



People all over the world belong to credit unions, including over 98 million members in the United States. Because credit unions are not-for-profit financial institutions, their focus is serving the financial needs of their members and not making a profit. On the whole, credit unions typically offer higher rates on savings, fewer fees, and lower rates on loans. Here's what you can expect from a credit union:

## Personal Service

Credit unions provide personal service designed to help members grow their savings, pay off debt, and plan for the future. Many credit unions also provide free financial literacy resources, training, and counseling to help their members better understand and handle their financial matters.

## Voting Rights

Credit unions are democratically run financial institutions providing each credit union member one vote. Members vote on those from the membership who are running for the credit union's board of directors, as well as any other credit union official positions open for election at the annual membership meeting.

## Not-for-profit Focus

Credit unions are member-owned and operated, not-for-profit organizations. This enables them to fairly price products and services as well as offer competitive interest rates.

## Community Spirit

As groups with a common geographic area, workplace or other association, members often have shared interests and appreciate participating in an institution designed to help other members.

## Fewer Fees

Credit unions tend to offer fewer and sometimes reduced fees for their products and services compared to those of other financial service institutions due to their not-for-profit, cooperative structure. Credit unions generally also have no or lower minimum balance requirements.

## Expanded Services

Credit unions have been able to keep pace with the needs of their members by offering a variety of products and services in addition to savings and consumer loans, including:

- Direct deposit
- Financial education/counseling
- Shared branching where branches of other credit unions are available to their members
- Electronic banking
- ATMs
- ACH origination
- Overdraft protection

# Buying a Car



A new car is second only to a home as the most expensive purchase many consumers make. According to the National Automobile Dealers Association, the average price of a new car sold in the United States is \$30,000. That's why it's important to know how to make a smart deal. Your credit union can discuss car loan options with you.

## Researching Your New Car

Think about what car model and options you want and how much you're willing to spend. Do some research. You'll be less likely to feel pressured into making a hasty or expensive decision at the showroom and more likely to get a better deal.

### Consider these suggestions:

- Check publications at a library or bookstore or on the Internet that discuss new car features and prices. These may provide information on the dealer's costs for specific models and options.
- Shop around to get the best possible price by comparing models and prices in ads and at dealer showrooms. You also may want to contact your credit union or a car-buying service to make comparisons.
- Plan to negotiate on price. Dealers may be willing to bargain on their profit margin, often between 10 and 20 percent. Usually, this is the difference between the manufacturer's suggested retail price (MSRP) and the invoice price.
- Because the price is a factor in the dealer's calculations regardless of whether you pay cash or finance your car - and also affects your monthly payments - negotiating the price can save you money.
- Consider ordering your new car if you don't see what you want on the dealer's lot. This may involve a delay, but cars on the lot may have options you don't want - and that can raise the price. However, dealers often want to sell their current inventory quickly, so you may be able to negotiate a good deal if an in-stock car meets your needs.

## Learning the Terms

Negotiations often have a vocabulary of their own. Here are some terms you may hear when you're talking price.

- **Invoice Price** is the manufacturer's initial charge to the dealer. This usually is higher than the dealer's final cost because dealers receive rebates, allowances, discounts, and incentive awards. Generally, the invoice price should include freight (also known as destination and delivery). If you're buying a car based on the invoice price (for example, "at invoice," "\$100 below invoice," "two percent above invoice") and if freight is already included, make sure freight isn't added again to the sales contract.
- **Base Price** is the cost of the car without options, but includes standard equipment and factory warranty. This price is printed on the Monroney sticker.
- **Monroney Sticker Price** shows the base price, the manufacturer's installed options with the manufacturer's suggested retail price, the manufacturer's transportation charge, and the fuel economy (mileage). Affixed to the car window, this label is required by federal law, and may be removed only by the purchaser.
- **Dealer Sticker Price**, usually on a supplemental sticker, is the Monroney sticker price plus the suggested retail price of dealer-installed options, such as additional dealer markup (ADM) or additional dealer profit (ADP), dealer preparation, and undercoating.

# Financing Your Car

If you decide to finance your car, be aware that the financing obtained by the dealer, even if the dealer contacts lenders on your behalf, may not be the best deal you can get. Contact lenders directly. Compare the financing they offer you with the financing the dealer offers you. Because offers vary, shop around for the best deal, comparing the annual percentage rate (APR) and the length of the loan. When negotiating to finance a car, be wary of focusing only on the monthly payment. The total amount you will pay depends on the price of the car you negotiate, the APR, and the length of the loan.

Sometimes, dealers offer very low financing rates for specific cars or models, but may not be willing to negotiate on the price of these cars. To qualify for the special rates, you may be required to make a large down payment. With these conditions, you may find that it's sometimes more affordable to pay higher financing charges on a car that is lower in price or to buy a car that requires a smaller down payment.

Before you sign a contract to purchase or finance the car, consider the terms of the financing and evaluate whether it is affordable. Before you drive off the lot, be sure to have a copy of the contract that both you and the dealer have signed and be sure that all blanks are filled in.

Credit insurance is not required by federal law. If your dealer requires you to buy credit insurance for car financing, it must be included in the cost of credit. That is, it must be reflected in the APR.

# Trading in Your Old Car

Discuss the possibility of a trade-in only after you've negotiated the best possible price for your new car and after you've researched the value of your old car. Find out what your current vehicle is worth before you negotiate the purchase of a new car. Check the [National Automobile Dealers Association's \(NADA\) Guides](#), [Edmunds](#), and [Kelley Blue Book](#). This information may help you get a better price from the dealer. Though it may take longer to sell your car yourself, you generally will get more money than if you trade it in.

# Considering a Service Contract

Service contracts that you may buy with a new car provide for the repair of certain parts or problems. These contracts are offered by manufacturers, dealers, or independent companies and may or may not provide coverage beyond the manufacturer's warranty. Remember that a warranty is included in the price of the car while a service contract costs extra.

**Before deciding to purchase a service contract, read it carefully and consider these questions:**

- What's the difference between the coverage under the warranty and the coverage under the service contract?
- Does the dealer or manufacturer offer an extended warranty?
- What repairs are covered?
- Is routine maintenance covered?
- Who pays for the labor? The parts?
- Who performs the repairs? Can repairs be made elsewhere?
- How long does the service contract last?
- What are the cancellation and refund policies?



# Warranties

When you buy a used car from a dealer, get the original or a copy of the final Buyers Guide that was posted in the vehicle. The Guide must reflect any negotiated changes in warranty coverage. It also becomes part of your sales contract and overrides any contrary provisions. For example, if the Buyers Guide says the car comes with a warranty and the contract says the car is sold "as is," the dealer must give you the warranty described in the Guide.

## As Is - No Warranty

When the dealer offers a vehicle "as is," the box next to the "As Is - No Warranty" disclosure on the Buyers Guide must be checked. If the box is checked but the dealer promises to repair the vehicle or cancel the sale if you're not satisfied, make sure the promise is written on the Buyers Guide. Otherwise, you may have a hard time getting the dealer to make good on his word. Some states — Connecticut, Hawaii, Kansas, Maine, Maryland, Massachusetts, Minnesota, Mississippi, New Jersey, New Mexico, New York, Rhode Island, Vermont, West Virginia, and the District of Columbia — don't allow "as is" sales for many used vehicles.

Louisiana, New Hampshire, and Washington require different disclosures from those on the Buyers Guide to create a valid "as is" sale. If the dealer fails to provide proper state disclosures, the sale is not "as is." To find out what disclosures are required for "as is" sales in your state, contact your state Attorney General.

## Implied Warranties

State laws hold dealers responsible if cars they sell don't meet reasonable quality standards. These obligations are called implied warranties — unspoken, unwritten promises from the seller to the buyer. However, dealers in most states can use the words "as is" or "with all faults" in a written notice to buyers to eliminate implied warranties. There is no specified time period for implied warranties.

## Warranty of Merchantability

The most common type of implied warranty is the warranty of merchantability: The seller promises that the product offered for sale will do what it's supposed to. That a car will run is an example of a warranty of merchantability. This promise applies to the basic functions of a car. It does not cover everything that could go wrong.

Breakdowns and other problems after the sale don't prove the seller breached the warranty of merchantability. A breach occurs only if the buyer can prove that a defect existed at the time of sale. A problem that occurs after the sale may be the result of a defect that existed at the time of sale or not. As a result, a dealer's liability is judged case by case.

## Warranty of Fitness for a Particular Purpose

A warranty of fitness for a particular purpose applies when you buy a vehicle based on the dealer's advice that it is suitable for a particular use. For example, a dealer who suggests you buy a specific vehicle for hauling a trailer is promising that the vehicle will be suitable for that purpose.

If you have a written warranty that doesn't cover your problems, you still may have coverage through implied warranties. That's because when a dealer sells a vehicle with a written warranty or service contract, implied warranties are included automatically. The dealer can't delete this protection. Any limit on an implied warranty's time must be included on the written warranty.

In states that don't allow "as is" sales, an "Implied Warranties Only" disclosure is printed on the Buyers Guide in place of the "As Is" disclosure. The box beside this disclosure will be checked if the dealer decides to sell the car with no written warranty.

Dealers may offer a full or limited warranty on all or some of a vehicle's systems or components. Most used car warranties are limited and their coverage varies. A full warranty includes the following terms and conditions:

- Anyone who owns the vehicle during the warranty period is entitled to warranty service.
- Warranty service will be provided free of charge, including removing and reinstalling a covered system.
- You have the choice of a replacement or a full refund if the dealer can't repair the vehicle or covered system after a reasonable number of tries.
- You only have to tell the dealer that warranty service is needed to get it, unless the dealer can prove that it is reasonable to require you to do more.
- Implied warranties have no time limits.

If any of these statements don't apply, the warranty is limited.

A full or limited warranty doesn't have to cover the entire vehicle. The dealer may specify that only certain systems are covered. Some parts or systems may be covered by a full warranty; others by a limited warranty.

The dealer must check the appropriate box on the Buyers Guide to indicate whether the warranty is full or limited, and must include the following information in the "Warranty" section:

- The percentage of the repair cost that the dealer will pay. For example, "the dealer will pay 100 percent of the labor and 100 percent of the parts . . .";
- The specific parts and systems — such as the frame, body, or brake system that are covered by the warranty. The back of the Buyers Guide lists the major systems in which problems may occur;
- The warranty term for each covered system. For example, "30 days or 1,000 miles, whichever comes first"; and
- If there's a deductible and, if so, how much.

You have the right to see a copy of the dealer's warranty before you buy. Review it carefully to determine what is covered. The warranty gives detailed information, such as how to get repairs for a covered system or part. It also tells who is legally responsible for fulfilling the terms of the warranty. If it's a third party, investigate their reputation and whether they're insured. Find out the name of the insurer, and call to verify the information. Look up reviews online. Then check out the third-party company with your consumer protection agency. Make sure you get a copy of the dealer's warranty document if you buy a car that is offered with a warranty.

### Unexpired Manufacturer's Warranties

If the manufacturer's warranty still is in effect, the dealer may note that in the "systems covered/duration" section of the Buyers Guide. To make sure you can take advantage of the coverage, ask the dealer for the car's warranty documents. Verify the information (what's covered, expiration date/miles, and necessary paperwork) by calling the manufacturer's zone office. Make sure you have the VIN when you call.



# Pre-Purchase Independent Inspection

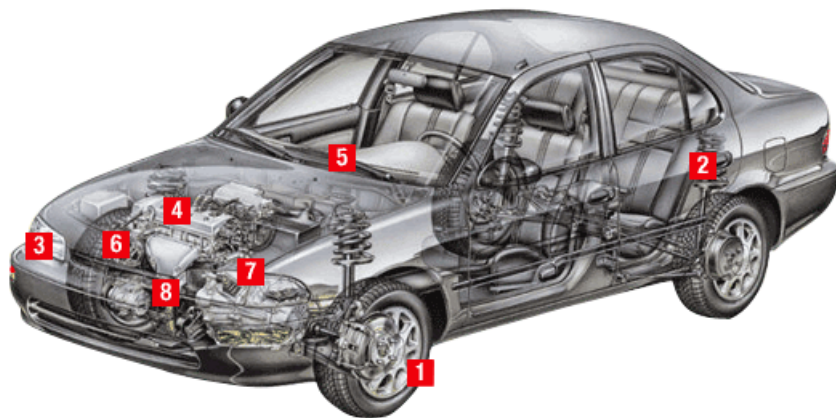
It's best to have any used car inspected by an independent mechanic before you buy it. For about \$100, you'll get a general indication of the mechanical condition of the vehicle. An inspection is a good idea even if the car has been "certified" and inspected by the dealer and is being sold with a warranty or service contract. A mechanical inspection is different from a safety inspection. Safety inspections usually focus on conditions that make a car unsafe to drive. They are not designed to determine the overall reliability or mechanical condition of a vehicle.

To find a pre-purchase inspection facility, check the phone book under "Automotive Diagnostic Service," go online, or ask friends, relatives, and co-workers for referrals. Look for facilities that display certifications like an Automotive Service Excellence (ASE) seal. Certification indicates that some or all the technicians meet basic standards of knowledge and competence in specific technical areas. Make sure the certifications are current, but remember that certification alone is no guarantee of good or honest work. Ask to see current licenses if state or local law requires them. Check with your state Attorney General's office or local consumer protection agency to find out whether there's a record of complaints about particular facilities. Or search online for comments.

There are no standard operating procedures for pre-purchase inspections. Ask what the inspection includes, how long it takes, and how much it costs. Get this information in writing.

If the dealer won't let you take the car off the lot, perhaps because of insurance restrictions, you may be able to find a mobile inspection service that will go to the dealer. If that's not an option, ask the dealer to have the car inspected at a facility you designate. You will have to pay the inspection fee. If a dealer won't allow an independent inspection, you might want to consider doing business elsewhere.

Once the vehicle has been inspected, ask the mechanic for a written report with a cost estimate for all necessary repairs. Be sure the report includes the vehicle's make, model, and VIN. If you decide to make a purchase offer to the dealer after considering the inspection's results, you can use the estimated repair costs to negotiate the price of the vehicle.



# Private Sales

Buying a car from a private individual is different from buying from a dealer.

Private sellers generally are not covered by the Used Car Rule and don't have to use the Buyers Guide.

However, you can use the Guide's list of an automobile's major systems as a shopping tool, and you can ask the seller if you can have the vehicle inspected by your mechanic.

Private sales usually are not covered by the "implied warranties" of state law. That means a private sale probably will be on an "as is" basis, unless your purchase agreement with the seller specifically states otherwise. If you have a written contract, the seller must live up to the promises stated in the contract. The car also may be covered by a manufacturer's warranty or a separately purchased service contract. However, warranties and service contracts may not be transferable, and other limits or costs may apply. Before you buy the car, ask to review its warranty or service contract. Many states do not require individuals to ensure that their vehicles will pass state inspection or carry a minimum warranty before they offer them for sale. Ask your state Attorney General's office or local consumer protection agency about the requirements in your state.

## If You Have Problems

If you have a problem that you think is covered by a warranty or service contract, follow the instructions to get service. If a dispute arises, try to work it out with the dealer. Talk with the salesperson or, if necessary, the owner of the dealership. Many problems can be resolved at this level. However, if you believe you're entitled to service, but the dealer disagrees, you have some options:

- If your warranty is backed by a car manufacturer, contact the local representative of the manufacturer. The local or zone representative is authorized to adjust and decide issues of warranty service and repairs to satisfy customers. Some manufacturers also are willing to repair certain problems in specific models for free, even if the manufacturer's warranty does not cover the problem. Ask the manufacturer's zone representative or the service department of a franchised dealership that sells your car model whether there is such a policy.

Contact your state Attorney General or the American Association of Motor Vehicle Administrators. You also might consider using a dispute resolution organization if you and the dealer are willing. Under the terms of many warranties, this may be a required first step before you can sue the dealer or manufacturer. Check your warranty to see if this is the case. If you bought your car from a franchised dealer, you may be able to seek mediation through the Automotive Consumer Action Program (AUTOCAP), a dispute resolution program coordinated nationally by the National Automobile Dealers Association and sponsored through state and local dealer associations in many cities. Check with the dealer association in your area to see if they operate a mediation program.

If none of these steps are successful, small claims court is an option. Here, you can resolve disputes involving small amounts of money, often without an attorney. The clerk of your local small claims court can tell you how to file a suit and the dollar limit in your state.

The Magnuson-Moss Warranty Act also may be helpful. Under this federal law, you can sue based on breach of express warranties, implied warranties, or service contracts. If successful, consumers can recover reasonable attorneys' fees and other court costs. A lawyer can advise you if this law applies.