

Buying a car? Shop for loan, too

You've shopped around and found the perfect deal for a new or used car, but don't stop your search there. You could lose all the money you saved on a car with the wrong financing.

There are several options open to car buyers who find themselves short of cash.

You can finance the car through a credit union, local bank or finance company. You can also let the dealer arrange the loan.

A spokesperson for the National Bank of Detroit says car loans vary in length. They're available for from 1 to 4 years. The annual percentage rate (APR) on the loan depends on the amount and term of the loan.

For example, for a 48-month car loan of \$5,900, the annual interest will be 12.67 per cent. The monthly payments will be \$133.33. If the loan is taken out over a 24-month period, the annual interest will be 12.51 per cent and the payment will be \$237.50 a month. While the rate for the shorter term loan is higher, the interest paid will be much lower. For the 4-year loan, nearly \$1,400 would be paid in interest. The two-year loan will cost \$700 in interest.

A down payment is a definite prerequisite. The NBD representative says a 20 per cent down payment is required on a new car. At least 10 per cent down is needed for a used car.

CRAIG COLIMINA is the business manager of Stark Hickey West, a Ford dealership at 24780 W. Seven Mile. He says the dealership has a working arrangement with several local banks and some out-of-state banks; as well as with Ford Motor Credit, a lending corporation.

He says the dealership receives a small percentage of the interest payments for its hand in the deal with the lending corporation.

Colimina matches car buyers with lending institutions.

He says the dealership asks salespersons to not suggest where someone should apply for a loan. They are asked to refer their customers to the business manager.

"It's my business to get the best deal for their money," he says. "Interest is like any other commodity. It rises and falls. It is very competitive."

Colimina says a 48-month car loan was almost unheard of five or six years ago. Today most are financed for 36 months.

"The reason for the extended term is to bring car payments into reality," he says.

Colimina says the cars the dealer has on display are financed through Ford Motor Credit.

"We finance our stock cars the same way anyone finances their car," he says. "We pay interest to Ford Motor Credit."

INTEREST RATES for car loans is extremely competitive in Michigan. According to state regulations, the maximum add-on rate is seven per cent. This add-on rate is a factor used in determining the APR.

Another aspect in car loans is the used car business.

John Folger, manager of Five Point Auto Sales, 25049 Grand River, says 60-65 per cent of their customers get their loans from one finance corporation—Associated Finance.

He says Five Points receives no commission from the finance corporation.

"Just being able to sell our cars is what we're getting out of it," he says.

Folger says discount loans and small loans can be arranged with the finance corporation. Discount loans can be written at the dealership for '74 model and newer cars. Small loans, for '73 model cars and older, must be arranged at the finance corporation. Generally, the older the car, the more interest will cost, because the car depreciates faster.

Small loans for newer cars, such as a '74 or '75 model, are usually set on a 24-month plan, Folger says. They usually request a 15 per cent down payment. The APR is 21.46 per cent on a small loan.

FOLGER SAYS more auto loans are financed through credit unions these days. About 15 per cent of his customers borrow money from credit unions.



Shopping around for an auto loan can almost be as difficult as getting a good deal for a car. Interest rates vary between different lending institutions. (Staff photo by Bob Woodring)

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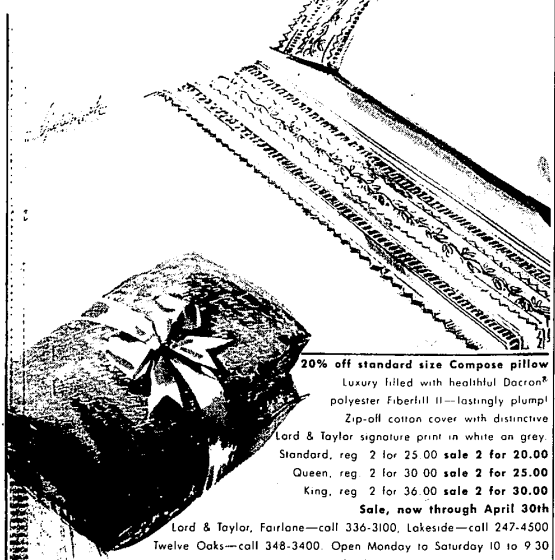
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