

For more information on budgeting, visit: <https://www.consumer.gov/content/make-budget-worksheet>
https://www.consumer.gov/sites/www.consumer.gov/files/pdf-1020-make-budget-worksheet_form.pdf

Credit scores and loan costs

It's a good idea to shop for loans to get the best interest rate and terms. Your credit score also helps determine what kind of auto loans and interest rates are available to you. A higher credit score typically gives you a better interest rate on your loan. To learn more about improving your credit score, go to: <https://www.fdic.gov/consumers/consumer/news/csum15/creditscores.html>.

Be sure to review your credit report and dispute any errors that you may find to ensure your credit score is accurate.

For more information about obtaining a free copy of your credit report, visit: <https://www.fdic.gov/consumers/assistance/protection/creditreport.html>

Loan Preapproval

Getting preapproved for a loan by multiple lenders allows them to compete for your business. This puts you in a stronger negotiating position with your lenders and can help lower your total loan cost. Be sure to compare the financing offered through the dealership with the rate and terms of any preapproval you received

from other lenders, and then choose the option that best fits your budget. Regulation Z, which implements the Truth in Lending Act, requires banks to provide consumers with certain information about a loan before you decide to move forward with it. Banks should provide an itemization of the costs to be financed, annual percentage rate (APR), payment schedule, total number of payments, late payment information and fees, and security interest information.

Co-signers

Consider whether or not you need a co-signer for your auto loan. A co-signer is a person, such as a parent, family member, or friend who is contractually obligated to pay back the loan if you can't. If your credit history is limited, needs improvement, or you have a low credit score (or no credit score), a co-signer with good or excellent credit could significantly lower your interest rate. The lender relies on the co-signer's credit history and score when deciding whether or not to make the loan. You and the potential co-signer should think carefully about this option. If you do not repay your loan, you and your co-signer will be responsible for repayment. The co-signer will be 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 history and scores and your co-signer's credit history and scores.

Add-ons

Some common add-ons are service contracts or warranties, Guaranteed Auto Protection (GAP) Insurance, and Credit Insurance. Often there are optional physical features for the vehicle, such as alarm systems, window tinting, tire and wheel protection, and other products offered by the auto dealer. It's a good idea to think about optional add-ons ahead of time, so that you are prepared and know what you want on the day you finance your vehicle. If you buy them, it will increase the total cost of your loan. Shopping around for any add-ons that you decide you want can also save you money.

Buying a new car can be exciting, just make sure you are well informed on the costs and financing and have a plan in place before you start shopping.

For more help or information, go to www.fdic.gov or call the FDIC toll-free at **1-877-ASK-FDIC (1-877-275-3342)**. Please send your story ideas or comments to Consumer Affairs at consumeraffairsmailbox@fdic.gov

