



## Regulated Industries Complaints Office

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[cca.hawaii.gov/rico](http://cca.hawaii.gov/rico)

# HOW MUCH WILL YOUR NEW CAR COST?



The average price of a new car is about \$31,000.00, an amount most people will need to finance. (The average cost of a used car is about \$17,000.00.) There are plenty of great tools on the internet designed to show consumers the true cost of financing. We found the following tips online and used the car finance tool calculator on [www.thecalculatorsite.com](http://www.thecalculatorsite.com) to create the following snapshots.

Start with our original transaction (below), and see how different factors may affect the final cost of a car and the total interest you may pay. (Note: Interest in these examples has been calculated on a monthly basis.)

Price of car	\$31,000.00
Taxes and fees (about 10%)	+ \$ 3,100.00
<b>Total cost of car</b>	<b>\$34,100.00</b>
Down payment (or trade in)	- \$ 5,000.00
<b>Amount to be financed</b>	<b>\$29,100.00</b>
Annual Percentage Rate (APR)	6.9%
Term (in months)	60 (=5 years)
Balloon payment at end?	\$0.00

Initial vehicle deposit:	\$5,000.00
<b>Loan payments:</b>	<b>\$34,490.58</b>
Balloon payment at end:	\$0.00
<b>Total payable:</b>	<b>\$39,490.58</b>
60 monthly payments of:	\$574.84
<b>Total interest:</b>	<b>\$5,390.58</b>
Vehicle Value: \$34,100.00	
Interest Rate: 6.9%	

### TRY FOR A LOWER INTEREST RATE

What can you do to try to lower the cost of buying a new car? One way is to try to find the lowest interest rate possible. If you finance through a car dealership, the dealer may mark up the interest rate on a car loan. If negotiating with a car dealership, remember everything is negotiable, including financing. You may want to consider looking for financing from a local bank or a credit union before you start. After you get a couple of interest rates, you can use a car finance tool calculator to see how much interest you'll have to pay.

Price of car	\$31,000.00
Taxes and fees (about 10%)	+ \$ 3,100.00
<b>Total cost of car</b>	<b>\$34,100.00</b>
Down payment (or trade in)	- \$ 5,000.00
<b>Amount to be financed</b>	<b>\$29,100.00</b>
Annual Percentage Rate (APR)	<b>5.9%</b>
Term (in months)	60 (=5 years)
Balloon payment at end?	\$0.00

Initial vehicle deposit:	\$5,000.00
<b>Loan payments:</b>	<b>\$33,673.94</b>
Balloon payment at end:	\$0.00
<b>Total payable:</b>	<b>\$38,673.94</b>
60 monthly payments of:	\$561.23
<b>Total interest:</b>	<b>\$4,573.94</b>
Vehicle Value: \$34,100.00	
Interest Rate: 5.9%	

## INCREASE YOUR DOWN-PAYMENT

It goes without saying, if you put more down, the less money you'll need to finance. Use a car finance tool calculator to see what your bottom line will be.

Price of car \$31,000.00  
Taxes and fees (about 10%) + \$ 3,100.00  
Total cost of car \$34,100.00

Down payment (or trade in) - \$ 7,500.00  
Amount to be financed \$29,100.00

Annual Percentage Rate (APR) 6.9%

Term (in months) 60 (=5 years)

Balloon payment at end? \$0.00

Initial vehicle deposit:	\$7,500.00
<b>Loan payments:</b>	<b>\$31,527.47</b>
Balloon payment at end:	\$0.00
<b>Total payable:</b>	<b>\$39,027.47</b>
60 monthly payments of:	\$525.46
<b>Total interest:</b>	<b>\$4,927.47</b>
Vehicle Value: \$34,100.00	
Interest Rate: 6.9%	

## Hawaii's Lemon Law

Hawaii's State Certified Arbitration Program (or "SCAP") helps consumers resolve car warranty complaints with manufacturers. Under certain conditions, a consumer may be entitled to receive a refund or replacement for a car that does not conform to the car's warranty, substantially impairing its use, market value, or safety. More information about Hawaii's Lemon Law is available at [cca.hawaii.gov/rico/lemon-law](http://cca.hawaii.gov/rico/lemon-law).

## TRY TO AVOID LONG-TERM LOANS

With a long-term loan, monthly payments may be lower, but you may end up paying more over time.

Price of car \$31,000.00  
Taxes and fees (about 10%) + \$ 3,100.00  
Total cost of car \$34,100.00

Down payment (or trade in) - \$ 5,000.00  
Amount to be financed \$29,100.00

Annual Percentage Rate (APR) 6.9%

Term (in months) **84 (=7 years)**

Balloon payment at end? \$0.00

Initial vehicle deposit:	\$7,500.00
<b>Loan payments:</b>	<b>\$33,613.96</b>
Balloon payment at end:	\$0.00
<b>Total payable:</b>	<b>\$41,113.96</b>
84 monthly payments of:	\$400.17
<b>Total interest:</b>	<b>\$7,013.96</b>
Vehicle Value: \$34,100.00	
Interest Rate: 6.9%	

## Annual Percentage Rate (or APR)

APR can vary, depending on your credit history, credit score, if you're buying a new or used car, how long it will take to pay off the loan. As a rule of thumb, the better the credit rating and shorter the loan, the better the rate. Consider checking with a local bank or credit union (some give quotes online), and try to find the lowest rate first. Being pre-approved may give you confidence when negotiating a purchase.

## **POP THAT BALLOON**

Balloon payments may also affect your bottom line. Use a car finance tool calculator like the one at [www.thecalculatorsite.com](http://www.thecalculatorsite.com) to estimate what your final cost will be. There are lots of handy car finance tool calculators out there.

Price of car	\$31,000.00
Taxes and fees (about 10%)	+ \$ 3,100.00
Total cost of car	\$34,100.00
Down payment (or trade in)	- \$ 5,000.00
Amount to be financed	\$29,100.00
Annual Percentage Rate (APR)	6.9%
Term (in months)	60 (=5 years)
Balloon payment at end?	\$5,000.00

Initial vehicle deposit:	\$5,000.00
<b>Loan payments:</b>	<b>\$30,289.36</b>
Balloon payment at end:	\$5,000.00
<b>Total payable:</b>	<b>\$40,289.36</b>
60 monthly payments of:	\$504.82
<b>Total interest:</b>	<b>\$6,189.36</b>
Vehicle Value: \$34,100.00	
Interest Rate: 6.9%	

**KNOW BEFORE YOU GO.** Buying a car is a big purchase, so try to do as much homework as you can, in advance. Like deciding on the kind of car you need, fixing a budget in advance, having an idea of the financing that may be available to you, and checking with RICO to make sure the dealer you're working with is licensed.

**ZERO PERCENT FINANCING.** To qualify for zero-interest loan, (sometimes called "zero percent financing,") you'll need to have great credit. The loan period may also be shorter, which means your monthly payments will be higher, or you may have a balloon at the end. For example, we calculate the monthly payments on our \$34,100 total car price over 4 years (with no balloon) will be \$606.25/month.

**MANUFACTURER INCENTIVES.** Incentive programs are designed to stimulate sales by giving savings to consumers. Cash rebates, low-interest financing, and special leases are all designed to get you interested. When you find a car you like, ask if there are any manufacturer incentives being offered. If you're given a choice between low-interest financing or cash back, you can use a car finance tool calculator to compare both.

**CONDITIONAL FINANCING.** Conditional financing is when you take delivery of a vehicle before finalizing the financing required to pay for it. (Sometimes called "spot financing" or "yo-yo financing.") How it may work: The dealership promises to get you a loan at what sounds like a reasonable rate. You sign some paperwork to get the financing approved and drive your new car off the lot. When you return to finalize the transaction, you're told the loan will only be approved at a higher interest rate. By this time, the car you traded-in may have already been sold. Try to have financing in place before you leave the dealership, especially if you're trading in your old car. Some consumer experts advise against leaving the dealership without a signed contract with all of the blanks filled in.

### **RESOURCES:**

The Department of Commerce and Consumer Affairs (DCCA), and its Regulated Industries Complaints Office (RICO), offer tools, tips, and services you can use to check out an individual or business. Information is available by calling 1-844-808-3222 or online at [cca.hawaii.gov/businesscheck](http://cca.hawaii.gov/businesscheck). Please also dial 1-844-808-3222 (DCCA) to reach RICO for information about filing a RICO complaint or to report unlicensed activity. Or, visit RICO online at [cca.hawaii.gov/rico](http://cca.hawaii.gov/rico).

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