

## WHAT IS Auto Lending?

Buying a car or other vehicle can be a significant purchase, and you want to be prepared beforehand. Many people may not have all the money available to purchase a car, and that is why they will borrow money from the bank. This is called a **loan**, or **auto lending**. It is also referred to as “financing” a vehicle, which simply means that you are borrowing the money from a bank or credit union. In exchange, you must pay the money back with interest. Banks and credit unions offer a range of auto-lending products to support you.

Whether you're looking to finance a new car, a green vehicle, or other types of loans, you can work with a bank to understand your options.

### YOUR CREDIT SCORE AND BUYING A NEW CAR

The U.S. uses credit scores to determine if you can borrow money. A credit score is a number that shows how reliable, or good, you are at paying back money you borrow. The bank will use this number to better understand what loan or product it can offer to help you buy a car.

#### **Here are some typical ways that people will build their credit scores:**

- Always pay your bills on time
- Have a credit card, and always pay back the money every month before the due date
- For guidance on building your credit score for the future, one option is to meet with a financial counselor at EastRise.

### LANGUAGE TO KNOW ABOUT AUTOMOBILE LOANS

**Interest Rates:** An **interest rate** is the percentage of the amount of money borrowed that is charged as interest. It determines how much extra money you will pay over time.

For new cars, the interest rate is usually lower because the car is new and is worth more money.

**New Car Loans:** A way to borrow money to purchase a new car.

**Loan Amount:** Based on the price of the new car.

- **Example:** If you want to buy a new car that costs \$20,000, you can get a loan for \$20,000 and pay it back with interest over time.
- **Factors:** The loan amount can change based on your situation. For example:
  - A **down payment** or **trade-in** can reduce the loan amount.
  - Adding costs like **taxes, title, and registration fees** to the loan may increase it.

**Used Car Loans:** A way to borrow money to buy a car that has been owned and used by someone else.

For used cars, the interest rate is usually higher because the car is older and worth less money.

**Loan Amount:** Based on the price of the used car.

- **Example:** If you want to buy a used car that costs \$10,000, you can get a loan for \$10,000 and pay it back with interest over time.
- **Factors:** Just like new cars, a down payment or trade-in can lower the loan amount, while rolling in extra costs like tax, title, and registration can increase it.

We are here to help. If you need more information or would like to better understand the information provided here, you can always contact us by visiting [our website](#).

**Green Vehicle Loans:** The term green vehicle does not mean that the car is the color green! This is a term that is used to describe a loan to purchase a car that is less harmful to the environment than other cars. An example of a green vehicle is called a hybrid car, which uses both battery power and gasoline. EastRise Credit Union provides discounted interest rates and extended terms for green vehicles.

**Loan & Flexible Financing:** Offers financing up to 115% of the vehicle's value, allowing you to cover more than just the purchase price of the car.





**Rebates and Incentives:** Receive support from credit union staff members to navigate the process of applying for a loan and find out the available rebates and federal tax credits directly to your loan balance. These incentives are discounts, making it easier to take advantage of purchasing a green vehicle.

### KEY DIFFERENCES BETWEEN NEW, USED AND GREEN CARS

**Value of the Car:** New cars are more expensive than used cars.

**Interest Rates:** New car loans usually have lower interest rates than used car loans.

**Green Vehicles:** May be more affordable than you realize. Speak with a staff member to better understand your options.

**Other Loan Types for Vehicles:** If you want to purchase an all-terrain vehicle, boat, recreational vehicle, motorcycle, tractor, or snowmobile: loans may be available to support your purchase as well.

### HOW YOUR CREDIT SCORE WILL IMPACT PURCHASING A CAR

**Easier to be Approved for a Loan:** A high credit score makes it easier to get a loan to buy a car. If your score is low, it might be harder to get approved to purchase a car.

**Save Money in Interest:** An interest rate is additional money, on top of the amount that you are borrowing, that a bank will charge you. It is usually expressed as a percentage, such as 3%. The higher your credit score, the lower the interest rate you will pay. A lower interest rate saves you money over time.

**Flexibility with Your Savings Account:** If your credit score is low, you might need to pay more money up front when you buy the car. If you have a low credit score, it may be best to save some cash in a savings account to provide at the time you purchase a car, so that you borrow less money from the bank.