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Avoid this car-buying mistake

and save money on your next loan

By Curtis Bales, Loan Officer



Budgets are tight and buying a car is a major purchase. It's tempting to accept financing based on the lowest monthly payment, but this may be a costly mistake. Why?

Lower monthly payments often mean longer loan terms and higher interest rates, which means you actually pay more over the life of the loan. With longer loan terms, you also risk becoming upside down on your loan, owing more money for your car than it is worth.

Save\$: Don't be payment-driven.

Save up as much as you can and negotiate the sales price down, not the monthly payment.

Here are ways to help you keep your car buying costs as low as possible.

1. Know your credit score.

More importantly, know the details in your report. Your credit score will determine which loan you will qualify for and the interest rate you'll pay.

Start now to reduce debt to improve your score and financing options.

2. Get pre-approved.

Know the exact amount you can spend before you start looking (and stay under that number). Start with your financial institution and shop around. A banker can also access car evaluations to improve your bargaining power with the dealership.

3. Focus on price.

Know what the car is worth, not what the dealer tells you it is worth. Do your homework. Check NADA guides. Shop online. Compare dealers. View the car evaluation with your banker. Then go to the dealership and negotiate a fair purchase price for the car, not your loan payment.

4. Decide needs versus wants.

You may want a newer model vehicle but can you honestly afford the higher purchase price and possible higher interest rate? It's a matter of choice.

I encourage you to save up as much money as possible before you shop so you have more choices. A higher down payment means you can borrow less money.

You can choose a higher monthly payment with a lower term and save more money over the life of the loan.

Avoid the payment-driven temptation and start saving up now for your next vehicle.

In the meantime, explore your financing options and ask your banker what you can do to improve your credit score.

Get\$Fit Tip: Do not be afraid to walk away.

Don't rush your decision and accept the first offer. It's your money and your life. Be good to yourself.

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