

YOUR PLAYBOOK

TO BUYING A NEW VEHICLE



CONTENTS

Introduction	pg. 3
1. Decide what you can afford	pg. 4
2. New or Used	pg. 5
3. Narrow your buying choices	pg. 6
4. The importance of a test drive	pg. 7
5. Lease or purchase	pg. 8
6. Get pre-approved and get the best rate - arrange financing in advance	pg. 10
7. Trade in or sell your old vehicle?	pg. 11
8. Assess the ongoing maintenance costs, gas mileage etc.	pg. 12
9. Extended warranty? Insurance Options?	pg. 13
10. The sale. Negotiating it - Inspecting the new vehicle before you take ownership	pg. 14

INTRODUCTION



Buying a new vehicle can certainly be an exciting endeavor. But it can also be a stressful and confusing one. Arizona Central Credit Union has put together some of the most important factors to consider when you are in the market for a new ride. We hope you find this guide informative and helpful as you get ready to hit the open road.

At Arizona Central we want you to make smart choices as a consumer and we offer a variety of products and services designed to help you save. For more information on our auto or motorcycle loans contact us at **(602) 264-6421** toll free **1-866-264-6421** or visit us online at **azcentralcu.org**.

1. DECIDE WHAT YOU CAN AFFORD

Dreaming about buying a new vehicle? Something with all the bells and whistles? Maybe you are considering a new vehicle with that “great new car smell”? The first thing you will want to do is decide how much vehicle you can realistically afford. Here are some simple steps to help you determine what you may want to consider as you shop for your new ride:



¹From July 1, 2016 through October 31, 2016, Arizona Central is offering existing members only, an opportunity to qualify for a loan rate discount on their new or used auto or motorcycle loan, subject to credit approval. Certain age restrictions on vehicles apply and not all vehicles are eligible for the interest rate reduction. Additional interest rate reductions may be applied with qualifying Central Points™ rewards.

²90 days to first payment only valid on autos and motorcycle loans, not already financed with us. First payment may be deferred for up to 90 days. Your loan will accrue interest during that time. Some restrictions apply. For a limited time – may be changed at any time. Offer excludes other loan products not limited to other motorsport vehicles, trailers, boats, recreational vehicles, personal loans/lines, credit cards and real estate.

CALCULATE YOUR MONTHLY INCOME	Vehicle budget should be no more than 20% of your monthly take-home. Consider all costs. This includes gas, maintenance, repairs, insurance, taxes and fees.
CHECK YOUR CREDIT	The higher your score, the better your rate could be. Get a copy of your credit score and see how you rank.
KNOW YOUR PRICE RANGE	Before you even start looking or step foot in the dealership you should know how much you can afford. Things like all those gadgets and fancy trim packages can really add up. Having a good idea of what you are exactly looking for can help you nail down a solid price range.
FACTOR IN YOUR DOWN PAYMENT	Having a decent down payment will help to lower the final cost of the vehicle. This is especially helpful if you are financing and wanting to keep your monthly payment as low as possible. A general rule of thumb is to put down around 15-20% of the selling price of the vehicle.
RESEARCH FINANCING	Getting the best deal when it comes to financing your new vehicle will keep your monthly payment within your budget. Arizona Central offers reduced loan rates (as low as 1.99%APR) for members ¹ and up to 90-days to first payment ² . To learn more about our low rates and financing options visit azcentralcu.org and check out our Auto Loans page.

2. NEW OR USED

When shopping for your new vehicle, your next important decision will be whether you want a vehicle that is brand new – or whether you prefer to find one that is used. In the following table, you will read some pros and cons of both approaches.

	NEW	USED
PRICE	New cars are always going to be priced higher than an equivalent used vehicle. However, there is always the peace of mind in knowing that your new vehicle hasn't been in any accidents, hasn't been mistreated by unknown evildoers, doesn't smell funny, has seen no wear or tear, and comes with a clean maintenance history. New cars are also easier to finance and loans on them have lower interest rates.	Comparing apples to apples, a used car is going to be less expensive. The relative advantage of the used-car price can also allow a buyer to step up to a nicer model.
DEPRECIATION	Cars lose value with each passing month and mile, but the steepest decline happens right as you drive it off the lot the first time. Some models can lose 40 percent or more of their value in the first year. If you finance your vehicle make sure that you can afford it – because if you have to sell the vehicle early, you may find yourself in a position where you owe more than the car is worth.	With a used car, there's no depreciation hit the second you roll off the lot. There's also less mental depreciation – no need to worry about the first parkinglot ding or rock chip in the paint because chances are it may have already happened!
INSURANCE RATES	You will need to do a little pre-purchase research so that you don't get insurance sticker shock, no matter which vehicle you choose. This will be an ongoing expense for as long as you own the vehicle.	Insurance rates on used vehicles tend to be less expensive than on new vehicles. That means less post purchase expense and more savings!
CHOICE	Have a specific make and model in mind? One with all the latest technology? It's important that you get what you want, right down to the color and trim package. If you aren't really into doing the legwork yourself to find exactly what you are looking for ask the salesperson at the dealership to do the searching for you. They know the inventory and in most cases have access to vehicles at multiple locations.	The search for a used vehicle has its own set of checkpoints. You're going to search for the make, model and color you really want, just like a new vehicle, but you also have to take into account mileage. A higher mileage vehicle may be less expensive, but it's also been around the block a few times. This means that you need to make sure that it will be reliable and that it has been thoroughly inspected. Even if you are making your purchase through a private party.
MAINTENANCE	Like the rest of it, the new car's warranty is untouched meaning that repairs are free for several years. You can buy warranties for used cars or go the certified preowned route, but the best warranty you can get — without paying extra — will be the one that comes with a new car from the manufacturer.	Although you can purchase warranties for used vehicles, or go the certified preowned route, you can also take some steps to minimize the likelihood that you are buying a "problem" used car that will have high maintenance costs by having it inspected by a qualified mechanic and obtaining a detailed vehicle history report from an agency such as Carfax or AutoCheck before buying. It is also important to consider that some brands of cars will inherently have higher maintenance costs (with higher costs for parts and service) than other brands may. Maintenance can be a huge expense, and it is important to take into account what you can afford. If you buy a nearly new, used car, you may inherit some portion of the new-car warranty providing some protection for a few months or even a couple of years. Be sure to ask if this is an option for you.

3. NARROW YOUR BUYING CHOICES

Still unsure about what type of vehicle would be best for you? It's time to ask yourself what your needs and priorities are. What will you be using the car for the most? Things like extra leg room in the backseat if you have kids and extra safety features can be a factor in the decision. Maybe you are looking for something more stylish? Or maybe you need your new vehicle to move large items from one place to another – making a small, stylish car inappropriate. In order to narrow down your buying choices, make a list of what is most important to you when it comes to the features of your new ride. It could be the overall size of the car, style and comfort, gas mileage, overall mileage (if buying pre-owned) or even the type of overall driving experience.

Once you have narrowed it down it's time to do some research to make sure you are getting a reliable vehicle at the best possible price. Arizona Central has some amazing tools to help you in your search. Visit azcentralcu.org and check out our online trusted partners on our Auto Loans page. They have access to vehicle inventory from all over Arizona!

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CARGO SPACE	Make sure you have room for all of your passengers. Also, space for groceries, luggage or large items may be a factor for you so take that into consideration.
GAS MILEAGE	The cost of gas can be expensive. To get the best bang for your buck try to choose a vehicle that won't have you stopping at the pump every other trip. Take a good look at those MPG (miles per gallon) estimates.
OVERALL MILEAGE OF THE VEHICLE	With a new vehicle mileage isn't a problem. But as stated in the previous section, higher miles can mean a lower sales price, but it can also mean higher maintenance dollars down the road.
FACTOR IN YOUR DOWN PAYMENT	Having a decent down payment will help to lower the final cost of the vehicle. This is especially helpful if you are financing and wanting to keep your monthly payment as low as possible. A general rule of thumb is to put down around 15-20% of the selling price of the vehicle if at all possible.
RESEARCH FINANCING	Getting the best deal when it comes to financing your new vehicle will keep your monthly payment within your budget. Arizona Central offers reduced loan rates (as low as 1.99%APR) for members ¹ and up to 90-days to first payment ² . To learn more about our low rates and financing options visit azcentralcu.org and check out our Auto Loans page.

4. THE IMPORTANCE OF A TEST DRIVE

After all of your preliminary research, you have probably nailed down a model or two that have your interest. The best way to determine if a vehicle is right for you is to take a test drive. Here are some points to help you decide if this is the right vehicle for you.

Is it a good fit?

- ◆ Are you able to get in and out of the vehicle without stooping or bumping your head?
- ◆ Do you have enough room once you are seated? And is the driving position comfortable?
- ◆ Are the gauges and controls easy to see and use?
- ◆ How is the visibility? Are there any blind spots that are of concern?

When you are ready to hit the open road the salesperson will more than likely have a predetermined course of right-hand turns that lead you right back to the lot. This isn't always the best way for you to evaluate the vehicle. You should explain that you want to really feel the vehicle as if you were driving it under normal driving habits. In most cases the salesperson will accommodate your request to divert from the normal route.

Once you have hit the road, check out these points

- ◆ Does the vehicle shift quickly and smoothly?
- ◆ How does it sound when you strongly accelerate? Is there a lot of noise from the tires?
- ◆ How does the vehicle feel when braking? Do the brakes "grab" suddenly or is it nice and smooth?
- ◆ Is the vehicle responsive? Can you feel the road through the steering wheel?
- ◆ Does the vehicle ride comfortably on a rough road?
- ◆ How comfortable are the seats? Are they adjustable? Can you reach all the controls easily?

After the drive be sure to make note of how the vehicle performed as you need to make absolutely sure that it meets all of your expectations and may need to refer to your notes to compare it with other vehicles you may test drive.



5. LEASE OR PURCHASE

Many people are lured towards leasing versus purchasing – but the truth is that the financial workings of leasing are so confusing that many people don't realize that leasing invariably costs more than an equivalent loan. And even if they did, the extra cost is difficult to calculate. Still, many people can't afford the higher payments of a typical loan. Therefore it is oftentimes the lower monthly payments of leasing that make them an attractive option. However, opting for a longer-term loan of, for example six years, could result in roughly the same low monthly payments as a three-year lease. And at the end of the loan, you would have an asset, as equity in your vehicle.

However, if low monthly payments and the opportunity to drive a new vehicle every few years with little hassle are worth the extra cost, consider leasing. Realize, however, that leases have a lot of limitations on mileage, wear and tear, vehicle modifications, etc. They also often come with early termination penalties that can be costly – so if you opt for leasing, make sure that you can afford the lease for the entire period.

The next page has a summary of some of the pros and cons of both approaches.



5. LEASE OR PURCHASE

	BUYING	LEASING
OWNERSHIP	You own the vehicle and get to keep it as long as you want it.	You don't own the vehicle. You get to use it but must return it at the end of the lease unless you decide to buy it.
UP-FRONT COSTS	They include the cash price or a down payment, taxes, registration and other fees.	They typically include the first month's payment, a refundable security deposit, a down payment, taxes, registration and other fees.
MONTHLY PAYMENTS	Loan payments can be higher than lease payments because you're paying off the entire purchase price of the vehicle, plus interest and other finance charges, taxes, and fees.	Lease payments are almost always lower than loan payments because you're paying only for the vehicle's depreciation during the lease term, plus interest charges (called rent charges), taxes, and fees.
EARLY TERMINATION	You can sell or trade in your vehicle at any time. If necessary, money from the sale can be used to pay off any loan balance.	If you end the lease early, early-termination charges can be almost as costly as sticking with the contract.
VEHICLE RETURN	You'll have to deal with selling or trading in your car when you decide you want a different one.	You can return the vehicle at lease-end, pay any end-of-lease costs, and walk away.
FUTURE VALUE	The vehicle will depreciate, but its cash value is yours to use as you like.	On the plus side, its future value doesn't affect you financially. On the negative side, you don't have any equity in the vehicle.
MILEAGE	You're free to drive as many miles as you want. (But higher mileage lowers the vehicle's trade-in or resale value.)	Most leases limit the number of miles you may drive, often 12,000 to 15,000 per year. (You may be able to negotiate a higher mileage limit.) You'll have to pay charges for exceeding your limits.
EXCESSIVE WEAR AND TEAR	You don't necessarily have to worry about wear and tear, but it could lower the vehicle's trade-in or resale value.	Most leases hold you responsible. You'll have to pay extra charges for exceeding what is considered normal wear and tear.
END OF TERM	At the end of the loan term (typically four to five years), you have no further payments and you have built equity to help pay for your next vehicle.	At the end of the lease (typically two to four years), you'll have to finance the purchase of the car or lease or buy another.
CUSTOMIZING	The vehicle is yours to modify or customize as you like.	Because the lessor wants the vehicle returned in sellable condition, any modifications or custom parts you add will need to be removed before you return the car. If there is any residual damage, you'll have to pay to have it fixed.

6. GET PRE-APPROVED AND GET THE BEST RATE

ARRANGE FINANCING IN ADVANCE

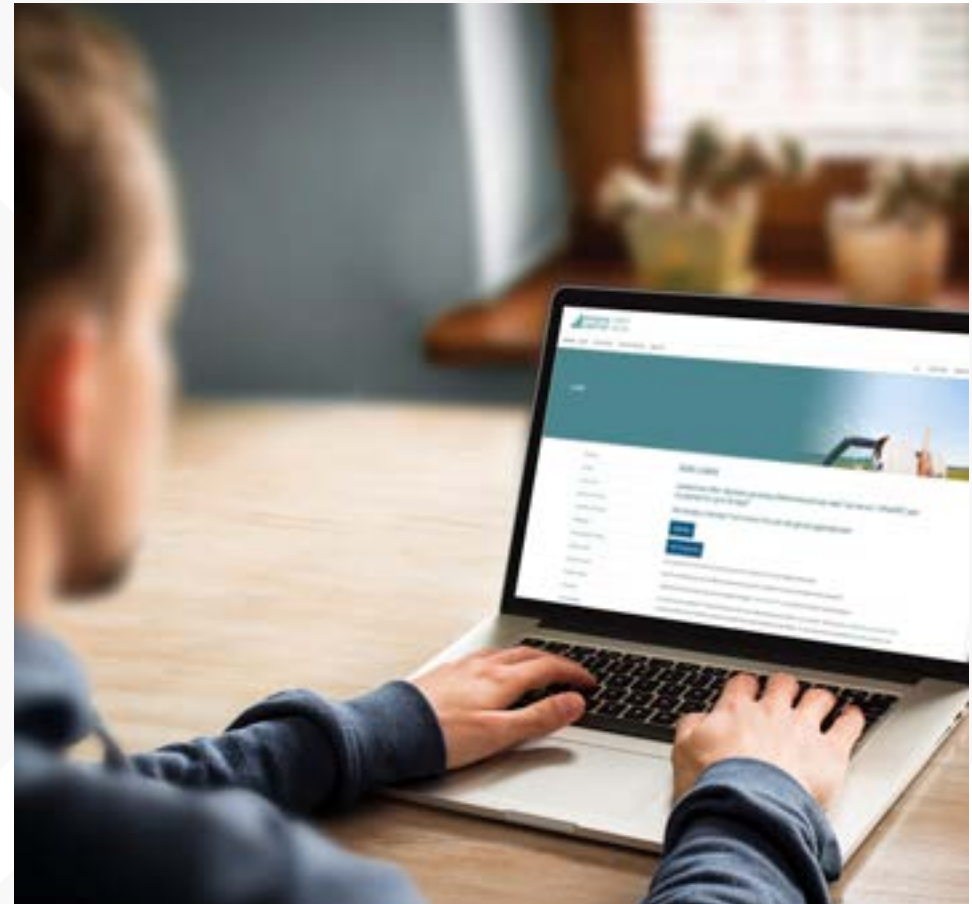
Making sure that you have the best deal on your financing is a top priority when purchasing a vehicle. Arizona Central Credit Union puts you in the driver's seat with great rates and fast pre-approval! Plus for a limited time, we are offering reduced rates¹ (as low as 1.99%APR) and up to 90-days to first payment². Not already a member? Don't worry! You can still get pre-approved today!

Pre-approval is easy! Apply by phone at **(602) 264-6421** or toll free **1-866-264-6421**, visit **azcentralcu.org/home/loans/vehicle/auto** to access the link to complete the application, or visit any one of our ten (10) branches statewide. For a list of all our branch locations visit **azcentralcu.org**.

So what are you waiting for? Get pre-approved today so you can shop with confidence and know exactly how much vehicle you can afford.

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7. SHOULD YOU TRADE IN OR SELL YOUR OLD VEHICLE

The decision to trade in or sell your vehicle can be a difficult one. It's easy to just simplify the process and trade in your current vehicle at the dealership even though you probably won't get as much money as you would have hoped for. If you are feeling a bit more ambitious, you may choose to list the vehicle for sale yourself and handle the sale privately. This approach can lead you to a better price, but it can also take time. Here are some tips to help you decide what the best option for you would be.

Trading it in

It's pretty easy to just trade in your vehicle at the dealership. Typically you will receive the vehicle's wholesale value. The dealership will inspect the vehicle and determine what that value is. A good way to check the average trade in value of your vehicle is to review the Kelley Blue Book at kbb.com. It will ask you a series of questions regarding the year, make, model and features of the vehicle you are trading in. It will also take into account mileage and condition of the paint and body. While this is not an exact indicator of what you will receive as a trade in value for your vehicle it is a good place to start to see what kind of value you can expect. Arizona Central has a wide range of financial calculators to see how much loan you can afford with or without a trade. Visit azcentralcu.org for a quick estimate.

Selling it

Decided that you will go ahead and just sell your old vehicle? This is an option that can be profitable although time consuming. Sellers can expect to get somewhere between retail and wholesale value. Some problems that could come from selling your vehicle on your own are not selling until after you have already purchased a new vehicle, negating the additional funds from the vehicle sale into your down payment as it takes time to find a buyer, and possibly having overlapping payments if your old vehicle and your new vehicle are financed. Selling your vehicle on your own also puts you in the position of having to take phone calls, deal with strangers, test drives and handling the price haggling.



8. ASSESS THE ONGOING MAINTENANCE COSTS

As a vehicle owner you will have other ongoing costs associated with your vehicle that you need to take into account as you decide if you can afford it. Things such as routine maintenance, including tires and brakes are a necessary part of being a vehicle owner. Also you will need to pay for registration, insurance and just filling it with gas. Here are some tips to keeping the costs low so you can stick within your budget.

1. Follow the maintenance guidelines specific to your vehicle
Change fluids and perform regular maintenance according to the manufacturer. This prevents unnecessary wear and tear on the vehicle. The vehicle's manual will give you a guide as to how often maintenance such as oil changes, belt replacement and tire rotation should be done.
2. Be sure to research Insurance options to get the best deal that will still protect you and your investment.
3. Anticipate and budget for you registration costs
Depending on where you have your vehicle registered you may need to have a vehicle emissions test completed every few years. This is a part of the vehicle registration process and certifies that your vehicle is in good working condition. The cost for the test is inexpensive and usually only takes a few minutes to complete. You will be notified of the need to perform the emission test when you receive your registration renewal. The cost of the actual tag/license plate renewal can be a bit expensive depending on the age of your vehicle. It is good to plan ahead when your vehicle tags will expire so you aren't blindsided by the renewal notice.



9. EXTENDED WARRANTY? INSURANCE OPTIONS

Regular Auto or Motorcycle Insurance

If you're injured in a vehicle accident and have insufficient health insurance (or none at all), insurance can help. Most insurers offer coverages that cover injuries you sustain as a driver or passenger (and in some states, personal injury protection coverage is required).

But we all know that insurance options can be costly. Arizona Central offers a great insurance option that can save you over \$500 per year. It is our member exclusive TruStage Auto Insurance option.¹

Check it out at azcentralcu.org to see whether it is a good option for you.

Mechanical Breakdown Insurance

Mechanical Breakdown insurance protects your car against expensive repairs after its factory warranty expires. It is available for new and used vehicles, and can be worked right into your financing package. Best of all, it is transferable in the event that you sell your car to another individual.

GAP Insurance

We all know that new vehicles depreciate as soon as you drive your car off the lot — and in the event of total loss of a vehicle (either through collision, damage or theft) you may find yourself in a situation where the current vehicle value that insurance is willing to pay may be less than what you still owe on your auto loan! GAP Insurance can protect you and give you peace of mind. For a minimal cost, it pays the difference between what your insurance company pays and what you owe — and can be worked right into your financing package. To find out whether it is the right choice for you contact us today.

Extended warranties

Available for both new and used vehicles, extended warranties are offered as extra security for vehicle buyers by reducing the risk of expensive repairs that might not be covered by the factory warranty.

Many types of plans are offered both through dealerships and from other sources such as auto clubs and insurance companies. Most extended-warranty-service companies offer more than one plan, with everything from comprehensive bumper-to-bumper coverage to more targeted protection for the powertrain only or specific components. Plans can also vary in duration, with most providing three to five years of coverage.

You can purchase extended warranties at the time of purchase, with the benefit being that you can roll the cost into the car loan. It is important to realize that this costs more money in the long run, as it means that you will also pay interest on the warranty's fee. It is also important to know that, in a similar fashion to the purchase price of your vehicle, the price that you will be offered your extended warranty at is just a "suggestion" and is totally negotiable.

Although extended warranties don't cover a lot of miscellaneous maintenance costs that may arise with your vehicle, they offer peace of mind about extreme out-of-pocket expenses from repair bills that may occur.

¹Average annual savings based on countrywide survey of new customers from 1/27/2014 to 1/16/2015 who reported their prior insurers' premiums when they switched to Liberty Mutual's Group auto and home program. Savings do not apply in MA.

10. THE SALE. NEGOTIATING IT

INSPECTING THE NEW VEHICLE BEFORE YOU TAKE OWNERSHIP

After a bit of hard work and research you have decided on a new vehicle. Now is where it can get a bit tricky, but if you come to the dealership informed and ready to stand your ground or possibly bend just a little it can be a very painless process. Here's what you need to know.

1. Know what the vehicle is worth

The dealership paid a certain amount for the vehicle right off the line and they will want to get at least that back. This is a great place to start when determining your opening offer. There are websites that can help you determine what the latest pricing is for the vehicle. A good place to start gathering this information is at azcentralcu.org on our auto loans page. We have links that go out to a couple of our partners that can give you a better idea of what that particular year, make and model are selling for in your area. Check out the links under the "Finding a Great Deal" section.

2. Figure out what you are prepared to pay

Calculate what you are prepared to pay. To figure out what you are comfortable paying monthly if you are financing, visit azcentralcu.org and take a look at our convenient financial calculators to get a quick assessment. Arizona Central Credit Union has fantastic rates on our auto loans that can help keep your monthly payment within reach. We can also get you pre-approved so that you know exactly how much car you can afford.

3. Head in for a test drive

Read the previous section in an earlier section of this guide for the importance of taking a test drive.

Not only do you need to do a test drive, you also need to make sure to thoroughly inspect the vehicle for any flaws. Just because it is new doesn't mean that it can't have had some scratches and dings along the way to its destination or even on the lot.

4. Making the deal

You have done the research, have the exact car picked out, arranged financing if needed and have the best price in mind. Now is the time to lay your cards on the table. The salesperson may not be too excited at your initial offer. They may say that there is no way the sales manager will go for it or that you have the figures wrong. This is where having a printout of your research comes in handy. It's hard to argue with facts. If it's still an issue remind the salesperson that you have also been talking to other dealerships, but don't let them in on who they are. There may be some back and forth, but in the end be sure that you are getting the vehicle that you want at the price that you want.

5. Sealing the deal

You now have the right vehicle, the right price and hopefully the financing ready to go. But don't fret if the financing isn't quite set. You can establish financing at the dealership through your lender of choice. We recommend that you request Arizona Central Credit Union for your financing as we work directly with the dealerships to secure the best rates and financing for buyers. You get all of the same benefits as you would if you were pre-approved, but the loan paperwork is done right there in the finance office at the dealership. By requesting Arizona Central, you will get the same great rates as if you were to have had your financing already established through a pre-approval.

Purchasing a new vehicle can sure be a lot of work. But once you have found exactly what you want, negotiated the best deal and have financing in place you are ready to hit the road in style! We hope that this information has been helpful and that it will help you get the best deal possible!

Arizona Central Credit Union is a not-for-profit full-service, financial institution that has been serving Arizona for over 77 years. Locally owned and operated by our members, our goal is to provide **Financial Freedom and Simple Solutions** to consumers like you! Be sure to visit us at azcentralcu.org for more information on additional products and services.