


## COMPARE: Auto Loans

Molly is celebrating her exciting new career and wants to upgrade her junky old car for a shiny new Jeep Patriot. She heads to Jeep's website and sees the following financing deals:

Latitude 4x4	
Sport	MSRP* Starting at: \$17,595
Sport SE	MSRP* Starting at: \$19,740
Latitude FWD 4x4	MSRP* Starting at: \$25,495
High Altitude	MSRP* Starting at: \$24,775



20 city/26 hwy EPA est. MPG

2.4-Liter I4 DOHC 16-Valve Dual VVT Engine

AutoStick® Automatic Transmission

2,000 lb Towing Capacity + Maximum

[View Standard Features](#)

Finance for  
**0% APR**  
For 36 months  
Plus up to \$1,500  
Cash Allowance

Finance for  
**1.9% APR**  
For 84 months  
Plus up to \$500  
Cash Allowance

Note: For this activity, assume Molly's going to pay the exact MSRP of \$25,495. This is most likely NOT true, but we'll use it for simplicity.

### Part I: 0% APR sounds PERFECT!

Answer the following questions using the details from the 0% APR offer above. **Please round all answers to the nearest dollar.**

- Molly has a \$2500 down payment saved for this purchase, and the dealer's \$1500 Cash Allowance will come straight off her total. How much loan does Molly need?

2. How much will Molly's monthly payment be?

3. How much total interest will Molly pay using this plan?

4. When Molly adds all of her payments, how much will the car cost her?

### Part II: Maybe the 1.9% is more manageable?

Oh, boy! Look at that monthly payment from Question 2 above! Molly cannot afford the monthly payment using the 0% financing. She opens up Bankrate's [Loan Calculator](#) to see how much she'd pay with the other financing option.

5. Remember that Molly has a \$2500 down payment saved for this purchase. The dealer will take the \$500 Cash Allowance straight off her total. How much loan does Molly need?

6. Using the [Loan Calculator](#) and the 1.9% APR offer, how much will Molly's monthly payment be?

7. How much total interest will Molly pay using this plan?

8. When Molly adds all of her payments, how much will the car cost her using this plan?

### Part III: Reading the Fine Print

Excited to buy her dream car, Molly rushes into her local Jeep dealership. Molly picks out a car, sits down at the financing desk, and hears the following:

“Well, we ran your credit history. You’ve got a really thin file -- just a year’s worth of student loan payments. The deal you saw was for ‘well qualified buyers.’ The best deal we can offer you is 6.6% for 60 months. A little more bad news -- the cash allowance is also based on credit history, so you don’t qualify for \$500. That said, you’re excited about a Jeep, and I want to see you driving one, so I can do \$400 for you!”

9. Molly still has a \$2500 down payment. How much loan does Molly need?

10. How much will Molly’s monthly payment be using the Bankrate calculator?

11. How much total interest will Molly pay using this plan?

12. When Molly adds all of her payments, how much will the car cost her?

#### Part IV: In Summary

13. What valuable lessons did Molly learn about auto financing?

14. Molly desperately wants a Jeep Patriot, and this new monthly payment is pretty high again. What suggestions do you have for making her dream become reality?

1. How does increasing the size of your down payment impact your auto loan?
2. Which of the following is likely to INCREASE your monthly payment?
  - a. Increasing the size of your down payment
  - b. Qualifying for a lower APR
  - c. Decreasing the number of months in your term
3. Why should you never tell a salesperson the maximum amount you can afford per month?