The IQ Car Buying Guide

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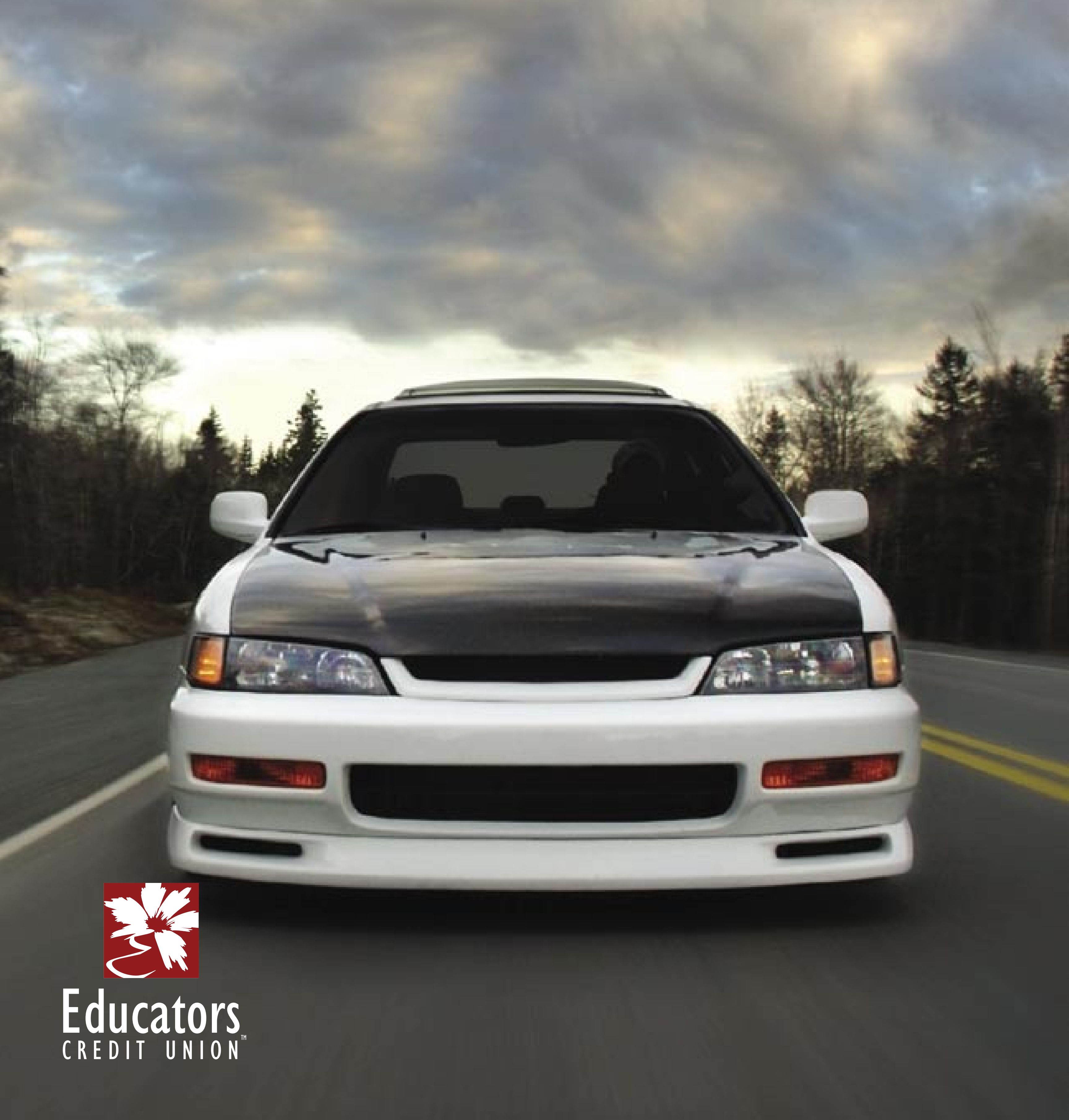

Educators
CREDIT UNION™

Introduction

"Just click here and this beautiful convertible can be yours for $1 under invoice. Unbelievable! And we've got 0 percent financing. Even more unbelievable! And we'll give you a free computer when you buy from us! And we guarantee the value of your trade-in!"

Listen to the hype—whether it's on TV, online or in print—and you'd think saving money on a vehicle is as easy and fast as flipping the TV remote. Wrong!

Did you know a dealer or online auto service can sell or lease you a new set of wheels for exactly what the dealer paid the manufacturer and still make $500 to $1,500 on just the car itself?

Did you know that "0 percent" financing may cost you more than financing at a bank or credit union — even if the bank or credit union's rate is 7 percent?

Do you hate dealing with dealers and look forward to buying or leasing a vehicle online — or from a buying service — just so you won't have to deal with the dealer yourself? Guess what: you have to deal with a dealer, even if you use a buying service! All new vehicle sales — repeat, all — have to involve a dealer.

Do you think the Internet has made it safer for you to research and/or acquire a new vehicle? Think again! In just the past three years, the entire auto business has been ripped apart, re-invented and re-launched. "In an instant, your privacy, your money and your good credit can be stripped away — and that's if you're dealing with the 'good' car guys!" That quote, from the new edition of my book, *Don't Get Taken Every Time*, sums it up. (To read portions of the book, visit the IQ website.)

"In an instant, your privacy, your money and your good credit can be stripped away — and that's if you're dealing with the 'good' car guys!"

That's why I've written this special buying guide for you. For over 20 years, I've tracked the inner workings of the auto industry. As President and co-founder of the non-profit Consumer Task Force For Automotive Issues, and as co-founder of the Privacy Rights Now Coalition, I've pretty much seen it all when it comes to wacky sales gimmicks, deception and consumer abuse. And, it's my sworn duty to keep those things from happening to you!

And that's why this IQ guide is unique to Educators. You probably don't know it, but Educators has a car program that is one-of-a-kind in the entire country: Educators Auto & Lease can sell or lease you a vehicle. The program is good enough that I not only recommend it, I hope you'll use at least parts of it when you look to purchase your next vehicle.

Something huge: You probably don't know this either, but I've never recommended a credit union car program. For me to recommend it says a lot about Educators vehicle efforts. Educators car buying and leasing program contains none of the tricks or pressures I write about in this guide. And their program works hand-in-hand with the steps I outline in this guide.

And will this guide work! If you follow this guide, you can probably keep thousands of your hard-earned dollars in your pocket rather than in the dealer's.

A major promise up-front: IQ is about educating you, not trying to hype you. This program provides you an oasis from the pressure, confusion and deception that is rampant in the auto industry and on the Web. And it gives you straight answers.

For instance, where is it cheapest to finance? If Educators determines that it would be cheaper and better for you to finance at some other institution, they'll send you there. **Think about that!** Do you really think any other financial institution would do that?

Educators makes that promise because their goals are different than the other players in the auto industry. A dealer or their finance sources have two objectives: to sell you their product or service (whether or not it's the right product for you) and to sell it to you at the maximum price you will pay. Educators' job, on the other hand, is to make sure you buy what's best for you and to make sure you pay the least for it.

And Educators is not just being noble, either. Since you own part of the credit union, Educators' financial well-being is linked closely to your financial well-being: when you prosper, they prosper.

And since Educators is not-for-profit and owned by you, their prosperity translates into money and benefits for you. Nice!

Any questions? Why not e-mail me directly at autoissues@aol.com? And thanks for reading. Your pocketbook, as they say, will thank you.

Remar Sutton

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Chapter 1: What's Really Happening Down at the Dealership?

To win in any auto transaction, you first have to understand what the other side is trying to do to you, and why. Since "the other side" always includes a physical automobile dealership—even if you're buying or leasing from an online service—I'm going to take you inside a typical dealership right now. What's really going on down there?

The pressure game starts before you go near a dealership, either online or in person. Just look at the dealer ads: they promise low payments, sales, big money for your trade and respect for your intellect. But, as with most selling, these promises come with some crossed fingers. Did you know that many dealers make more during sales than they do at non-sale time? That's because we consumers automatically equate the word "sale" with "save." That's dangerous math. Dealer advertising really has another purpose: To get you to rush down in a fit of excitement ("Really? Just $99 a month?!") without stopping to think.

The "Track" System Takes Over. A "track" system is an automobile sales program designed to put every customer through the exact same sales steps with the sole intent of selling that customer instantly for the maximum profit. The key words here are "instantly" and "maximum profit." When you arrive at a dealership (or log-on to most auto websites) the dealership begins to "work" you: put you through the track system.

The objective is always the same: Get you to pay more for every item and service than you were planning to pay. Want to spend $450 a month? A savvy dealership will get you to pay $550. Or they will happily sell you a car for $450 per month—but it will be a car you could have bought for $350 per month. Nice of them.

The dealership is concerned about its profit, not your budget. The people at virtually any dealership and most websites and buying services, friendly though they may be, have a little different objective in the car transaction than you do. Their goal is always to maximize profit. And that might mean leaving out an important fact or two.

To take one example, what would you do if you owned a dealership that sold cars ranked lowest on the government crash safety reports? Would you tell all your customers: "Oh, don't forget— our cars are the most dangerous on the road!" See the problem? To survive, the dealership must either lie about the dangerous test results, or simply forget to talk about the results.

What's the outcome of this? *The sellers of automobiles generally can't give you good advice about what you should spend.* No salesperson in the auto industry ever prospered by volunteering to cut the price on every sale or always telling the whole truth about its vehicles.

Number two, the sellers of a particular automobile *generally can't give you the answers you need* to questions about such matters as a car's safety, reliability or resale value.

But these questions are important, aren't they? *And you'll need the answers before you even look in the direction of the dealership.* Why? Because once you're engaged with these folks, the "track system" will take over and speed you along recklessly whether you like it or not.

Dealership Tactics

Here's a look at a few tactics track systems use to "work" you.

You stop into the dealership simply to pick up a brochure. Even though you have no intention of buying, the smiling salesperson requests your driver's license, your Social Security number or simply your address. Or maybe they want to register you for a fabulous free trip to Paris.

Even though you haven't given permission, many dealerships will search their databases and quickly open a file on you. And because many dealerships are now owned by conglomerates that already have information on you, the dealership has an informal "read" on your credit without even pulling a credit report! With that informal "read," the dealership then begins to plan the maximum profit they can make on you, based upon your credit worthiness. And you really only stopped into the dealership to use their restroom.

The Dealership T.O.s You

"T.O." stands for "turn over." You're sitting in a salesperson's office, thinking about how much more fun it would be to change the oil

in your car in the dark rather than go through this, when your salesperson returns with reinforcement—another person. The new smiling face asks for more money. And then the salesperson asks for more. The T. O. system operates on the principle of "fresh faces can work miracles." A miracle, in this instance, is defined as more profit. And as long as you keep giving, they'll keep asking.

The "Note" System

Rather than "T.O.ing" you, some dealerships use the note system: The salesperson steps out, returning with a nice note from the sales manager asking for more money. And then another note, then another. Usually, the salesperson comes back with five notes, and usually the last two ask for raises of odd amounts of money—for instance, $113.29 or finally, $23.19. The note system has one basic problem. It makes you think the dealership is negotiating when it's really only play-acting. Consider the "odd" raises. These are simply designed to make it look like you're really a hard bargainer. You know, you think you've got them "down to the pennies." ***An IQ tip: Many Web-based sellers use versions of the note system.***

The Four Square System

The salesperson divides a piece of paper into four squares and then asks for your "wish list." What do you want to pay a month? What do you want for your trade? What do you want to pay for the new car? However ridiculous the sums, each are written in a square. Then they ask for a large deposit, and then they ask for your signature in the fourth square.

Then they begin to "work" you on each square separately. You wanted to pay $20,000 for the car? They ask for $40,000! Very slowly the salesperson negotiates down, constantly scratching through figures. By the time they finish, the paper is illegible, you're frazzled, but the salesperson is smiling. You've agreed to pay an additional $1,200 to $1,500 profit.

The four square system is probably the worst system in use today because it was designed solely to confuse you and produce some very nice profits. Don't deal with dealerships that use this system.

Spot Delivery, or "Yo-Yo" Selling

"You can drive it off today!" That is the most expensive statement any car dealer or Web seller can make. Spot delivery means emotion is ruling you rather than good sense. It also means you (very conveniently for the seller) won't have the opportunity to compare costs and terms.

The real danger in Spot Delivery: Spot Delivery has become a fraudulent selling technique at many dealerships. These dealerships deliver you a car on any terms you want. Then a few days after you've taken delivery, they call you up and say "Oops, your contract wasn't approved at the figures you wanted. We need an extra $1,000 in cash, your payment has gone up $300 per month and we've added 12 more payments!"

What can you do if that happens? Usually *nothing*. They've already sold your trade-in, and you unknowingly signed an agreement to let the dealer raise the price! This type of Spot Delivery is known as "yo-yo selling" by unethical dealerships, and is endemic in the auto business. It is also the subject of hundreds of lawsuits at this very moment.

How do you protect yourself from spot delivery? Never buy or take delivery of a car on your first visit to a dealership or a website. ***An IQ tip: By financing with Educators, you are totally protected from yo-yo selling.***

The "Business Manager" or "Financial Counselor" Scam

Even if you have the cash in your pocket to pay for a vehicle, you'll be forced to talk with a dealership's finance sales staff. Or, as they are quaintly called at some dealerships, "Business Managers" or "Financial Counselors." Why do these high-pressure finance salespersons insist on talking with you? Because dealerships make much more money on financing these days than they normally make on the sale of an actual vehicle. Many dealerships will do almost anything to convert you to their financing, including shade the truth a bit.

And if the dealership can convert you to their financing, they'll sell you credit life and credit disability insurance that's almost always more expensive than a credit union's or a bank's but sounds downright cheap on a "pennies per month" basis. Then they'll sell you "protection" packages (rust proofing, undercoating, fabric conditioning) "for just $19 per month."

Why, you can afford that! But over 60 months, you will pay over $1,140 for products that cost the dealer $100. The same approach works for extended warranties or mechanical breakdown insurance, too.

Daily, the methods used by many dealerships and online selling organizations grow more sophisticated and subtle. For instance, many dealerships now track customers' movements by computer, rate their moods on scales entered in computers, and flash their progress in the buying process on computer screens so managers and other salespeople can monitor the dealerships' careful plan to sell. How can you avoid the traps? Go right on to the next chapter: **Buying a Vehicle the IQ Way**.

Chapter 2: Buying a Vehicle the IQ Way

Many Negotiations, Not One

Buying a car isn't one negotiation, it's many: your trade, the new car you're buying, the financing—and the newest, most popular profit centers—warranties, protection packages, alarm systems and other add-ons.

If you don't know what you're doing, you can save money in one area and pay too much in the other; no fun at all. That's why dealers can sell cars for "no profit" and still make thousands on you. That's why you need to pay very close attention to the right steps.

The Right Way, Step-By-Step

If you really want to save money and still like your car after the fourth payment, you'll have to look at the car-buying transaction in a new way. Most people find a car and adjust their budget to fit that car's payment. That's the wrong way, and usually means you end up eating pinto beans for years on end.

The IQ approach doesn't start with the car at all; it starts with your budget. IQ also encourages you to slow down rather than speed up. Emotions in car buying should come after you've done it right.

And *we define "right" as saving money and buying the right car, too.* Doing it our way, versus simply following the dealership's lead, can literally put thousands in your pocket. So, throw out the conventional thinking and consider this:

- **All cars are bought for cash.**
- **No cars are bought with trade-ins or payments.**
- **Trade-ins and payments only provide you cash.**

Right now, based upon your budget and your old car, you have an exact amount of cash available to you to buy a new car. That amount of money is called "Available Cash," and it's—logically enough—made up of all the cash you have available to buy a car.

"Available Cash" is made up of three things:

1. The cash your payment will buy you, called *"Loan Cash."*
2. Any cash your trade-in may give you after paying off your current loan. That cash is called *"equity."*
3. Any other cash you may have—including rebate money or savings, for instance.

Understanding "Available Cash" Helps You Understand Your Budget!

Here's an example of "Available Cash." You say:

1. "I take home $2,500 per month after taxes and deductions.
2. I drive a three year-old Mustang convertible.
3. I owe $13,000 on it.
4. I want to trade in my car.
5. I don't want to make more than 48 payments.
6. Now, what can I afford to buy?"

You plug all that information into the Available Cash calculator online or ask us to make this calculation, and you'll get this answer: "Okay, according to all that information, what you really said was, 'Based on my budget and my trade-in, I have $26,000 in Available Cash to buy a vehicle.'"

Know your Available Cash figure and you'll *always be on budget!*

What's Your Available Cash Figure?

With our online calculator, www.educatorsiq.com/cbg/avail_cash_calc.htm, it's easy to determine after you complete the following steps (use our Available Cash Worksheet on page 5).

Use the following steps to figure your **Available Cash.** Use the worksheet on the next page.

1. First determine a "wholesale" value for your trade-in.

"Wholesale" is the amount of money a dealer will pay for your old vehicle. But "wholesale" isn't a definite figure, the amount can vary from dealer to dealer. At most dealerships the objective is virtually always to give you as little for your old vehicle as possible.

If you are very smart, you need to determine your individual vehicle's wholesale value. Here are three ways:

- **The best way:** Clean up your trade, and drive it to Educators Sturtevant Hwy. 20 or New Berlin office. Be sure to set up an appointment beforehand. One of the credit union's appraisers will "put a figure" on your vehicle.
- **Another good way:** Drive your trade to three or four used-car departments of new-car dealerships, and tell the manager you are thinking about selling your old car, not trading it. The highest offer a dealer makes to buy your car is its true wholesale value.
- **A quick but less accurate way:** Go to www.nadaguides.com and look up your current vehicle. Use the "clean trade-in value" for your vehicle. This figure isn't exact—it's an average for all cars in a specific category, so use this number only as a guide. (Note: BlackBook lists a "trade-in value" below "wholesale"—use this lower figure if you use BlackBook.)

Caution: NADA Guides is a commercial site used by many dealers and others in the business to solicit your business. The credit union has no control over what is on this site. So, be cautious as you use this site, ignore all the ads and come back to IQ.

What if you still owe money on your trade-in? If you still owe money on your current vehicle, you will need to know its "pay-off" to figure how much "equity"—cash value—the vehicle is worth. For a rough estimate of the amount owed, multiply your payment figure by the remaining months in the loan. Subtract that figure from the vehicle's wholesale value to determine a conservative estimate of the vehicle's equity. For a more accurate figure, call your financing institution and ask for the pay-off amount. You'll need your loan account number. Write your pay-off and equity on your Available Cash Worksheet.

2. Now think about what you can really afford to pay each month on a vehicle.

Do you want to pay more than you're paying now? Would it make your life easier if you had a lower payment? You decide. **If you need assistance, call (262) 886-5900 or (414) 325-2500 and talk to an Educators loan officer—they are always willing to help.** Once you decide what would be a sensible payment for you, write the figure on your worksheet:

I want to pay _______ dollars per month.

3. How many months should you finance?

Educators will finance up to 72 months, based on the age of the vehicle. But the truth is we hope you won't stretch out your payments to the longest possible time. Financing longer means you're paying vastly more money in interest, and may owe money on your vehicle for years after its useful life is over. To determine how many months you should finance, call the loan department at **(262) 886-5900 or (414) 325-2500.**

By financing for the fewest months that will fit your budget you actually can buy more vehicle. If you make a higher payment by financing for a shorter period of time, you could save a few thousand dollars in interest over the course of the loan. That savings could be used to buy a nicer/newer vehicle. Great! You're already saving money. And wouldn't it be nice not to have car payments for that fifth year? So how many months should you go? Jot that number on your Available Cash Worksheet:

I want to make $ ______ payments for ____ months.

4. How much "loan cash" will your payment and loan term buy? Your car loan payment buys you a sum of cash you can use to buy a vehicle. Use your answers to questions 2 and 3 to use our online calculator or call Educators for this figure when you've finished question 5.

5. How much other cash do you have on hand that you plan to spend on a new vehicle?

Are you looking at a car with a rebate? Include that figure here. Do you have savings that you plan to use as additional down payment? Include that figure.

IQ's Available Cash Worksheet

1. The value of my trade-in* and my "equity" in it.

   The trade-in value from pricing guide: ________

   Any balance owed on the car loan: ________ (subtract)

   My equity in my trade-in ________

2. I plan to pay ______ per month.
3. I plan to pay for ______ months.
4. The loan cash my loan will provide ________
   (Use your answers to 2 and 3 with our online calculator or call Educators)
5. Other cash I plan to use for a down payment:

   Rebate on the vehicle _________

   Down payment _________

   Subtotal _________

TOTAL Available Cash _________

(Trade-in equity (1) + loan cash (4) + additional down payment (5)

*Trade-in values can vary depending on mileage, condition of the vehicle and current local market conditions.

Now, use the online Available Cash Calculator to determine your Available Cash figure, www.educatorsiq.com/cbg/avail_cash_calc.htm. *When you finish, congratulate yourself. Your Available Cash figure rules!* To stay within your budget, *Available Cash* is all the money you've got in your car buying account. That's all the money you have to pay for everything: cost of car, taxes, other charges, insurance, etc. Exceeding your *Available Cash* is like bouncing a check on your budget. And you know you don't want to do that.

Educators loan department can help you quickly determine your "Available Cash" figure, no obligation!

Write the figure here:

My Available Cash: ________

Hang on to this sheet. You'll be using it as you shop for vehicles, and use the "IQ Buyer's Fact Sheet" on page 9.

Chapter 3: Research Before You Shop!

Don't go near that dealership! Once you know how much Available Cash you have, get the hard facts about the vehicles that fit your Available Cash figure before you go any further.

For instance:

- What vehicles fit your budget?
- What do these cars cost the dealers?
- What is the vehicle's safety record?
- What about mechanical reliability and maintenance costs?
- What about insurance costs?
- What about operating costs, such as fuel economy?

Resources for Research

The following resources available online can help you find the information you need to choose wisely. Please remember that these are third-party sites that have no relationship to the credit union and contain information the credit union has no control over. These are sites, however, that I have found provide generally sound, helpful information.

- Consumer Reports generally gives excellent, objective information on safety and reliability. You can research copies at the library, or visit www.consumerreports.org. Consumer Reports charges $5.95 per month (or $26 per year) to access their online articles, but it's worth every penny. Educator's warranty program shows what it costs on average to repair a vehicle by make, model and year; and best of all it's free!
- The Center For Auto Safety, www.autosafety.org, provides free information on reliability, maintenance and safety issues. This is one of the most important sites on the Web, so bookmark it, then click on "auto defects" in the top tabs.
- The National Highway Traffic Safety Administration, www.nhtsa.dot.gov, has a dynamic site to help you research safety and dependability. Research government crash test results at www.safercar.gov and safety recalls by visiting www-odi.nhtsa.dot.gov/cars/problems/recalls.
- The Insurance Institute for Highway Safety, www.hwysafety.org/ratings/default.aspx, provides results for its frontal crash tests.
- Find fuel economy rating on any vehicle at www.fueleconomy.org, a service of the Environmental Protection Agency (EPA).
- How much will insurance cost for that vehicle you are considering? Rates can vary considerably between two similar models as well as between insurance companies for the same model.
- The manufacturers all offer "consumer" sites which supposedly tell you objective information about their vehicles. Generally, these sites never tell you bad things, of course. So, they are limited in their usefulness, when it comes to objective information. The sites can be fun to visit, however. Most now offer "virtual" tours of individual vehicles. Just use your search engine and any manufacturer's name.

Now Shop For the Vehicle You Like!

Like a chocoholic's first whiff of a candy factory, your first visit to a dealership or website poses the maximum danger to your pocketbook. Those new or newer cars look so good. And you've waited so long. Whether online or in person, sellers know how to turn up the fires of your enthusiasm and singe your reason.

So put your emotions aside. Be wary. Slow down. Save the emotions for the moment you finally drive away on budget in your shiny car with an extra thousand or two in your pocket. *Now that's something to get excited about!*

Big IQ tip: For 25 years, I've told people that buying the right used car is one of the smartest things you can do. New cars are the worst investment in the world. They depreciate in seconds, thousands of dollars, the minute you drive off the lot.

Why pay that depreciation? See if Educators has a very late-model used vehicle that fits your needs. You've seen those vehicles at many of the branches. Why not walk over to one or check out Educators online inventory.

"You'll never catch me buying a 'used' vehicle," you may be saying. Put that thought away, and take a look. Even if you don't buy it, looking at a late-model used vehicle will bring you down to earth when it comes to the real value of vehicles.

If you end up buying used from Educators, you won't need most of the warnings in this book. They fully disclose exactly what you are paying for and include a 3-Day Return Policy and 60-Day Safety Net protection against mechanical failure. Neither exists at other used car dealerships. You can easily view Educators used car inventory at www.ecu.com. If you end up buying used from some other source, we've got a special Used Car section for you later, and the information we give you is priceless.

You're still thinking new, anyway? Okay. Here's how to do it right.

Chapter 4: Buying a New Vehicle the Right Way

Ready to match wits with the dealership? Good! You can match wits and win. Just keep reading.

Simple Rules To Remember

1. **Narrow your choice to one or two models or makes before setting foot on a car lot.**

Why? A big list will do nothing but confuse you.

Cautions for your first dealership visit: You are under the microscope at a dealership. Many dealerships already have you in a database. Most are anxious to pull a current credit report on you. All want to use information about you to maximize their chances to make a big profit. Don't let that happen! **Unless you definitely plan to finance at the car dealership, don't allow any dealership to pull a credit report on you at this stage.**

For instance, many dealerships will ask for a copy of your driver's license before they will let you test-drive a vehicle. A dealership has a right to know if you have a valid license. But you don't have to allow them to request a credit report at this stage. **How to stop this?** Say up front, "I do not authorize you to pull a credit report on me."

2. **Choose two nearby dealerships that stock the vehicle you like.**

If you've done your homework, where you buy isn't important as long as the dealership is reputable.

Note from Educators: Educators Auto & Lease offers a new car "Dealer Network". Local dealerships have agreed to provide Educators members with special, no-haggle pricing. If you would like to choose your two dealerships from this network, contact an Auto & Lease representative at (262) 780-9214 or (262) 884-6675 for details. But even if you chose 'Dealer Network" dealers, continue to follow the information and cautions in this guide carefully. We cannot ultimately control what individual dealerships do.

3. **Find only one car at each dealership.**

You can't buy three cars so keep it simple: Find the one vehicle you like best.

4. **Take control of the transaction.**

Tell the salesperson you are not buying a car today under any circumstances, but you will buy soon. Today you are just shopping and fact-finding. Check the car out. Take a test drive. But be firm and don't let the salesperson lead you into any discussion of buying today. If you start to feel pressure or confusion leave immediately.

5. **Copy all the information from the Manufacturer's Suggested Retail Price sticker before leaving the dealership** (MSRP, not the dealer's sticker).

The MSRP is the sticker with the lowest price on the vehicle's window. Copy all the dollar information from that sticker. For instance, the vehicle's base price, then the name and price of options. (Use our "Auto Shopping Worksheet.") For now, ignore the dealer's sticker, which is always higher than the Manufacturer's sticker. The dealer sticker contains hugely inflated profits.

6. **Compute the dealer's invoice cost.**

A very important step. Call an Educators Auto & Lease representative at (262) 780-9214 or (262) 884-6675 and they'll help you do this or use one of the online price guides below to calculate this amount. Why? Dealers want you to negotiate down from their inflated asking price, a very expensive way to negotiate. The IQ approach negotiates up from what a dealer paid for the one car you like. Don't ever think percentage discounts from dealer asking prices; don't ever think "sale" price. Know what the dealer paid for the car you like and negotiate up from that. You may use a good online service such as www.edmunds.com or www.nadaguides.com to determine the dealer's cost. Just remember that these are third-party, commercial sites that have a number of ads and links with a primary interest in selling you something.

7. **Check to see if the car will fit your "Available Cash": Here's the *moment of truth.***

After you pay for the car, and give the dealer a profit, and pay tax and other charges, will you still be in budget? We have a simple IQ Auto Buyer's Fact Sheet to help you compare your figures and determine this. But first decide how much profit you want to pay a dealer, the last variable in the transaction.

What's a Fair Profit?

You have a perfect right to pay all the profit you want. But if your objective is to pay the least profit a dealer will take for the car, you'll need to start negotiating up from what the dealer paid the manufacturer for the car. That figure usually already has "hidden" profits in it. And at times, a dealership will be happy to accept "cost" rather than lose a sale. The only way to know whether a dealer will do so is to offer that figure and stick to it for a while. But if starting at "zero" bothers you, add any figure you'd like as a profit figure.

The IQ Auto Shopping Worksheet

Use one worksheet for each vehicle you consider.

Vehicle Make ______________________________ Model ______________________________

VIN ____

Stock number (if applicable) ____

Dealership ____

Address & phone ____

MSRP Cost from Manufacturer's Sticker:

Base model MSRP $ ____

Options

Code	Name	MSRP

The IQ Auto Buyer's Fact Sheet

All that information you've gathered is going to pay off. Here is where you determine how much you can offer for that car you like. Print off a Fact Sheet for each of the two or three cars you are considering. If you wish, an Educators Auto & Lease representative will help you fill in the blanks. Just call **(262) 780-9214, (262) 884-6675** or stop by either the Sturtevant or New Berlin branches.

What the dealer paid for the vehicle and the options (known as 'invoice'): $ ______________

Then add the destination charge, copied from the window: $ ______________

Add the charges for tax, tag and title (the salesperson can give you this): $ ______________

Then add the profit you want to pay: $ ______________

Total all that up, and here's your maximum offer on the vehicle: $ ______________

One Other Piece Of Important Information: Your Difference Figure

If you're planning to trade your car in, your old car's wholesale value is already included in your "**Available Cash**" figure. You've, in essence, already turned it to cash. But dealerships don't talk about the transaction like we do. They say "Okay, what you owe us is X dollars and your old car." That dollar figure is called the "**difference**" figure, and you should figure it right now for the car you like.

Your maximum offer on the car you like: $ ______________

Minus your trade-in's wholesale value: $ ______________

Equals your difference figure: $ ______________

Now compare your **maximum offer** to your **Available Cash** to determine if you are over or under budget. Do you see the importance of this little sheet? It shows the entire transaction in its simplest terms: if your available cash figure is greater than your maximum offer, your payment is going to be within your budget; what you expected.

Maximum Offer: $______________

Available Cash: $ ______________

Wouldn't that be nice? If your available cash is less than your maximum offer, you'll need to find more cash, expect a higher payment, or look for less expensive wheels.

Chapter 5: Your Second Visit to the Dealership—The Buying Visit!

Negotiating the Right Way

You are way ahead of the game right now. You've been patient, and all that homework is getting ready to pay off.

- You know how much money you can spend (your "Available Cash" figure.)
- You know what the one vehicle you like cost the dealer.
- You know what your old car is worth.
- The dealer — not you — is under the gun: They can lose a sale if they don't do it your way.

The secret to winning (saving lots of money) is to stay in control, keep things simple and never be pushed. The following steps will help you.

1. Make an appointment with your salesperson.

These men and women work hard and work on commission. If you liked the person who waited on you during your first visit, go back.

2. Put this information on a summary sheet or take your Buyer's Fact Sheet with you.

- The wholesale value of your trade-in if you're trading.
- Your available cash figure.
- Your maximum offer on the one car you like.
- Your maximum difference figure, if you're trading.

3. Once at the dealership, ask to go to the salesperson's office.

You take the initiative; you take control of the situation. Tell the salesperson you are definitely going to buy a car, but not necessarily from that dealership. Say there are other cars you like as well as this one. Why say this? To increase your bargaining power.

4. If you have a trade, ask to have it appraised.

Do this before you discuss the new car at all. Keep the transactions separate. But beware: many dealerships will at first refuse to give you the true wholesale value of your car at any time. They'll want to talk about "allowance," a meaningless figure, or worse, may refuse to have your car appraised at all right then. If you run into a dealership that refuses to deal straight with you, find another dealership.

5. Agree on the amount the dealer will give you for your trade.

6. Make an offer, and be prepared to negotiate on the new car.

You've finished talking about trades. You've agreed what they will pay to buy your car. Now it's time to see what you must pay to buy their car. Two separate transactions. Your goal now, using the cost of the car you like, is to set the scale of bargaining in your favor. How do you do that? Whatever your first offer, expect the dealership to counter offer. And don't be afraid to counter offer yourself — just offer a very small amount of money.

The conversation might go like this:

Salesperson: "What if I could give you a 10 percent discount?"

You, the smart shopper: "No, let's do it my way. I'll offer you $15,000. Invoice cost on that car."

The flustered salesperson: "But, my boss will never accept that!"

You: "Well, why don't we offer it and see? I'll even sign a purchase agreement saying I'll buy at that figure."

A now calmer salesperson: "Okay. Let me fill out this sheet. And I'll need a deposit before I can take this offer to my boss. To show him you're serious, you understand. "

You, very firmly: "I'm sorry, I won't give you any deposit until my offer is approved in writing."

Salesperson: "But we're not allowed to do it like that."

The salesperson leaves, then returns and agrees to do it your way. You've offered $15,000. They now ask $20,000.

You: "I'm sorry, no. How about $15,025?"

Startled salesperson: "What?"

You: "Okay, make that $15,030."

Do you get the idea? Set the scale of bargaining in your favor. Raise your offer a time or two, that's part of the game. But don't raise it much. And don't give a deposit until your offer is approved in writing. Dealerships use deposits simply to make it harder for you to escape. Warning! Some dealerships, rather than taking money, will ask for your driver's license or credit cards as a deposit. Don't give those to them.

7. When you reach an agreement and you are looking at a completely filled out "purchase agreement" or "**buyer's order," compare the "amount due" line to your "difference" figure from the IQ Vehicle Buyer's Fact Sheet.**

Quick IQ tip: Beware of hidden fees in the price that are not itemized on the purchase order, such as extended warranty and rust-proofing fees.

If you don't see the difference figure, ask the salesperson. Make sure it includes tax, tag, title, and any other dealer charges. Are you on budget? If this figure is below your difference figure, you're home free. If it's above it, stop the transaction. You've just gone over budget.

8. If the difference figure is okay, give a small deposit.

Dealers will ask for hundreds or thousands, but, unless you're asking them to order a Cadillac without air conditioning or to paint your car pink and purple, don't do it. Any amount of money makes a contract legally binding. $50 should be enough.

9. Now be prepared to deal with up to three other "salespeople."

You're not free yet. Even if you're paying cash; even if you have a credit union check in your pocket, many dealerships will virtually force you to talk with finance managers (also known as "financial counselors" or "business manager "). They'll also insist that you talk with their "after-the-sale" manager. This might be a separate person or the finance manager. Whatever, as we noted earlier, this person will try to sell you warranties, "protection" packages such as rust proofing and undercoating, and add-ons such as alarm systems.

10. Be prepared for the leasing switch.

And don't forget, this is the time a dealership may try to switch you to leasing. Don't automatically fall for it. Remember that the dealership wants to convert you to leasing because the dealership generally makes a lot more money leasing you a car than they would selling you the very same car. If you think leasing may be right for you, read Chapter 7 on page 13, and check out Educators' leasing program after reading the guide.

11. If you're buying

IQ recommends a simple approach for evaluating the value of dealership financing, insurance, protection packages, warranties, and other add-ons. After the sales pitch, which invariably presents dealership products and services as the cheapest and best, simply say something like this.

"That sounds fine. And if your loan and products are cheaper, I'll certainly finance with you. Now, would you mind giving me a copy, completely filled out, of the contract you want me to sign so that I can compare it to other sources?"

Banks will be happy to give you exact figures. Educators will be glad to do that, too — to tell you the exact cost for the loan itself, life insurance, disability insurance and warranties. If the dealership is cheaper, shouldn't they be willing to give you these figures, too? To the penny?

If the dealership does that, Educators will be happy to help you compare costs, and will send you to another source if they're cheaper. But if a dealership won't give you the details, what does that say?

What about their insurance, protection packages, warranties and the like? At times, it might be sensible to buy extra rust proofing and undercoating protection — though many consumer groups doubt the need for extra protection. And at times an extended warranty might make sense — though manufacturers' warranties are good these days. But it never makes sense to spend hundreds and thousands more than you need to for these products. Unfortunately, some dealerships are now trying to charge $1,200 and more for rust protection they used to sell for $200; they're trying to sell $300 warranties for $1,900 or more. We don't think you should spend that type of money without very carefully comparing products. Who wants to throw away an extra $2,000 without thinking?

12. After you're finished with the finance salesperson,

Don't celebrate quite yet. If you're financing at the dealership, many will insist that you take the car home that minute. It's called "spot delivery," remember. But don't do it. Go home and diffuse a little. Check the dealer's figures again. And give the dealership time to fix the little things wrong with any new car. You did check it over carefully, didn't you? Make a list of the squeaks, rattles, sticking knobs and scratches, and have them fixed before you agree to take the car.

If you're financing at a bank, make sure you have all your paperwork necessary for their loan. If you're financing with the Educators, just stop by or call, and they'll have you ready to roll in no time.

13. When you pick up your new wheels.

Check it over carefully. Don't look at it in the rain when it's hard to see flaws in the finish. If everything's okay, smile. You did it the right way and saved a lot more than change!

But what do you do if you don't want to go through all that work? Try Educators "Dealer Network" Program.

If you're the type that would rather walk than go through all these steps, you've got another option. Educators Auto & Lease maintains a relationship with a group of dealers who have agreed to sell their vehicles at 'fixed' prices, and have also assigned a special person to work with members. Use the network, and follow the steps in our Dealer Network Program, and you'll definitely have less work.

But remember this: Educators can't control every action of dealership employees, and the job of even the best dealership employee is to find a way to maximize profit on every customer. Dealerships can't control the actions of every one of their salespeople, either, who are paid on commission.

Dealerships also many times make their smallest profit on the sale of the vehicle itself. They make more on service agreements, fees and other charges. So, don't think the price of the car itself is the only place you can pay too much.

That's why you should use caution even when dealing with Educators Dealer Network dealers: do your homework before you make an appointment at a dealer. Know the value of your trade before going near the dealership. And don't be afraid to compare even these prices to the prices offered by other dealerships.

Learn about Educators Dealer Network Program online at www.ecu.com or talk to any Educators Auto & Lease representative at **(262) 780-9214 or (262) 884-6675.**

Chapter 6: Buying a Used Car the IQ Way

A used car, wisely bought, is a much better buy than a new car for most of us. You can buy more car, lose less in depreciation up front and enjoy lower payments — three good reasons to smile. But if you're not careful, buying a used car can be a disaster! You might pay too much for an unsafe car that's a lemon and vastly overpriced.

But do it the **IQ** way, and you'll be driving a fine car every time. Do it like this:

1. **Determine your Available Cash.** I've shown you how to do that in Chapter 2 of this guide.

2. **Check out Educators used vehicles online at www.ecu.com, or at the Sturtevant branch.** Genuine Pricing and real transparency in the entire transaction mean you won't feel pressure or be mislead.

3. **If you're buying a used vehicle some place other than at the credit union, follow these steps:**

Shop for cars with an NADA *loan value* about $800 under your *Available Cash* figure. Don't worry about the car's asking price. That's what the dealer dreams you'll pay.

Incidentally, the reason you're looking for cars $800 under your *Available Cash* figure is to leave room in your budget for dealer profit, taxes and the like.

When you buy a used car, where you shop isn't nearly as important as how carefully you shop. Look in the newspaper. Look on used car and new car lots.

Quick IQ Tip: Don't shop on rainy days.

On rainy days, it's hard to see body damage and you're less likely to give the car a thorough check-over. Don't be in a hurry. Each used car is unique. A car that looks just fine can be a monster.

4. Get previous owner information, if possible.

If you're looking for a car by yourself at a dealership, and have found one you like, without fail, get the name and number of the previous owner. If a seller won't (or can't) give you this information, don't buy the vehicle unless you have it thoroughly checked out by a mechanic or diagnostic service. If the dealer will tell you the previous owner's name, ask the previous owner:

1. How many miles were on the car when it was traded in?
2. What was wrong with the car? Make a list of the car's problems, in detail.

5. Get the vehicle inspected by a mechanic before you set the price.

Take the car to a mechanic of your choice. If the seller won't let you have a vehicle inspected, don't buy the car. Don't even take it as a gift. Auto service centers, such as tire dealers or department store auto service facilities, are good for pre-purchase inspections, as are independent diagnostic services that do not make repairs. Also search used vehicle inspection services on the Web for inspection services in your area.

With your list of problems from the prior owner, ask your mechanic to check the car carefully and tell you how much he'll want to put the car in good running order — not to make it like new. **Taking a car to a mechanic is the most important step you must take.** Don't buy a used car if you don't do this.

6. Use estimated repair costs to negotiate a better price.

Budget the repair costs and use them as bargaining chips. If your Available Cash figure is $5,000, and a mechanic says you need to spend $1,000 on repairs, you can't spend more than $4,000 on that particular car. Don't be shy in telling the seller that.

Quick IQ tip: Forget the asking price.

Start bargaining up from the loan value (or less). You can use a third-party, commercial, online price guide such as www.nadaguides.com to get loan value. Or call Educators!

7. Negotiate warranties after price is set.

After you agree on price, negotiate a warranty. Don't even mention warranties until you agree on price. If you do, some sellers will just add the cost of a warranty to their selling price without telling you.

The warranty to fight for is a free 90-day, 100 percent drive-train warranty. Under the terms of this warranty the seller will repair anything that makes the car run for three months. Power windows and the like aren't covered, but you can live with that. If you can't get a free 90-day warranty, try for a 60 or 30 day.

The warranty to avoid is any "50/50" warranty. It's *you pay half, they pay half.* What's the problem here? If you have a $50 repair, some dealer shops will bill you $100. Your 50 percent now just happens to be the whole bill.

Quick IQ tip: Used car service agreements.

What about used car "service agreements" and the like? Extended service agreements can be good. But many dealers charge two or three times as much for their agreements as they are worth. Don't automatically fall for the dealer's sales pitch. Shop around. If you are an auto club member, see what they offer. Educators has a warranty program that is more affordable than most dealers' programs. Make sure you check out their program before you buy.

Chapter 7: So You're Thinking About Leasing a Vehicle?

Here are the secrets that no traditional leasing company wants to tell you!

The Lease Hype

At some point during the car buying process many dealerships will to try to switch you from buying to leasing. If you've been to a dealership or automotive website lately, you already know that.

The pitch from these salespersons has been really successful, too. One study showed that only 6 percent of people plan to lease a vehicle when they enter a dealership, but 35 percent have leased before they drive out of that dealership. These people were converted to leasing on the spot. Why did that happen? Invariably because the sales pitch pushed these two points:

1. "More car for less money!" That's what we all want, isn't it? And if you listen to the hoopla, leasing delivers that wish. "Lease it for just $199 per month!" And the ad is talking about a car you would pay $350 a month to buy!

2. "No haggling, no confusing negotiations!" The dream of every car shopper. Lease a vehicle, the sales pitch says, and there's no pressure and confusion! Everybody should lease!

The Lease Reality

Leasing is simply another way to finance the use of a vehicle. A lease itself isn't good or bad — it's a financing tool. In a minute we'll tell you how it works, and help you decide whether this type of financing tool makes sense for you.

If leasing does make sense, Educators has a vehicle lease program that doesn't have the problems I write about here.

But before using even that program, you need to understand the simple reason dealerships push leasing over buying: Bigger profits for the dealership! Leasing hasn't been pushed because it's necessarily better for the customer. It's been pushed because dealerships usually make a dramatically larger profit leasing you a vehicle versus selling you that same vehicle.

A sorry track record. The industry has made those profits on leasing because of the deceptive way leasing has been presented and sold. The Florida Attorney General's office says it best: "The technical and complex language and the greed of some car salesmen causes car leasing to be an option that is fraught with many pitfalls for the average customer."

And that's an understatement! A typical lease customer, in one study, was overcharged $1,500. One was overcharged $10,500! In one state alone, over 40 types of leasing fraud have been identified. Think of that!

And don't for a minute think the leasing environment must be better in Wisconsin. It probably isn't. So, what's the first lesson when somebody mentions leasing? Slow down! There's a lot more to this than you thought.

Just what is a lease? In one way, it's just like renting a car. You pay for the use of someone else's vehicle. In a lease, you use the vehicle, you don't own it. There's one big difference in leasing and renting; if you're renting a vehicle, you can usually turn it in early if you want to without paying a big penalty. If you're leasing a vehicle, you may pay a monstrous penalty to turn it in early.

Why do lease payments seem so cheap? Because the lease payment is based on the fact you're only using the vehicle — you don't own it at the end of the lease. Your payment is therefore based on use not on ownership. Let's say you're leasing a $20,000 car that's going to be worth $5,000 at the end of the lease. When you lease, you only make a payment based on $15,000. If you were buying that same car, your payment would be based on $20,000.

Why have leasing companies been able to make such big profits on leasing vs. selling the same vehicle? Because leasing, even with the new lease regulations, doesn't require as much disclosure as buying a vehicle. Did you know leases don't tell you an interest rate? Did you know leases don't clearly tell you what you're receiving for your trade-in? And did you know leases many times hide the important facts of the lease — the ones that cost you money — in ant-sized print on the back of the lease?

Two hidden dangers of leases. Leases can get you in trouble in many ways, but here are the big problems:

- Unrealistic mileage restrictions. In a lease, you pay a penalty if you drive a vehicle beyond the miles stated in your lease. For instance, the lease contract might allow you to drive 15,000 miles per year. That's fine, if you drive 15,000 miles a year. But some leasing companies deliberately give you an unrealistic mileage limit, and then charge you extraordinarily high rates for excess miles. For instance, they know from the miles on your current car you drive 40,000 per year, but the lease contract only gives you a mileage allowance of 15,000 miles. Penalties when you run over the 15,000 miles can run thousands of dollars. Educators' leasing program bases miles on your actual driving experience — you choose the mileage.

- Excessive wear and tear charges. Own a car, and you can ding it up all you want. It's yours. But because you don't own a lease vehicle, you pay if the vehicle has excess damage over normal wear and tear when you finally give it back to the leasing company. But who determines "normal wear and tear?" The leasing agent, such as the dealership. And many leasing agents in the past have charged customers ridiculous amounts for wear and tear — they've turned "wear and tear" into a profit center. What's your recourse if this happens to you? Virtually none. The lease contract gives the leasing agent the right to do this! Educators addresses this problem in their leasing program. Read what makes Educators Lease Program different, online at www.ecu.com.

With all these problems, can a lease or a lease-type product be right for me? It can be. You just need to decide which financing tool — a traditional installment loan or a lease-type product — fits your needs. And then you need to make sure you're dealing with the right people when you've made that decision.

To Lease or Not To Lease

You decide, using these guidelines.

1. **Do you generally continue to drive a vehicle after you've made the last payment, and enjoy that feeling of "free" driving?** If so, you're generally not a good candidate for this type of financing. You'll do better to negotiate carefully and buy the car you like. After that last loan payment you'll own an asset (your car) that goes on providing transportation.

   Well, why can't I just lease a car to get that low payment and then buy the car at the end of the lease? You can. All leases give you that right. But if you decide to buy your vehicle at the end of the lease you're either going to need another loan right then to buy it, or you'll need to have a pile of cash available to buy it. If you've got the cash, fine. But most people don't have the cash. They're forced to get another loan, and end up paying three or four more years on their car. Do you want to be making payments seven years or longer on the same vehicle? Probably not.

2. **Do you always trade for a new car before the old one is paid for?** Are you the type of person who always has car payments? Welcome to the club! That's most of us. And there's nothing wrong with that, if you have carved out a truly affordable monthly vehicle payment as a part of your long-term budget. You're a good initial candidate for this type of financing. If you're always making payments anyway, it makes sense to make your payment as low as possible.

3. **Just how stable is your job situation?** And how healthy is your general financial situation? If you buy a car and have trouble making the payments, you have a perfect right to sell that car for as much money as you can to pay off your loan. If you lease a car and have trouble making the payments, you don't have the same rights. In fact, you may experience considerable financial difficulty if you try to break a lease early. Leasing is therefore safest for those who hold a secure job and are in good shape financially.

- Well, my budget is so tight I barely break even each month. Should I lease? First, if you're having budget problems, you probably shouldn't trade cars at all. Think about fixing up your old car. Talk to an Educators Member Finance Representative about a "fix it" loan. If you don't want to fix up your old car, think about buying a carefully checked-out used car. Educators can really help you there. Don't lease a car if you're barely meeting your budget.
- What about leasing if I have poor or nonexistent credit? Stay away from leasing if you have credit problems. These "subprime cut" leases, as they are called, will ruin you and provide you a junker, too. Leases like this are very popular now, because they are the hot, new profit darling of the leasing industry. Most of these leases are on junker used vehicles.

4. **How many miles do you drive a year?** This is an important question! Most lease payments are based on the fact you will drive no more than 12,000 miles a year during the lease. Some leases (usually a "sale" lease payment) are based on a paltry 10,000 mile yearly driving mileage allowance. You put that on a car going up and down your driveway. So, imagine what's going to happen if you are a high-mileage commuter who drives 40,000 miles per year. On an average three-year lease, do you know how much cash you would need to hand over to the leasing company because of those extra miles? From $5,000 to $11,000! What's the moral here? If you're a high-mileage driver, a leasing-type product may not be for you unless you make absolutely sure the lease is based on the actual miles you'll drive.

5. **Are you stable financially, but yearning for more car for the payment?** If you are comfortable with constant payments but want more car for the same payment, then a financing tool like a lease can be a good option. Maybe you need a bigger car, for instance, because the family has grown. Or simply like the looks of that electric red convertible. If you're careful, a leasing-type tool can be good for you. Most leased vehicles are comprehensively covered under a manufacturer's warranty during the length of the lease, allowing consumers to own a more expensive vehicle without the worry of large maintenance and repair bills.

Hey, did you notice something about the leasing section? Even though Educators has a leasing program, I am pretty negative on leasing for most consumers. Do you think any other company with a leasing program would let me say that?

Chapter 8: The Reward

We developed the IQ Car Buying Guide to help protect your pocketbook, your privacy and your sanity. And does IQ work! Many credit union members who have followed the IQ approach to the car business regularly save thousands and thousands of dollars. How hard do you work to take home $2,000?

In a business filled with pressure, hype and confusion, IQ offers you an oasis from that pressure and confusion.

Isn't that what you want, and what you deserve?

If you want to know more about Educators' specific auto programs and details, check them out online at www.ecu.com.

Thanks For Reading!

Remar Sutton

Educators Auto & Lease

Auto & Lease is Here for You

Educators Auto & Lease offers used car sales, new car referrals and lease program options to help you make the best informed vehicle buying decisions.

They take pride in offering:

- First-class personal assistance
- Exceptional value
- **"Genuine Pricing"**—a low, no-haggle value. All vehicles are priced based on actual cost to purchase plus a fixed disclosed mark-up—insuring you a "Genuine" low price, no hidden or padded costs.
- **"Safety Net "**—If anything listed in the Safety Inspection fails within the first 60 days of purchase, Educators will fix it for you.
- **Three-day Return Policy**—If you find the car you purchased isn't the perfect fit for you, return it within 3 days for a full refund.

New and Used Vehicle Leases

Educators ability to purchase vehicles below dealer invoice, combined with their low-rate vehicle financing, helps guarantee a great lease payment!

Used Vehicle Sales

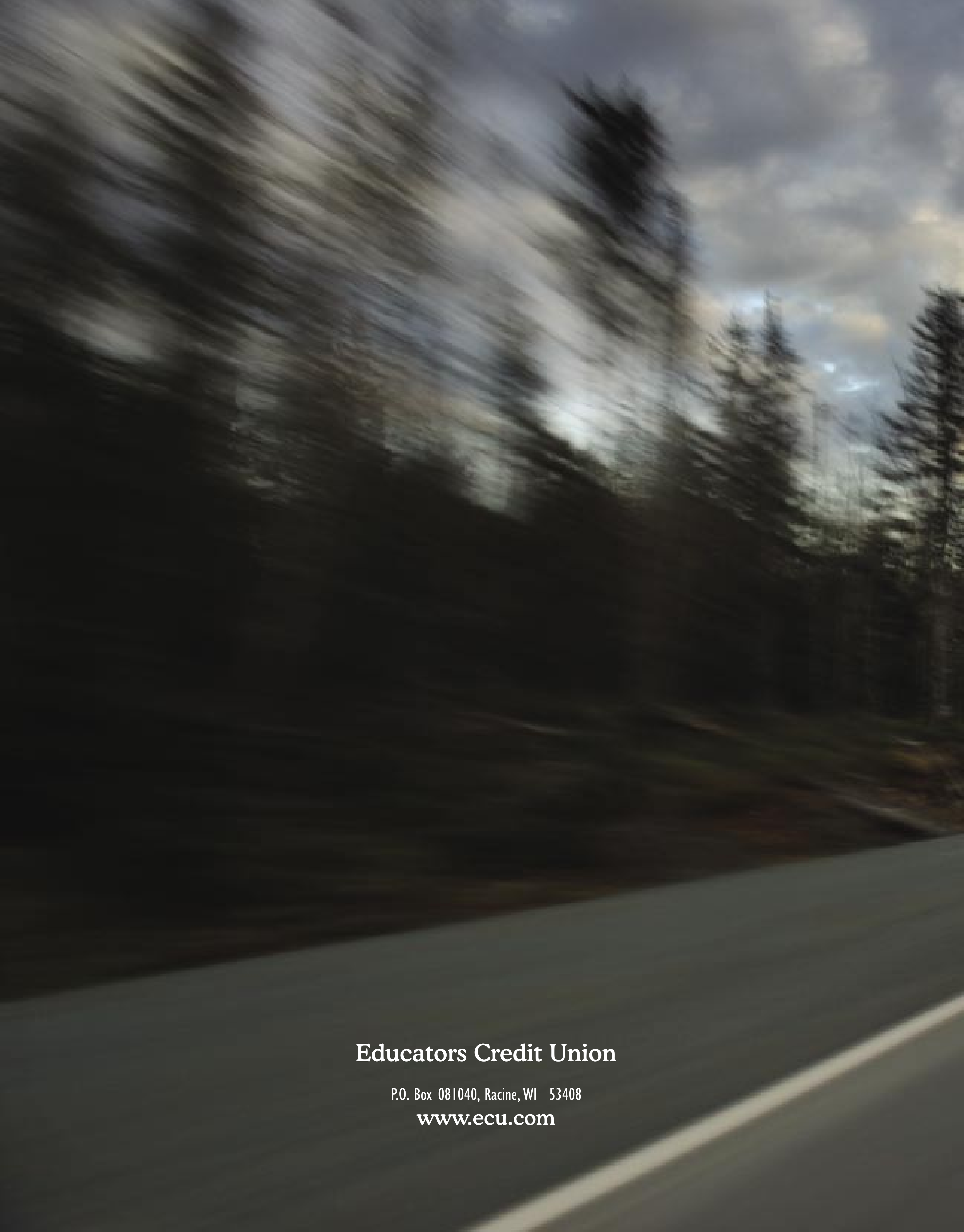
Most Educators Auto & Lease vehicles are NOT "repos" but lease returns and newer used vehicles that are purchased at dealer auctions. All vehicles must meet their high standards and pass the Wisconsin safety inspection. Educators looks to provide "practically new cars" at much lower prices than new cars.

- Only the finest used vehicles.
- Some have a remaining manufacturer warranty.
- A system of vehicle resources to locate other vehicles upon member request.
- Trade-ins are welcome.

Dealer Network System

- Special low pricing to Educators' members
- Referral system of over 30 new car dealers

Conduct purchases through fleet department personnel, not salespeople. Educators provides you with exact pricing and can assess any trade-in values at no cost.



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