

# Low dealer rate may not be the best deal

You've seen the ads. 0 percent financing, 2.9 percent financing. The automobile manufacturers' rates seem great. What could be wrong with these low rates? Plenty, if you take a closer look.

1. These low rates are often only available to those with the best credit records. One small credit blemish, and the rate goes up.
2. Many of the companies are offering these low rates for short terms, up to 36 months or less. That increases the amount of your monthly car payments.
3. The rates are sometimes only offered on certain slow selling models, leaving out the most popular cars and trucks.

Additionally, consider the total cost of the loan. Will you be charged an application fee? Is there a pre-payment penalty? Would you be required to pay off more of the interest earlier in the loan (front loaded interest)? You may carry a larger principal balance longer, meaning at some point the value of the car could be less than the balance of the loan.

## How to find the best deal

Your best deal could come from skipping the low dealer rate, taking the dealer rebates, and financing your vehicle with Beaver Valley Federal Credit Union. How?

- You start off with a lower loan amount if you take the rebate, saving you money in finance costs;
- You could get lower monthly payments with the credit union because we offer our low auto loan rates for terms up to 72 months;
- You may save money on the total cost of the loan because we never charge an application fee or a pre-payment penalty, and we charge simple interest, meaning you pay down your principal balance at a faster rate.

## When a rebate is better than a three-year dealer loan

### Dealer rate

	1%	2%	3%	4%	5%	6%	7%	8%
5.0%	\$59	\$44	\$30	\$15	*	*	*	*
5.5	66	51	37	22	\$7	*	*	*
6.0	73	58	44	30	15	*	*	*
6.5	80	65	51	37	22	\$7	*	*
7.0	86	72	58	44	29	15	*	*
7.5	93	79	65	51	36	22	\$7	*
8.0	100	86	72	58	44	29	15	*
8.5	106	93	79	65	51	36	22	\$7
9.0	113	99	85	72	58	43	29	15
9.5	119	106	92	78	64	50	36	22
10.0%	\$126	\$112	\$99	\$85	\$71	\$57	\$43	\$29

### How to use the table

Find where the credit union rate and dealer rate intersect; multiply that number by the thousands you're financing (i.e., 12.9 for \$12,900). If the answer is less than the rebate, the credit union loan—using the rebate to increase your down payment—is the better choice.

\*Credit union loan is a better deal regardless of any dealer discount.

**You have the power of choice with an auto loan from Beaver Valley FCU.** Choose any make or model. Choose your terms. And you could even save money! Check with BVFCU, **BEFORE** you sign any dealer financing agreement. We will be happy to help you figure out how much the dealer financing will cost compared to an auto loan from us.