or full-size)	SUVs offer the best performance for rural or off-road conditions. Lifestyle generally dictates the level of performance required and therefore would determine whether a compact, mid- or full-size SUV is appropriate.
Pickup truck (mini, mid, full, or heavy duty size)	Pickup trucks are best suited for those who require hauling capacity. The type of materials to be hauled, distances travelled, and frequency of use would determine whether a mini, mid, full or heavy-duty size pickup truck is appropriate.



New versus used: *What's right for you?*

Once you've decided on what type of vehicle, the next big question is often: *"Should I buy new or used?"* There are pros and cons for each.

Buying New

There are several advantages to buying new. For one, you don't have to worry about whether the vehicle has been in an accident or why the backseat smells like pink bubble gum. New vehicles also come with a manufacturer's warranty that won't cost you extra. And the newer the vehicle, the more you can customize it to reflect your personal style—whether that's a purple interior with a black exterior, the latest gadgets, or higher fuel efficiency with lower emissions. Often new cars also come with regular scheduled maintenance for a period of time—something worth factoring into your price comfort zone. And finally, buying new means less legwork—once you choose the right vehicle, you can go straight to the dealer—no online hunting or visiting private sellers in the boonies.

Buying Used

One of the biggest advantages to buying used is the value you get. Why? Because a new car depreciates approximately 30% the first year you own it. Buying used also means you're paying less, so you might be able to step up your ride to a nicer model without spending more. As an added bonus, a used car can also cost you less in insurance. It's always a good idea to get a sense of insurance costs for the type of vehicle you're interested in before you buy. And while buying used may require more time on your part, you may be able to find a model or design you prefer that's no longer available new.

Pros and Cons of Buying New or Used

BUYING NEW	
Pros	Cons
<ul style="list-style-type: none">• Car hasn't been in any accidents• Comes with a manufacturer's warranty• Can be customized• More fuel efficient with lower emissions• Comes with regular scheduled maintenance for a period of time	<ul style="list-style-type: none">• Depreciates approximately 30% the first year• Can cost more in insurance
BUYING USED	
Pros	Cons
<ul style="list-style-type: none">• Depreciation period has passed so it's a better value for the money• Upgrading to a nicer model may cost less	<ul style="list-style-type: none">• Less ability to customize• More legwork/research• Car comes with a history

GOOD TO KNOW

It's always a good idea to get a sense of the insurance costs for the type of vehicle you're interested in before you buy.



TIPS FOR BUYING USED

- Check if there's a warranty, and see if it's transferrable.
- Do an inspection and check the condition of:
 - o Exterior paint
 - o Evidence of rust
 - o Windshield/Windows
 - o Tires (including the spare)
 - o Interior appearance
 - o Instruments
 - o Features
 - o Lights
 - o Road test: brakes, accelerations, handling, etc.
- If the vehicle passes your preliminary inspection, ask to do a full MVI test before sealing the deal. If the seller objects or refuses, walk away, don't drive away.
- Check [consumer guide publications](#) for tips and models to consider and avoid when buying used.

Should I consider leasing instead of buying?

Leasing can sound great. Low monthly payments and the ability to change cars frequently. But what are your priorities? How do you plan to use the vehicle? What can you afford? When you lease, the leasing company still owns the vehicle—while you're on the hook for the maintenance and repairs during the lease period. Conditions can also apply, like penalties for wear and tear, mileage limits, and penalties for breaking the lease early. Understanding all these conditions is crucial when deciding between leasing and buying. Borrowing to purchase a car may be more practical and less expensive long term. Talk to your credit union—we'll help you compare both options and choose what's right for you.

Pros and Cons of Leasing versus Buying at a Glance

LEASING	
Pros	Cons
<ul style="list-style-type: none">• Low monthly payments• Ability to change cars frequently	<ul style="list-style-type: none">• Company owns vehicle• Maintenance/repairs are lessee's responsibility during lease term• Mileage limits• Possible penalties like for breaking the lease early
BUYING	
Pros	Cons
<ul style="list-style-type: none">• May be less expensive long term• More practical• Car loan can help build credit score• Vehicle belongs to owner	<ul style="list-style-type: none">• Less ability to change cars frequently



Now that you know what vehicle you want, how do you finance it?

Pre-approval

Buying a new vehicle should be fun and as stress free as possible. A pre-approval can help. Meeting with your credit union to get a sense of how much you can afford means you know exactly what you can spend before you start shopping.



WHAT TO BRING TO YOUR VEHICLE LOAN PRE-APPROVAL MEETING:

- Personal Information
- Employment Verification
- Asset and Liability Information (What you own and what you owe)

READY TO SIGN A FINANCING OFFER? HERE'S WHAT YOU NEED AFTER PRE-APPROVAL:

- Description of the vehicle
- Insurance confirmation

When you meet with your credit union, we'll help you understand how much you can borrow and how much you can afford to spend. We'll explain what costs you should consider and the benefits of getting insurance quotes for the make and models you're interested in purchasing. We'll also help you calculate ongoing fuel costs and servicing fees to help you decide on a vehicle purchase price range.

Once you receive pre-approval, you're under no obligation. But you'll be in a better negotiating position once you understand what you can afford. That way you can enjoy the experience, knowing you don't have to wait for financing approval—you can make the deal that gets you into the driver's seat of that perfect-for-you vehicle as quickly as possible.

What should I know about vehicle financing options?

Everyone has to start somewhere. Starting with the basics gives you the power to make the right decisions now rather than looking back with regrets. We're here to help ensure that you have the right information to make the right decision. At the credit union, we offer you financing options to give you flexibility and put you in control of your money. Features like paying off your loan faster with weekly or bi-weekly payment options or repaying your loan amount early with no penalties.

But flexibility is only the beginning. We'll look at your unique financial situation, including your goals and realities, to find the loan option that works best for your budget. And we'll help you determine whether a fixed rate or variable rate is right for you, as well as which payment schedule meets your needs.

Fixed vs. variable interest rates: What's right for me?

First off, you need to understand the difference between the two. With a **fixed interest rate**, your interest is locked in for the term of the loan and doesn't fluctuate. This fixed amount means you'll know exactly how much interest you'll be paying over the term. Terms are available for up to 5 years, and amortization is available for up to 7 years. With a **variable interest rate**, your interest rate fluctuates depending on market conditions. If interest rates fall, more of your payments go towards the principal of your loan, letting you pay it off faster. But if interest rates rise, more of your payments go towards interest, meaning it may take you longer to pay off your loan. For variable rates, amortization is available for up to 7 years.

OK, but what do "Term" and "Amortization" mean?

Amortization is the length of time you choose to pay off your loan.

Term refers to the period of time until your loan becomes due and payable or must be renewed.

How much interest will I end up paying?

How much interest you pay over the course of your loan depends on the interest rate, term, payment schedule and amortization period.

What payment schedule options do I have?

You can choose to make weekly, bi-weekly or monthly payments.

Can I make extra payments without penalties?

Absolutely! Members can make extra payments any time, in any amount, as often as they want.

What are the current interest rates?

If you're currently a member, visit your credit union's website to find out the current interest rates. If you're not a member, [click here](#) to find a credit union near you.

How can a vehicle loan help your credit score?

Your credit score, a three-digit number ranging from 300 (worst) to 900 (best), shows how well you handle having credit. A mix of different credit types, such as a vehicle loan or a credit card, used responsibly, helps increase your score. To learn more about your credit score, have a look at our [First Timer's Guide to Budgeting](#).





GETTING
THE BEST
DEAL



Get behind the wheel while saving.

No one wants to pay more. Here are some tips to help you get on the road with the most savings in tow:

Use amortization to your advantage.

Amortization is the length of time you choose to pay off your loan completely. By choosing a shorter amortization period, you'll pay less in interest.

Choose a payment schedule that results in savings.

Because interest is compounded each payment period, weekly or even bi-weekly payment schedules can save you on the total interest paid. And if you come into some cash, making an extra payment will help reduce the amount of interest over the life of your loan.

Negotiate a better price for your new vehicle.

- 1. Determine affordability.**
 - Get insurance quotes for the makes and models you're interested in. This will help you get a sense of how affordable these makes/models are long term.
 - Consider the size of the fuel tank and how much it will cost to fill up.
 - Get pre-approval for a vehicle loan so you know how much you can spend.

- 2. Do your research.**
 - Get a sense of the manufacturer's suggested retail price (MSRP) for the makes and models you're interested in.
 - See if there are any available incentives or rebates being offered.
 - Obtain written quotes from several dealerships with the added features you want.
 - Ask about vehicle warranties, undercoating, rust proofing, rebates and incentives before you get quotes from the dealerships. These are the add-ons that typically are left to the final signing meeting and get added on to the quote you previously received.

- 3. Understand the added costs.**
 - Always review the invoice and make sure you understand all the charges.
 - Some charges can be removed or negotiated down, i.e. Additional Dealer Mark-up, Ad Fees, Dealer Prep, etc.
 - If you're buying used, always take the car for a full motor vehicle inspection before purchasing.

- 4. Make sure you're getting the best deal.**
 - Check out [CarCostCanada](#). This online website sells memberships to the general public, letting you see the actual manufacturer's invoice amount for any vehicle make and model. This gives you the edge when you start negotiating a price with a dealer. Dealers typically want to stay within a 10% profit range of their selling price, but many are willing to sell within 3-4% of the manufacturer's invoice price. Which could mean huge savings for you. The site also provides up-to-date incentives on every car, which you can use to negotiate the price down even further.



Getting You in the Driver's Seat

You only purchase your first vehicle once. That's why we're here to help with the process. That's the credit union advantage. If you've read this guide and still have questions or want to discuss any part of the process with a financial expert, get in touch with your local credit union. We know this is a big, exciting purchase, so we want you to make the right decisions.

If you have any additional questions about the First Timer's Guide to Smart First Vehicle Purchasing or any information that is included in this guide, please contact your closest credit union. And make sure to check out our other First Timer's Guides:



[First Timer's Guide for First-time Homebuyers](#)



[First Timer's Guide to Saving & Investing](#)



[First Timer's Guide to Budgeting](#)

