Take control of your auto loan

A step-by-step guide

Consumer Financial Protection Bureau

How can this guide help you?

While many people shop around for the best deal they can get on their vehicle, not everyone shops for the best auto loan. This guide will help you focus on the total cost of the loan, and not just the monthly payment. Preparing ahead of time and knowing how to navigate the process can help you save money, reduce stress, and get the auto loan that's right for you.

This guide will walk you through:

How to use this guide

The location symbol orients you to where you are in the auto loan process

The magnifying glass highlights tips to help you research further and defines important terms

The auto loan worksheet at the end of this guide can help you compare your loan choices

About the CFPB

The Consumer Financial Protection Bureau is a federal agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

Budgeting for your auto loan

You've decided it's time to purchase a new or used vehicle. Now it's time to figure out how much you can afford.

IN THIS SECTION

Make sure you have a realistic budget before shopping for an auto loan. If you have a realistic budget, you have a better chance of ending up with a loan you can afford and pay on time. You will also be more likely to account for ongoing costs, such as vehicle maintenance and insurance.

You will want to be sure that your budget will support both the loan and the other costs of ownership. If you are having trouble coming up with a budget that works for you, think about ways that you can reduce the cost of your auto loan, such as:

- Saving for a larger down payment
- Buying a less expensive vehicle
- Getting fewer features or options

1. Determine how much loan you can you afford

Before you start the process of getting a loan, see how much you can afford. Make sure you have a realistic budget before shopping for an auto loan. The Federal Trade Commission's "Make a Budget" worksheet is a good place to get started consumer.ftc.gov/articles/pdf-1020-make-budget-worksheet.pdf. For helpful information on making a budget visit consumer.gov/articles/1002-making-budget.

While this consumer guide is focused on auto loans, you can also research what type of vehicle fits into your budget. There are numerous publications and websites that discuss features and prices. Consumer Reports, Edmunds, Kelley Blue Book, and NADA Guides are just a few examples. These sources may provide information on prices for specific models and options. The Federal Trade Commission (FTC) also provides helpful information on buying and owning an automobile at consumer.ftc.gov/topics/buying-owning-car.

2. Look beyond the monthly payment

Many people think about a loan in terms of the monthly payment. Be careful here. The total cost of the vehicle financing matters. If you lower the monthly payment by taking out a longer loan, you pay more in interest. A longer loan also puts you at risk for **negative equity** over a longer period of time, which is when you owe more on the vehicle than the vehicle is worth. To learn more about auto trade-ins and negative equity check out the Federal Trade Commission's article at consumer.ftc.gov/articles/0257-auto-trade-ins-and-negative-equity.

3. Factor in all the costs of ownership

Remember to factor in the other costs of ownership, such as:

- Additional costs at the time of purchase (state taxes, title fees, and dealer fees)
- Ongoing costs throughout the time you own the vehicle (insurance, gas, annual registration fees, maintenance, and repairs)

4. Consider the resale value of your new vehicle

Another factor in your budgeting is the resale value of the vehicle that you are considering purchasing. A vehicle loses value over time. If you sell or trade in this vehicle in the future, the value of the vehicle and whether you have paid off the loan before you want to sell it or trade it in will be an important factor in what you can afford.

Understanding your auto financing choices

You've determined how much you can afford to spend. Now it's time to explore your loan choices.

IN THIS SECTION

While some consumers are able to pay cash for their new vehicle, most consumers use financing. Understanding the loan process and knowing your choices will help you save money.

For example, bringing a loan quote from a bank, credit union, or other lender to the dealer can place you in a stronger bargaining position to negotiate good financing terms with the dealer. Then you can choose whether you stick with the offer you brought in or accept the dealer’s financing.

1. Know the sources of auto financing

You can shop around for auto financing even before you shop for a vehicle. Banks, credit unions, and dealerships are the most common places to finance an auto loan. While shopping for auto loans is complicated, finding and comparing your choices can help you improve the deal that you will get. Consider getting one or more loan quotes from a bank, credit union or other lender before going to the dealership. It will put you in a better bargaining position and could save you hundreds or even thousands of dollars over the life of your loan.

Auto loans from a bank, credit union, or nonbank auto finance companies

You can obtain a quote or preapproval on an auto loan from a bank, credit union, or other lender before selecting a vehicle. You can also check out nonbank lenders and online lenders as potential lenders. Although it might be helpful if you already have an established relationship with a lender, you don't have to have an account with these lenders in order to apply for an auto loan. These lenders can "preapprove" you. The preapproval will give you a loan quote with an interest rate, loan length, and maximum loan amount based on your creditworthiness, the terms of the loan, and the type of vehicle you have in mind. The rate and terms you are offered may be negotiable.

Dealer-arranged financing

Here you obtain financing from a lender through a dealership. With dealer-arranged financing, the dealer collects information from you and forwards that information to one or more prospective auto lenders. If the lender(s) agrees to finance your loan, they may authorize or quote a rate to the dealer to finance the loan, referred to as the **buy rate**.

The interest rate that you negotiate with the dealer may be higher than the **buy rate** because it may include an amount that compensates the dealer for handling the financing. Dealers may have discretion to charge you more than the buy rate they receive from a lender, so you may be able to negotiate the interest rate the dealer quotes to you. Ask or negotiate for a loan with better terms. After the auto purchase is finalized, a dealer-arranged loan may then be sold to a lender who has already indicated a willingness to extend the credit. That lender may own your loan and collect the monthly payments, or transfer those responsibilities and rights to other companies. Learn more about buy rate at consumerfinance.gov/askcfpb/727.

"Buy Here Pay Here" dealership financing

Some types of dealerships finance auto loans "in-house" to borrowers with no credit or poor credit. At "Buy Here Pay Here" dealerships, you might see signs with messages like "No Credit, No Problem!" The interest rate on loans from these dealerships can be higher than loans from a bank, credit union, or other type of lender. You may want to consider whether the cost of the loan outweighs the benefit of buying the vehicle. Even if you have poor or no credit, it may be worth it to see if there is a bank, credit union, other lender, or another dealer that is willing to make a loan to you. A feature of this type of dealership is that your monthly payment is made to the dealership. Some "Buy Here Pay Here" dealerships, and some other lenders that lend to people with no credit or poor credit, may put devices in the vehicle that help them repossess or disable the vehicle if you miss a payment.

Negotiate interest rates

In general, lenders and dealers are not required to offer the best interest rates available. You may be able to save a lot of money over the life of the loan by negotiating the interest rate with the lender or dealer.

2. Understand how leasing works

Leasing is an alternative that some people choose. A lease is an agreement to pay to use a vehicle for an agreed number of months and/or miles. If you lease a vehicle, you do not own it and you will be required to return the vehicle after the lease ends, unless your contract includes a purchase option and you choose to pay to exercise that option.

If you are considering leasing, carefully compare the costs of leasing and buying. Complete information about leasing a vehicle is outside the scope of this consumer guide on auto loans. Learn more about leasing at consumerfinance.gov/askcfpb or check out the Federal Reserve's consumer guide, "Keys to Vehicle Leasing," at federalreserve.gov/pubs/leasing.

Shopping for your auto loan

You know your loan options. Now it's time to shop for your auto loan.

Shopping for loans and trying to get the best rates and other terms, while complicated, is like other types of comparison shopping. Shopping ahead of time will get you ready for negotiating your auto loan and make the process less stressful.

IN THIS SECTION

1. Prepare before you apply for an auto loan

You will be in a better position to shop and bargain for an auto loan if you follow these steps before you apply for a loan.

Check your credit report

The information in your credit report determines your credit scores. Your credit score plays a large part in determining what kind of auto loan you can get, and how much interest you will pay for the loan. Here are some helpful resources:

- To get a free copy of your credit report annually from each of the three nationwide credit reporting agencies visit annualcreditreport.com
- To learn how to check your credit report for errors and dispute any errors that you find visit consumerfinance.gov/askcfpb/314
- To learn about credit reports and credit scores, visit consumerfinance.gov/askcfpb/search/?selected_facets=category_exact:credit-reporting

Do you need a co-signer?

A co-signer is a person – such as a parent, family member, or friend – who is contractually obligated to pay back the loan just as you are. If your credit history is limited or needs improvement, and you have a low credit score (or no credit score), your interest rate could be significantly lower if you have a co-signer with good or excellent credit. That is because the lender will rely on the co-signer's credit history and score in deciding to make the loan.

If you are considering having a co-signer, you and the potential co-signer should think carefully about this decision. If you do not repay your loan, you and your co-signer will be responsible for repayment. The co-signer is responsible for the loan even though he or she has no right to possession of the vehicle. In addition, any late payments made on the loan would affect both your credit record and score and your co-signer's credit record and score. Federal law generally prohibits a lender from requiring you to have a co-signer if you apply for a loan individually and you qualify under the lender's standards for creditworthiness for the loan. For more information on co-signing visit consumerfinance.gov/askcfpb/811.

Check current auto loan interest rates

You can research rates by contacting several banks, credit unions, or other lenders. You can also look online at many commercial sites which may give you an estimate of interest rates nationwide and by your zip code. Some commercial sites will link you to specific lenders and dealers for estimates, so you may want to be careful about entering your personal information.

Consider a down payment

A down payment will reduce the total amount that you finance because you will have to borrow less money. The larger the down payment, the lower the total cost of the loan.

Decide if you want to trade in your current vehicle

If you already own a vehicle, research its value to see how much you might get from a trade-in or private sale. You can look up the approximate value using online commercial websites such as Consumer Reports, Edmunds, Kelley Blue Book, NADA Guides, and online classifieds. These resources may also be available at your local library. Finding examples of similar vehicles that have sold recently in your area will help you know a fair price.

Once you know approximately how much your current vehicle is worth, you can decide whether to trade it in or sell it yourself. If you trade it in at a dealership, you and the dealer will decide on the value that will be credited towards the purchase price of your next vehicle. If you sell it yourself, you can use the money you get as a down payment.

If you have an existing auto loan on your trade-in, consider your situation carefully

Carefully consider whether to take on new debt in addition to your existing debt. Here are some considerations and steps:

- Get the **payoff amount**, which is the amount to pay off the existing loan, from your current lender before going to the dealership.
- Decide if you are going to pay off your existing loan now, wait until you pay off your old auto loan before you borrow for another vehicle, or include the amount that you still owe on your current vehicle in your new auto loan.
- If you owe more on your current vehicle than it is worth – referred to as being **upside down** – then you have **negative equity**. If you roll the balance of your existing auto loan into your new auto loan, this could make the new auto loan much more expensive. Your total loan cost will be higher because you will be borrowing more than just the price of your new vehicle.
- After you research your trade-in's value, if the amount you still owe on your trade-in is less than it is worth, make sure during any negotiations that you consider whether you are getting fair value for your trade-in and you are able to fully pay off the old auto loan.

Do you still owe money on your trade-in?

If you are considering rolling the balance of the old loan into your new loan, make sure you understand how this will affect the total cost of your new loan. Carefully look at the total cost of the new loan including the amount borrowed, the annual percentage rate (APR), the interest rate, the loan term (in months), and the monthly payment – before you agree to anything. If you don't roll the amount you still owe on your old vehicle into the new loan, and keep your current vehicle while buying a new one, then you will have two loans and two monthly payments to make. Either way, you may want to consider whether it makes sense to go through with the transaction and purchase the next vehicle if you still owe money on your trade-in. For more information visit consumerfinance.gov/askcfpb/779.

Think about optional add-ons ahead of time

When you go to an auto dealer, you will likely be offered add-on products and services for the vehicle or for the loan. It's a good idea to think about these add-ons ahead of time, so that you have less to worry about at the dealership, and have your answers ready when you are asked to buy these extras. Common add-ons include:

- **Service contracts or extended warranties** (consumerfinance.gov/askcfpb/825)
- **Guaranteed Auto Protection (GAP) insurance** (consumerfinance.gov/askcfpb/797)
- **Credit insurance** (consumerfinance.gov/askcfpb/799)
- **Additional features for the vehicle**, such as alarm systems, window tinting, tire and wheel protection, and other products

These products and services, which you may finance, are optional. If you buy them the price is negotiable. If you think you want to buy these products or services, shop around. For example, your own auto insurance company may offer GAP insurance, credit insurance, or other alternatives. If you finance optional add-ons as part of your loan, the amount you borrow and pay will increase.

Now that you've done your homework, you're ready to take the next step: shopping for your auto loan. Use the auto loan worksheet at the end of this guide to keep track of the loan terms and compare your choices. Take the worksheet with you to the bank, credit union, other lender, and dealership so you can compare your loan choices and get the best deal for you.

2. Shop for an auto loan

Now you are ready to start shopping for a loan. Before you head to the dealership, gather your personal information and consider getting preapproved for a loan. Shopping ahead of time will get you ready for negotiating your auto loan and make the process less stressful.

Gather your personal information

When you're heading over to a bank, credit union, or dealership make sure to gather all the information you will need. Lenders will generally ask for this information in a loan application:

- Name
- Social Security Number or ITIN
- Date of birth
- Current and previous address(es) and length of stay
- Current and previous employer(s) and length of employment
- Occupation
- Sources of income
- Total gross monthly income
- Financial information on current credit accounts, including other debts

Get preapproved for a loan

Getting a preapproved loan offer or quote with a maximum loan amount and rate from a bank, credit union, or other lender is a good place to start. If you bring a loan quote from a lender to the dealer, you may be in a stronger bargaining position to get a better deal, whether you stick with the offer you brought in or you decide to accept the dealer's financing offer.

Preapproval also helps you stay within your budget and allows you to compare interest rates without the time pressure you may feel once you are at the dealership. Then at the dealership you can focus more on the actual price of the vehicle and your trade-in because you will already know about the loan terms that you could get. You will still have the choice to negotiate a better loan at the dealership and not use your preapproval.

If your application is preapproved, the lender will give you documents to take to the dealership. Once you are ready to buy, the dealer will make final arrangements with your lender.

Understand how shopping for a loan impacts your credit score

Shopping for the best deal on an auto loan will generally have little to no impact on your credit score(s). The benefit of shopping will far outweigh any impact on your credit. In some cases, applying for multiple loans over a long period of time can lower your credit score(s). Depending on the credit scoring model used, generally any requests or inquiries by these lenders for your credit score(s) that took place within a time span ranging from 14 days to 45 days will only count as a single inquiry. This means shopping around for an auto loan during that time span will count the same as applying for just one loan. You can minimize any negative impact on your credit score by doing all your rate shopping in a short amount of time.

Know your rights

A lender cannot discourage or deny your application for credit, or offer different prices or other terms and conditions of the loan, based on your race, color, religion, national origin, sex, marital status, age, receipt of public assistance income, or good faith exercise of any right under the Consumer Credit Protection Act.

You can submit a complaint online with the Federal Trade Commission (FTC) at ftccomplaintassistant.gov or with the Consumer Financial Protection Bureau (CFPB) at consumerfinance.gov/complaint or by calling toll-free at 1-855-411-CFPB (2372). You can also tell us about your experience without submitting a formal complaint.

Negotiating your auto loan

You've shopped for your auto loan. Now it's time to negotiate your loan terms.

When you look for a vehicle, you may know that you can negotiate the vehicle's price, but did you know that you can also shop around for and negotiate the terms of your auto loan? Shopping for loans and trying to get the best rates and terms, while complicated, is like other types of comparison shopping. Shopping and negotiating can save you hundreds or even thousands of dollars over the life of your loan.

IN THIS SECTION

1. Know what is negotiable

While you may know that you can negotiate over the price of the vehicle and the interest rate, it's also important to know all the factors that you can negotiate over that may impact the cost of your auto loan. You should consider all these factors when you buy and finance a vehicle. In addition to the price of the vehicle, here are some other terms or costs that you can negotiate

- Trade-in value (if you trade in your vehicle) and down payment amount
- Annual Percentage Rate (APR) and interest rate
- Length of loan
- Whether or not there will be a prepayment penalty

- Price of optional features and services for the vehicle or the loan such as extended warranties, credit life insurance, GAP insurance, alarm systems, tire and wheel protection, window tinting, and other products
- Fees charged by the dealer such as dealer preparation fees, delivery charges, and document fees

You cannot negotiate taxes, vehicle title, and registration fees. These fees are set by your local or state government.

Be cautious of some biweekly payment plans

It is possible to be offered an auto loan with biweekly (every 2 weeks) payments instead of monthly payments. This may make the loan look more affordable than it really is because of the smaller payment. There also may be **additional fees** charged for enrolling in a biweekly payment plan.

If your loan has biweekly payments, there will be some months when you will have three payments instead of two. This is because there are 26 biweekly payment periods every year, the same as if you were making 13 monthly payments instead of 12. Make sure that you know whether your loan payments are monthly or biweekly, and factor the extra biweekly payments into your budgeting if you make this choice.

2. Negotiate to lower the total cost, not just the monthly payment

When you are looking for a loan, you may find it easy to focus just on the monthly payment or the price of the vehicle. But looking at just one factor doesn't give you the whole picture. A lower payment doesn't necessarily mean a lower interest rate; it might just mean that you are paying for a longer time. The best way to compare auto loans is by using the total cost of the loan. Use the auto loan worksheet to help you calculate and compare the total cost.

Your total loan cost starts with the **amount financed**. The amount financed is the amount of money you are borrowing. It includes the price of the vehicle, taxes and other government fees, as well as any optional add-ons like extended warranties and optional credit insurance, minus your down payment and any trade-in amount. The amount financed does not include the cost to borrow the money. That cost is known as the **finance charge** and includes interest and certain fees over the life of the loan. Your total loan cost is the amount financed plus the finance charge. By negotiating for better terms on your loan, you can reduce the total amount of money you pay over time. For example:

- Getting a lower interest rate means you will pay less to borrow money. The total cost of your loan will be lower.
- A shorter loan term (in which you make monthly payments for fewer months) will lower your total loan cost. A longer loan can reduce your monthly payment, but you pay more interest over the life of the loan.
- A higher down payment, or a higher price for your trade-in, will reduce the total amount financed because you will have to borrow less money.
- Optional add-on products like extended warranties, GAP insurance or credit insurance that are added into your loan amount will increase your total cost because you will be borrowing more money.

How the length of your loan term affects what you pay

Below is a sample comparison to illustrate how you will pay less in the long run if you have a shorter loan term. The table below assumes a **$20,000 loan** and an **interest rate of 4.75%**.

Loan term	Monthly payment	Total interest paid
36 months *(3 years)*	**$597**	**$1,498**
48 months *(4 years)*	**$458**	**$1,999**
60 months *(5 years)*	**$375**	**$2,508**
72 months *(6 years)*	**$320**	**$3,024**

While the lower monthly payment for a longer period of time may look like the way to go, consider the total interest cost over the term of the loan. If you paid off a $20,000 loan in 3 years, you will pay $1,498 in interest. For a 6 year loan, you will pay $3,024 in interest--more than twice as much. Some financial advisers recommend keeping the length of your auto loan to 5 years or less, reasoning that the longer the loan, the more likely you will owe more than the vehicle is worth.

On the auto loan worksheet at the end of this guide enter the amounts on several loans you are comparing to see your estimated monthly payments, total interest cost, and the total cost that you will pay over the life of the loan. For additional help, there are a number of auto loan calculators available online. For example, Consumer Reports (consumerreports.org/static/0_percent.html) and the NADA Guides (nadaguides.com/Cars/Payment-Calculator) provide online auto loan calculators that may be helpful in evaluating and comparing the costs and terms of various auto loans.

3. Keep track of multiple factors while negotiating

When you are negotiating for financing with a lender or at a dealership, make sure you are keeping track of all the factors that go into the total cost of the loan. If you are negotiating the interest rate, make sure that you also know the length of the loan and other terms. Comparing total loan cost will help you keep an eye on these multiple factors. Use the auto loan worksheet to help keep track of the different factors

Ask the dealer to tell you the price, trade-in amount, interest rate, term of loan, estimated monthly payments, and write these numbers down on the auto loan worksheet. It's best to get these numbers early in the process, so you can better compare and negotiate.

Just as the first price you are offered for the vehicle may not be the lowest price available to you, the first rate for a loan the lender or dealer offers you may not be the lowest rate you qualify for. If the lender or dealer agrees to a better loan feature (such as a lower APR or interest rate), check to make sure that the other factors like the length of the loan or the amount financed haven't changed. A lower monthly payment doesn't necessarily mean a lower interest rate; it might just mean that you are paying for a longer time.

After you've agreed on the price of the vehicle, here are some additional tips to help you negotiate the best loan:

- Know what your trade-in is worth and bargain over the amount you will get for your trade-in. This will reduce the amount you borrow.
- Negotiate over the interest rate for your loan, comparing interest rates obtained from your bank, credit union, or other lender with the rate you are offered by the dealer.
- If the dealer is arranging your financing, make sure you understand how the interest rate was determined and ask if your credit score qualifies you for a loan with better terms.

Strengthening your position at the bargaining table

You are not required to get a loan from a dealer or trade in a vehicle in order to purchase a car from a dealer. A bank, credit union, or other lender may offer you better loan terms than the dealer. Bringing a loan quote or preapproval from another lender to the dealer can place you in a stronger bargaining position to negotiate good financing terms with the dealer. Then you can decide which loan to accept.

Closing the deal

You've now negotiated your auto loan. Before you drive away, make sure everything matches what you agreed to.

IN THIS SECTION

1. Verify that you get what you agreed to
2. Check the paperwork
3. Pay attention to the details after you drive away

You are almost finished! The hard part is done and now comes an important final step. You have to review the paperwork, check the final terms and numbers against the auto loan worksheet, and be fully satisfied that the written deal is what you want.

1. Verify that you get what you agreed to

Before you are legally obligated under the loan, lenders are required to give you specific disclosures **in writing** about important terms. This requirement is contained in the federal Truth in Lending Act (TILA). One purpose of TILA is to help consumers make apples-to-apples comparisons between loans. The important terms include:

- **Annual Percentage Rate (APR):** The APR is the cost of credit expressed as a yearly rate in a percentage (Learn more at consumerfinance.gov/askcfpb/733)
- **Finance charge:** Cost of credit expressed as a dollar amount (this is the total amount of interest and certain fees you will pay over the life of the loan if you make every payment when due)
- **Amount financed:** The dollar amount of credit provided to you (this is normally the amount you are borrowing)
- **Total of payments:** The sum of all the payments that you will have made at the end of the loan (this includes repayment of the principal amount of the loan plus all of the finance charges)

The TILA disclosure will also include other important terms such as the number of payments, the monthly payment, late fees, whether the loan has a variable rate, and whether you can prepay your loan without a penalty.

It's ok to walk away if you feel uncomfortable

If you are not comfortable with any aspects of the loan or the process, you can always leave without completing the deal. Take time to think it over and come back another time. No one can make you accept financing or a vehicle that you are not satisfied with.

2. Check the paperwork

Once you have finalized the negotiations, examine all of the paperwork before signing the loan documents. Make sure all the loan costs and terms are what you agreed to during the negotiations.

Ask questions

If there are things you don't understand, ask questions. Don't sign until you are satisfied. Since you are signing a contract and this is a major purchase, it's important that you understand what you are signing.

Make sure you have a copy of all the documents

Before you drive off with your new vehicle, make sure that you have a copy of all documents that both **you and the dealer** have signed and that all blanks are filled in. Some dealers will allow the customer to take possession of the new vehicle before the loan is approved by the lender. This practice, called **spot delivery**, could put the deal that you thought you had at risk. By having a signed contract with all terms finalized, you can avoid potential problems.

Nail down the financing before you sign the contract

Make sure that the financing is nailed down before you sign the contract. If you don't have the financing nailed down, the dealer may ask you to come back in and sign for a higher interest rate, add a co-signer, or make some other change different from what was agreed. You don't have to agree to a second deal. If this happens and you don't agree to a second deal, the dealer will have to unwind the sale and give you back your trade-in and down payment.

In some cases you may want to seek legal assistance and file a complaint with your state attorney general or consumer protection office. To file a complaint with your state attorney general visit naag.org. To file a complaint with your state consumer protection office visit usa.gov/state-consumer.

3. Pay attention to the details after you drive away

After you take out a loan, you should receive an introductory letter from the lender that provided the financing. This letter will include important information related to your loan such as where to send your payments and payment due dates. Make sure to make your monthly payments on time to avoid the cost of late fees and the possible repossession of your vehicle, as well as negative entries on your credit report.

CFPB AUTO LOAN SHOPPING SHEET

Comparing auto loans

Directions: Bring this sheet with you to show you are serious about getting the best loan. The factors you can negotiate are indicated with an icon ⇕.

Determine your upfront costs

Determine your upfront costs	Example	Choice 1	Choice 2
A. **Price of the vehicle** ⇕	*$20,000*		
B. **Additional features, services or add-ons** ⇕ These are optional and will increase the total cost of the loan.	+ *$300*	+	+
C. **Taxes, title and non-negotiable fees** State and local taxes, and title fees.	+ *$1,400*	+	+
D. **Negotiable fees** ⇕ You can negotiate fees such as delivery charges, origination fees, document fees, and preparation fees.	+ *$100*	+	+
E. **Cost of the vehicle before interest** *(add rows A, B, C & D)*	= *$21,800*	=	=

Calculate how much you will need to borrow

F. **Down payment** ⇕ A larger down payment will lower the total cost of your loan.	– *$3,000*	–	–
G. **Trade-in value** ⇕ (if you already have a vehicle) A higher trade-in value will lower the total cost of your loan.	– *$3,000*	–	–
H. **Total amount to finance** *(subtract rows F & G from row E)*	= *$15,800*	=	=

Finish finding the total cost on page 2 →

Know how much money you'll pay over the life of the loan

Before deciding on loan length and payment options, calculate the total cost to see which choices work best for you. This will help you see how much you will pay in total for your auto loan.

I. **Interest rate** Negotiating a lower interest rate will lower your total cost.	*3.5%*	%	%	%	%
J. **Length of loan in months** A longer loan term will increase the total cost.	*48 months (4 years)*	months (years)	months (years)	months (years)	months (years)
K. **Monthly payment** Use a loan calculator or ask your lender or dealer.	x *$353.22*	x	x	x	x
L. **Total of payments over life of the loan** *(multiply rows J × K)*	= *$16,955*	=	=	=	=

Find the total cost of your purchase

Choose your two best offers from row L, then compare your total cost.

M. **Add in down payment and trade-in** *(add rows F + G)*	*+ $6,000*	+	+
N. **Total cost of your purchase** *(add rows L + M)* This is how much you will pay to buy your vehicle, including all of the interest, over the life of the loan.	= *$22,955*	=	=
O. **Cost of vehicle before interest** *(row E from page 1)*	– *$21,800*	–	–
P. **Total interest paid over life of the loan** *(subtract row O from N)*	= *$1,155*	=	=

We hope that you found this guide helpful in navigating the process of financing a vehicle. To learn more about the Consumer Financial Protection Bureau, visit our website at consumerfinance.gov.

Additional resources on auto loan financing

- For online resources about shopping for an auto loan, visit consumerfinance.gov/auto-loans
- Learn what we heard from consumers about their experiences in financing an automobile in our report available at files.consumerfinance.gov/f/documents/201606_cfpb_consumer-voices-on-automobile-financing.pdf
- Find answers to consumer questions about auto loans on the "Ask CFPB" website at consumerfinance.gov/askcfpb
- Submit a complaint about vehicle loans at consumerfinance.gov/complaint or call (855) 411-2372

A note for financial educators and other organizations

Share this guide and the accompanying resources with the people you serve to provide a roadmap to the auto financing process. You can also use this guide to familiarize yourself with the auto finance process and the potential pitfalls, so that you can provide helpful guidance to those you assist.

Online tools

CFPB website
consumerfinance.gov

Answers to common questions
consumerfinance.gov/askcfpb

Tools and resources for auto loans
consumerfinance.gov/consumer-tools/auto-loans

General inquiries

Consumer Financial Protection Bureau
1700 G Street NW
Washington DC 20552

Submit a complaint

Visit consumerfinance.gov/complaint

By phone
855-411-CFPB (2372)
TTY/TDD 855-729-CFPB (2372)
8 a.m. to 8 p.m. Eastern Time, Monday-Friday

By fax
855-237-2392

By mail
Consumer Financial Protection Bureau
P.O. Box 4503
Iowa City, Iowa 52244

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