



# Guide to Buying Your First Vehicle

Tips for Getting a Good Deal  
on the Right Car or Truck



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# Helping You Navigate the Road Ahead

If you are reading this guide, we are guessing you are a young adult. Buying your first car is an exciting step. It means more freedom – and more financial responsibility. In this guide, you'll find suggestions for navigating the entire car-buying process.

Read on for smart steps to take before you buy, like budgeting for what you can afford, learning your credit score, determining your needs versus wants, comparing car models, and researching car prices, rebates, recalls, reviews, and more.

You'll also find tips and information on getting preapproved for a loan, simplifying your shopping experience, planning test-drives and inspections, and negotiating effectively.

**Here's to a successful and low-stress car-buying experience!**





# Narrow Down Your Choices

*Trying to buy a car without proper preparation makes it more likely you'll end up with a vehicle you can't really afford or one that doesn't meet all your needs. Before you head to the dealer, meet with a private seller, or purchase a car online, you've got some homework to do. Taking the following steps may seem time-consuming, but they will save you headaches – and money – when it's time to buy.*

## FIGURE OUT WHAT YOU CAN AFFORD

Unless you're buying a car with cash – which is probably unrealistic, unless you are willing to settle on an older vehicle with high mileage – you will be taking on a monthly car payment. It's important to look at what monthly car costs you can realistically afford based on your income, as well as funds you can apply from other sources like savings accounts, gifts, or a generous parent.

### Financial experts recommend spending:



**NO MORE THAN 10%**  
OF YOUR INCOME ON MONTHLY CAR PAYMENTS

**NO MORE THAN 20%**  
OF YOUR INCOME ON CAR-RELATED EXPENSES  
CAR PAYMENT | INSURANCE | GAS | MAINTENANCE AND REPAIRS

**Money-Saving Tip:**  
*According to Consumer Reports, insurance companies tend to charge higher premiums for young drivers with sporty cars, and big engines are also more expensive to fuel and maintain – so choose wisely!*

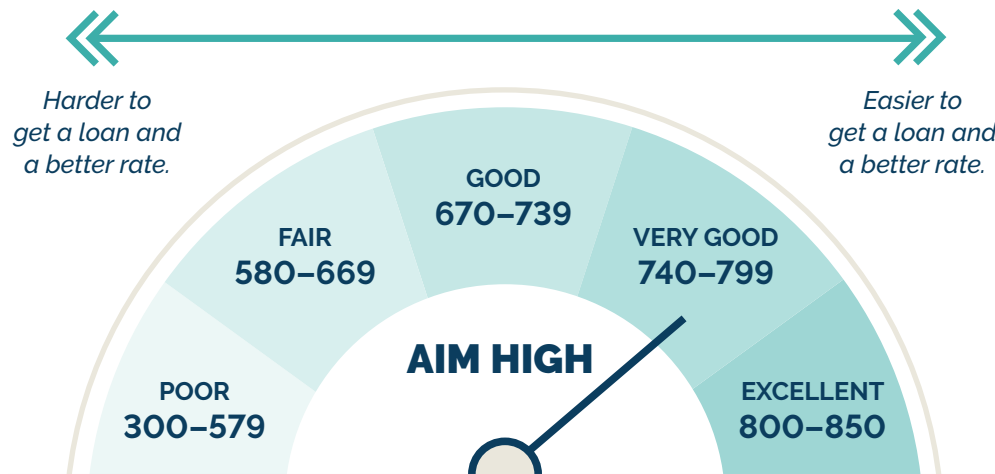
The next point you should consider is how much of a down payment you can make. Depending on interest rates, for every \$1,000 you can put down, your monthly payment will drop \$15, \$20, or more. There are a variety of online budget tools and car payment calculators you can use to estimate how a down payment will affect your monthly rate.

When thinking about your budget, also consider that a more expensive car will likely result in a longer payment term and higher interest rate, which means you could pay far more in total interest. Most experts recommend a maximum term of 60 months (five years).

Determine your potential monthly payment on a used or new car loan with the **[Edmunds Auto Loan Calculator](#)**.

## LEARN YOUR CREDIT SCORE – AND WHAT IT MEANS

The better your credit score, the easier it is to qualify for a lower interest rate on an auto loan. That means you'll pay less over the course of the loan.



*Having good to exceptional credit, typically a FICO® Score\* of 700 or above, makes you more likely to qualify for a favorable interest rate on your auto loan, according to Experian. This can mean savings of \$30, \$40, \$50, or more – each month.*

If you have a good credit history and stable income, you may qualify for an auto loan on your own. However, if you are a student or just starting your career, you may not yet have much of a credit history, especially if you don't have your first credit card or haven't started paying down student loans. There are some auto loans designed for students, though you'll likely still have to show a stable income. If you have trouble getting approved, consider having a cosigner.

A cosigner agrees to repay the auto loan if you cannot, which can be a significant risk to their credit. A parent with good credit may be willing to cosign for you, especially if they've offered to help with your monthly payments. It is not a decision to take lightly, however, so make sure you make your payments on time, every time, to avoid putting your or your cosigner's credit at risk!

## WANT TO LEARN MORE ABOUT THE FACTORS AFFECTING YOUR CREDIT SCORE?

Your credit report shows your payment history for credit cards, loan accounts, and other bills; your current debt; and other important financial information. Companies and lenders use the details of this report to calculate your credit score.

The three nationwide credit reporting companies have set up a central website and a toll-free number you can use to order your free annual credit report.

Order online from [AnnualCreditReport.com](https://www.annualcreditreport.com) or call **1.877.322.8228**. You will need to provide your name, address, Social Security number, and date of birth.

## DECIDE WHAT YOU NEED VS. WHAT YOU WANT

While it may be tempting to purchase the newest, shiniest car you can find, equipped with the latest comfort and technology features, it's wise to take a pause for the sake of your finances.

Make a list of what you absolutely need in a car versus features that would be nice to have. When you start researching available vehicles, your "needs" should take priority over your "wants" as you strive to stay within budget. Your "needs" list should take into account things like:

- + Primary use: Will you be driving it to school? Work? Recreational activities?
- + The length of your daily commute and whether you take primarily highways or local roads
- + How many passengers you'll regularly drive
- + Where you will park (garage, driveway, parking space, or street)
- + What climate you live in
- + Important safety features

*Your "wants" list may include features like a sunroof, advanced climate control features, heated seats and steering wheel, a built-in navigation system, a top-notch music and entertainment system, or even a specific make, model, or color.*

### What safety features do you need?

**Whether you are buying a new or used car, safety experts recommend that your vehicle has the following:**

- |                                       |  |
|---------------------------------------|--|
| + Adaptive (dual-stage) front airbags | + Traction control (for wet or icy conditions) |
| + Head-protecting side airbags        | + Electronic stability control (ESC)           |
| + Safety belt features                |  |
| + Antilock brake system (ABS)         |  |

**These additional features offer even more protection:**

- |  |  |
|--|--|
| + Forward collision warning with automatic emergency braking (AEB) | + Backup camera  |
| + Advanced cruise control  | + Pedestrian detection   |
| + Blind spot monitoring  | + Adaptive headlights  |
| + Lane-departure warning   | + Integrated steering wheel features and/or voice-command system |
| + Lane-keeping assist  |  |

## NEW OR USED: POINTS TO CONSIDER

Buying a new car usually means a higher price tag, at least upfront. But a new car will often come with warranties and the latest safety and technology features and no wear and tear. Used cars can be cheaper to buy and insure, but they may have some issues in their history and don't usually come with warranties or add-ons. There are advantages and disadvantages to both, so reflect on these points when making your list of pros and cons.

### NEW CAR

#### PROS

- + No wear and tear
- + No repair/accident history
- + Easier to buy, including help with purchase paperwork
- + Warranties available
- + Few repairs typically needed in the first few years
- + Potential to save money with dealer incentives
- + Add-on options and special features
- + Latest safety and entertainment technology
- + Sometimes better fuel efficiency

#### CONS

- × More expensive
- × You have to buy from a dealer
- × More expensive to insure
- × Higher sales tax
- × Significant depreciation in the first year
- × Harder to gauge the long-term reliability of the newest model year

### USED CAR

#### PROS

- + Typically less expensive (better car at a more affordable price)
- + Private purchasing available (with more potential for negotiation)
- + Less depreciation
- + Lower insurance costs
- + Sometimes less sales tax
- + Reliability history (available through online car owners forums, J.D. Power data, etc.)
- + Car history available in most cases (**Carfax.com** or **AutoCheck.com**)
- + Known recalls (so you can check if they've been repaired)

#### CONS

- × Often no warranties or service programs
- × Interest rate for financing may be higher
- × Cannot choose specific exterior colors, interior color or material, and special features

## OTHER OPTIONS TO CONSIDER

Certified pre-owned (CPO) vehicles can be found at most car dealerships. Though they are used, they're often only a few years old, have low mileage, don't have a history of major accidents, and don't show much wear and tear.

Benefits of a CPO car versus a used car may include:

- + Backed by the vehicle's manufacturer
- + Multi-point inspection
- + Extended warranties
- + Roadside assistance (sometimes)
- + Special financing deals

Because of these benefits, CPO cars are more expensive than regular used cars. And because they're still used (however gently), they can have some issues over the next few years.

Those looking for a new car with lower monthly payments than buying outright may also consider leasing. When you lease a car, you pay a certain amount at signing and then monthly payments that cover the depreciation expected to occur during the lease term, interest, and fees. But it's important to be aware of the cons:

- ✗ You're essentially renting the car, rather than buying it, so you don't actually own anything. (You may decide to buy the vehicle at the end of your lease.)
- ✗ There are strict mileage limits, and you will be penalized if you exceed those amounts. So leasing is really only appropriate for those with short commutes who don't plan on many long road trips.
- ✗ If the car shows excessive wear and tear when you return it at the end of your lease, you'll have to pay extra.

## THINK TWICE BEFORE YOU LEASE!

For most people, leasing a car doesn't make financial sense because they own nothing. Whereas, if they bought the car with financing, they would own it outright once they finished their loan payments.

***Certified Pre-Owned Cars vs. Dealer-Certified Cars:*** *Certified pre-owned cars are backed by the car's manufacturer, and their warranties are good at all of the manufacturer's dealerships across the nation. Dealer-certified cars have met the standards of the specific dealer selling the car, and they are not backed by the car's manufacturer.*





# Research Your Options

*Once you've come up with a list of some potential options, you still have some work to do before you start shopping. An informed car shopper is a more effective negotiator, meaning you're more likely to end up with a car you're happy with at the best possible price. Here's what you should find out about before you head to the dealership or meet with a seller:*

- ✓ **Typical prices (new or used):** Check out sites like those for Kelley Blue Book®, Edmunds, or the U.S. News Best Price Program for typical list prices and what you can expect to pay based on a car's model year, mileage, and features.
- ✓ **Available rebates and incentives:** If you plan to buy a new car, you should check out what deals and special promotions are available before you shop. Manufacturers' websites and Edmunds' Incentives and Rebates page will show you any available rebates; low APR financing; special offers for students, college graduates, and/or veterans; and more.
- ✓ **Dealer reviews:** If you're planning to head to some local dealers, read ratings and reviews online and ask friends and family members about their experiences.
- ✓ **Quotes from dealers:** Most major dealerships can now provide online price quotes for their inventory. These quotes can help you see where you can find the best deal and give you important information to help negotiate the price.
- ✓ **Recalls:** Visit [Safercar.gov](http://Safercar.gov) to look up recalls by vehicle identification number (VIN), or go to the manufacturer's website to see if the car you have your eye on has any listed recalls. When buying used, you need to make sure these recalled issues were repaired – or that they are repaired by the time you buy.
- ✓ **The vehicle's history:** By searching a car's VIN – a unique 17-digit number assigned to each car – you can locate its vehicle history file. A VIN check can let you know if the car sustained damaged from an accident, flood, fire, or theft. Extensive VIN checks are available through paid services like **CARFAX** and **AutoCheck**. Both provide detailed reports with information like dates and locations for when the car was serviced and sold and if the car has been registered in multiple states, recalled, or repurchased by the manufacturer under the lemon law. Dealerships often offer free CARFAX reports for vehicles. Check their website or ask! This **U.S. News & World Report** article also points to some free resources for VIN checks.

**Compare Car Models Online:** Side-by-side comparisons from sites like [KBB.com](http://KBB.com) (Kelley Blue Book), [Edmunds.com](http://Edmunds.com), or [Cars.com](http://Cars.com) can be a big help.

- ✓ **Reliability and repair estimates:** Older, high-mileage cars may come with higher repair costs over time, but even some newer cars have reliability issues. Edmunds.com's True Cost to Own® (TCO®) tool can give you an estimate of all the projected expenses related to buying, owning, and operating a specific car model over a five-year period. Also, J.D. Power and Consumer Reports have a lot of information about the reliability of specific vehicles.

## HELPFUL ONLINE RESOURCES

These resources can help you focus your search for a new vehicle and ensure you are getting a fair price.

### CREDIT

- + [AnnualCreditReport.com](#)
- + [Credit.com](#)
- + [Credit Karma](#)
- + [Experian](#)

### HISTORY

- + [AutoCheck](#)
- + [CARFAX](#)

### VALUES

- + [Edmunds](#)
- + [Kelley Blue Book](#)

### PRICING

- + [Autobytel](#)
- + [Autotrader](#)
- + [Cars.com](#)
- + [CarSoup.com](#)
- + [TrueCar](#)

### RATINGS

- + [Better Business Bureau](#)
- + [Consumer Reports](#)
- + [J.D. Power and Associates](#)



# Get Preapproved for a Loan

*Unless you're buying your car with cash, you will need a loan. You can get preapproved for an auto loan at your financial institution before you start shopping.*

Getting preapproved by your financial institution before you begin shopping for your new vehicle gives you a couple of significant advantages. First, it helps you determine the maximum you can spend. Second, it helps you focus your negotiations with the dealer on the price of the vehicle and not the monthly payments. This can help you get the best deal possible.

## BEFORE YOU APPLY FOR A CAR LOAN

When you're ready to visit your financial institution, there are some things you should know and important actions to take:

- ✓ **Maximize your down payment.** The more you put down on the car upfront, the less you'll have to finance through the loan. You should aim for a down payment of at least 20% of the car's price.
- ✓ **Plan to pay for taxes, fees, and extras upfront.** Though these elements of your final car cost can be rolled into your financing plan, try to pay for these extra fees upfront, which helps keep your borrowing costs lower.
- ✓ **Know your credit score.** Lenders understand that college students and young adults often do not have long credit histories, and you can usually get a car loan even without a great score.
- ✓ **Most financial institutions require you to have full-coverage insurance to be eligible for an auto loan.** Getting an insurance quote ahead of time, based on the kind of car you think you'll buy, can give you a good picture of future costs.
- ✓ **Keep terms as short as possible to avoid inflated costs due to long-term interest.** However, remember that a shorter-term loan will have a higher monthly payment, so choose your term based on what you can afford.

**NOTE:** The lower you keep your monthly payment, the more likely you'll be able to pay it each month without any problems. Check out your financial institution's website for an auto loan calculator. You can use it to estimate your monthly payment and gauge the affordability of a potential purchase.

**Can Spend vs. Should Spend:** You may be approved for a loan amount that will cover a more expensive vehicle than you should purchase. Stick to your budget. Remember that no more than 10% of your income should be spent on monthly car payments and no more than 20% of your income should be spent on car-related expenses (car payment, insurance, fuel, maintenance and repairs, etc.).



# Simplify Your Shopping Experience

*Who wants to spend countless hours wandering around dealerships, facing round after round of high-pressure sales pitches? Here are some steps you can take to make the car shopping experience a little smoother.*

## BEFORE SHOPPING

1. Narrow down your car choices in advance, based on your needs and budget.
2. Get preapproved by your financial institution for an auto loan.
3. Look at Edmunds for the vehicles' True Market Value® (TMV®) price (or another resource like Kelley Blue Book), so you have a ballpark idea of what you can expect to pay.
4. Visit local dealers' websites to browse their inventory. Then you'll know exactly which cars you want to see and test-drive.
5. Get dealer price quotes by emailing or calling the dealership before your visit.
6. Make an appointment with a salesperson to save time and ensure you'll have their undivided attention when you visit.

*Doing your homework before you visit a dealership will help prevent you from making a deal you will regret later.*

## AT THE DEALERSHIP

1. Come prepared with a list of questions to ask. (See the next page for a list.)
2. Visit the dealer and test-drive the car(s), but then take some time to think, test-drive other cars, or visit other dealerships or private sellers before you commit.
3. If you're buying from a dealership, go with the one that has the car you want AND the best customer service. Then, get ready to negotiate.
4. Bring an experienced car buyer with you for an extra set of eyes and negotiation support.

## QUESTIONS TO ASK

Even when you're buying a new car, you'll want to ask lots of questions about features, warranties, and financing, but there are additional points to consider when buying a used car. According to Edmunds, you should ask about the following:

- + Asking price
- + Current owner and contact information (if a private seller)
- + Mileage (and why it is high or low)
- + Details about the car (exterior color and interior color and material, engine, automatic or manual transmission)
- + Is there a salvage title? If so, why? (A salvage title indicates that the vehicle has had substantial damage in the past, was declared a total loss by the insurance company, and the car cannot be driven, sold, or registered in its current condition. Check your state's laws on salvage title vehicles.)
- + If the owner has the title and all repair records (and can provide them)
- + If the owner is the first owner
- + If the car is a trade-in or lease return
- + If there have been major repairs and what they entailed
- + Accident record
- + Options and add-ons



# Try Before You Buy

*Whether you're buying new, used, or even leasing, you'll need to test-drive the car before you consider signing the paperwork. You want to make sure the car drives well, there aren't any obvious problems, and that you feel comfortable behind the wheel. It's a good idea to follow a test-drive checklist as you inspect each vehicle. If you can bring someone with you to be a passenger and make notes about any concerns or questions you have, that's even better.*

## Your test-drive checklist should include:

- ✓ **Color, size, and space:** See if the exterior and interior of the car look nice in person and assess the car's measurements. Consider how well you fit inside the car; how the car will fit in your garage, parking space, driveway, or on the street, where you live or work; and if there's adequate space inside for your passenger and cargo needs.
- ✓ **Lights and signals:** Make sure the headlights, brake lights, and turn signals work.
- ✓ **Tires:** Check for uneven wear, which can point to alignment issues.
- ✓ **Visibility:** How well can you see out of the rear windshield and mirrors? Identify obvious blind spots. Also, does the car have blind spot monitors and/or lane-assist features?
- ✓ **Comfort:** Is it easy to get in and out of the car? Is the seat adjustable and does it have lumbar support? Are the gauges and displays easy to read, and can you adjust the climate control and radio controls easily? Are the passenger seat and back seats comfortable?
- ✓ **Acceleration:** Does the car accelerate quickly and smoothly, and do you notice any issues trying to pass other cars or drive up hills or other hesitation?
- ✓ **Brakes:** Test their sensitivity, listen for odd noises, and note if they feel too loose or if they stick.
- ✓ **Noise:** Is the car's cabin quiet as you drive? Do you notice a lot of road noise from the tires or any strange sounds coming from the car as you accelerate, turn, brake, or drive over bumps? Any squeaks, grinding noises, rattles, or knocks should be noted when you get the car inspected.
- ✓ **Turns:** Try out some sharp turns, and some wider ones, to ensure that the car turns without resistance or pulling to one side.
- ✓ **Parking:** Make sure the car is easy to parallel park and check that the car shifts and moves well in various gears.



## Get It Inspected

*If you're buying a new or certified pre-owned car from a dealer, it should already have gone through inspections and come with warranties. If you're buying a used car from a dealership or private seller, you should take it to your own mechanic for a thorough inspection. If you're visiting a mechanic for the first time, look for certificates or window decals from the American Automobile Association (AAA) or the National Institute for Automotive Service Excellence (ASE).*

Even before you go to the mechanic, bring an experienced car buyer along as you shop to help identify some warning signs you may otherwise miss. Look for rust, rotting seals, misaligned panels, or dents. Make sure there aren't cracks in the windshield and that all lights and lenses are intact and working. Examine the tread wear on tires and bounce the corners of the car to check its suspension. Note any strange odors, especially mustiness, as they could be a sign of leaks or water damage. Look for any signs of wear on the car's interior and exterior that don't match the mileage.

*Choose a mechanic you or your family have used and trusted in the past, or research mechanics in your area who are certified to inspect vehicles and read some reviews.*

**REMEMBER:** Ask the dealer or seller for a CARFAX report to see a used or certified pre-owned vehicle's full history, including accident and damage reports, service records, and details about its previous use.



# Know How to Negotiate

*After you test-drive a car you think you might like, leave the dealership or seller. Call or email the next day to negotiate a price in order to avoid in-person pushiness, as you'll likely make better decisions when you're not under pressure. You can take the time in between to do some more research or to review your test-drive or inspection notes to back up your arguments for why the price should be lower.*

If you are buying a used car from a private seller, negotiating is usually a little easier, as you'll know your target price based on your online research into the car's trade-in price, factoring in its condition and mileage. Take any extras or upgrades into consideration, as well as any damage, and once you determine an estimated average price, make your first offer 10% to 20% lower. They may accept, they may meet you halfway, or they may say no. It's worth a shot if you're working with a motivated seller.

When buying from a dealer, don't budge on your budget. You've already done the work to figure out how much you should spend, so resist dealer attempts to talk you into pricey extras like extended warranties. If you're not a natural negotiator, or you are worried a seller or dealer will try to take advantage of your first-time buyer status, take an older or more experienced car buyer with you – a family member or friend who can offer support and point out if anything seems suspicious.

In addition to the car's price, you will also have to pay state and local taxes, a documentation fee, a registration fee, and potentially other fees required in your state.

Once you've signed the paperwork, celebrate your newly purchased car and all the freedom it's sure to bring. Just remember to set up automatic car payments and keep your accounts in good standing to continue to drive up that credit score!

*If you're not a natural negotiator, or you are worried a seller or dealer will try to take advantage of your first-time buyer status, take an older or more experienced car buyer with you – a family member or friend who can offer support and point out if anything seems suspicious.*





## In Conclusion

*Buying your first car should be an exciting and rewarding experience, but there's a lot to consider. Feel prepared, informed, and confident when it comes time to make this important purchase.*

**Follow the steps outlined in this guide to help you get a good deal on the right car or truck for you:**

1. Figure out what you can afford.
2. Learn your credit score – and what it means.
3. Decide what you need versus what you want.
4. Consider a new versus a used car.
5. Do your research.
6. Get preapproved for a loan.
7. Simplify your shopping experience.
8. Try before you buy.
9. Get it inspected by a mechanic.
10. Know how to negotiate.

**Happy shopping!**