

[RETIRED] COMPARE: Select the Right Auto Financing

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In this activity, you'll use the [Bankrate.com Auto Calculator](#), a [spreadsheet](#)¹, and your own smarts to figure out the monthly and total payments for a variety of car offers. Then, you'll read profiles of individuals who are looking to buy cars and match them to the available offer that best meets their needs.

Part I: The car profiles

For each car, you'll assume the purchaser has impeccable credit and qualifies for the lowest possible deal being advertised. You'll also assume the sale price is MSRP, which is not normally the case, but simplifies this exercise.

For the two cars available for lease (A & B), use the ads below to fill in the [Auto Financing Options spreadsheet](#) with the **down payment**, **monthly lease**, **fees**, **tax rate**, and **length of contract in months**. The taxes per month, monthly payment amount, and total cost of car will auto-calculate.

For the three cars available for purchase (C, D, & E), use the ads below to fill in the same spreadsheet with the **MSRP**, **cash allowance**, **APR**, and **length of contract in months**. The amount financed will auto-calculate. Then, input the data into the [Bankrate.com Auto Calculator](#) (be sure to click "new vehicle") to determine the monthly payment amount and the total interest. Once you input them, the total cost of car will auto-calculate.

Car & Financing Option	
A	<div> <div>  <p>2016 Accord Coupe CVT LX-S Featured Standard Lease</p> <p>\$219.00 per month for 39 months. \$2,299.00 total due at signing.</p> <p>Includes down payment with no security deposit. Excludes taxes, titles and dealer fees. For well-qualified lessees.</p> </div> <div> <p>FEATURED LEASE: Closed end lease for 2016 Accord Coupe CVT LX-S (CT1B3GEW) available from January 5, 2016 through February 29, 2016, to well-qualified lessees approved by Honda Financial Services. Not all lessees will qualify. Higher lease rates apply for lessees with lower credit ratings. MSRP \$25,560.00 (includes destination, excludes tax, license, title, registration, documentation fees, options, insurance and the like). Actual net capitalized cost \$21,884.13. Net capitalized cost includes \$595 acquisition fee. Dealer contribution may vary and could affect actual lease payment. Total monthly payments \$8,541.00. Option to purchase at lease end \$14,058.00. Must take new retail delivery on vehicle from dealer stock by February 29, 2016. Lessee responsible for maintenance, excessive wear/tear and 15¢/mile over 12,000 miles/year for vehicles with MSRP less than \$30,000, and 20¢/mile over 12,000 miles/year for vehicles with MSRP of \$30,000 or more. See your Honda dealer for complete details.</p> </div> </div> <p>Sales tax = 5.75% (US Average), Dealer + Other Fees = \$650</p>

¹ [How To: Entering & Editing Data](#)

B



2016 FIAT 500e Battery Electric

36 MONTH LEASE
\$87/mo plus tax

On approved credit. Lease for \$87 per month plus tax for 36 months. \$3,999 due at signing plus \$0 security deposit. 10,000 miles per year, \$0.25 per mile thereafter.

Sales tax = 5.75% (US Average), Dealer + Other Fees = \$650

C

2016 Ford Fusion



APR Financing ⁴
2.9% for 72 months

and

\$2,000
"Get Into The New" Special Retail
Trade-In Assistance Cash ⁵

4. Program #20706: Not all buyers will qualify. Ford Credit limited-term APR financing from dealer stock by 04/04/2016. Not all Fusion models may qualify. See dealer qualifications and complete details.

5. "Get Into The New" Special Retail Trade-In Assistance Cash (Program #3014) newer vehicle or terminates a non-Ford/Lincoln/Mercury lease 30 days prior to new retail delivery from dealer stock by 02/01/2016. Residency restrictions apply. See Dealer for details.

MSRP = \$22,110, down payment = \$3000, trade-in value of current car = \$700

D



2016 Beetle

1.9% APR* for 60 months.

1.9% APR* for 60 months. Plus switch to VW and get a \$1,500** Bonus. For highly qualified customers through Volkswagen Credit.

MSRP = \$19,795, down payment = \$3000, trade-in value of current car = \$700

E

2016 CHEVROLET Volt



Finance

2.9% APR for 48 months

2016 CHEVROLET Volt

2.9% APR for 48 months for qualified buyers. Monthly payment is \$22.09 for every \$1000 you finance. Example down payment: 18%. Some customers will not qualify. Take delivery by 02-01-2016. Residency restrictions apply. See Dealer for details.

MSRP = \$25,670, down payment = \$3000, trade-in value of current car = \$700

Part II: The buyer profiles

Each person below has just finished their first full year of work post-college and is looking to buy or lease a new car. Each also has \$3000 saved for a down payment and an old vehicle with a \$700 trade-in value they could use toward the new vehicle. Read each customer profile and then write which car you think they should buy. Be sure to give a reason for your suggestion.

	Profile	Recommendation
1	<p>Tanya:</p> <ul style="list-style-type: none">• Can afford, at most, \$250 per month• Is very cost conscious overall• Is quite handy with cars and intends to keep this purchase for many years	<p>Should choose:</p> <p>Because:</p>
2	<p>Carmen:</p> <ul style="list-style-type: none">• Has a good paying job and isn't too worried about the monthly payment amount• Anticipates moving up the company over the years and can imagine upgrading to a fancier car, if so• Lives 32 miles from her job, so she drives a lot	<p>Should choose:</p> <p>Because:</p>
3	<p>Barry:</p> <ul style="list-style-type: none">• Wishes he could pay for the full car in cash; he HATES paying interest• Likes the idea of getting a car that's good on gas -- another way to save money• Drives to client sites all around the metro area, so he drives a lot	<p>Should choose:</p> <p>Because:</p>
4	<p>Kelly:</p> <ul style="list-style-type: none">• Is struggling to make ends meet• Thinks her grandpa would lend her an extra \$1000 toward a down payment• Rides her bike as much as possible to save on gas money but needs the car for bad weather days	<p>Should choose:</p> <p>Because:</p>
5	<p>Matt:</p> <ul style="list-style-type: none">• Has a goal of having all his debts (loans, credit cards, etc) completely paid off before he turns 27• Hopes to pay a little extra every month toward his principal to achieve the goal• Lives, works, and is getting his masters all in the same city; minimal driving	<p>Should choose:</p> <p>Because:</p>

Part III: Reflect

6. What costs of car ownership are not included in this exercise?

- a. At what point of the decision-making process should these other costs be considered?

- b. If you had to estimate other expenses of car ownership, how much do you think they would be, per month?

7. Did you choose a lease for any of the customers?

- a. Why or why not?

- b. What might be a downside of choosing a lease?

8. For this activity, we assumed that every applicant was going to qualify for the lowest possible interest rate and best financing deals.

- a. What would be the impact if they had less than ideal credit?

- b. Choose one financed vehicle (C, D, or E) and explain the impact if an applicant's credit score qualified him/her for an APR of 6.6% instead of the advertised rate.