

What You Need to Know about Vehicle Financing



Why 0% Financing May Not Be the Best Value

If you're considering a 0% financing offer from a dealership, you should know that this offer is not always the best option. To offer a 0% financing option, the dealer is required to sell at the manufacturer's suggested retail price (MSRP). By discussing your options with a credit union, you could be approved with an affordable financing offer that will allow you to negotiate a purchase price with the dealer that is lower than the MSRP. Check out the [Vehicle Buying Tips](#) article for advice when negotiating a purchase price for your new vehicle.

Be Aware of the Threat of an Upside Down Loan

A new vehicle depreciates as soon as you put the keys in the ignition, losing up to 30% of its value within the first year of ownership. Beware of any financing options which result in an upside down loan (also known as negative equity), whereby you owe more than the asset is worth at the end of your financing term. The length of time you plan to keep your new vehicle may determine whether buying new, used, or leasing makes the most sense for your budget and lifestyle.

Buying New Could Be More Affordable for You

Typically, you could get a lower rate when applying for a new car loan vs. a used car loan. This is due to the fact that a new car is valued higher as collateral against possible default on a loan. It may be more affordable than you realize to purchase a new vehicle instead of a used vehicle. Discuss your options with a credit union to see what's in your financial best interest.