



FINANCING VS LEASING

A GUIDE FROM WALSER AUTOMOTIVE GROUP

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HOW TO BUY

You've made the decision: it's time to get a new car.

Now you've got to decide on how to pay for it. You can either pay for the car in full, finance it or lease it. Let's assume that you don't have a pile of cash set aside for that first option. This narrows your choices down to two: leasing and financing. But how do you decide which is the right choice for you? And what about all that financial lingo dealers throw around, what does it all mean?

The Walser Automotive Group wants to demystify the car-buying process and help you make a decision that makes the most sense for you. In this guide, we break down the terminology, the pros, the cons and the logistics of financing and leasing. By the time we're done, you'll have everything you need to make a smart choice and start shopping for the new set of wheels you've been dreaming of!



FINANCING

When you think of financing, just think of loans. By financing, you're essentially spreading out the full asking price of the vehicle over a longer period of time. This is done by borrowing the money you need from a financial institution like a bank or credit union, commonly referred to as the lender.



First, you apply for the loan for the vehicle, which an institution may or may not grant you based on your credit history. Once you get credit approval, you pay a down-payment toward the loan — **usually at least 20% of the cost of the vehicle**, - but you can put down whatever you can reasonably afford. The bigger the down-payment you make, the less you'll need to pay per month. After you make your payment and sign all the appropriate paperwork the car is yours! You'll just have to make monthly payments to the lender until you've paid back the full amount you borrowed.

PROS

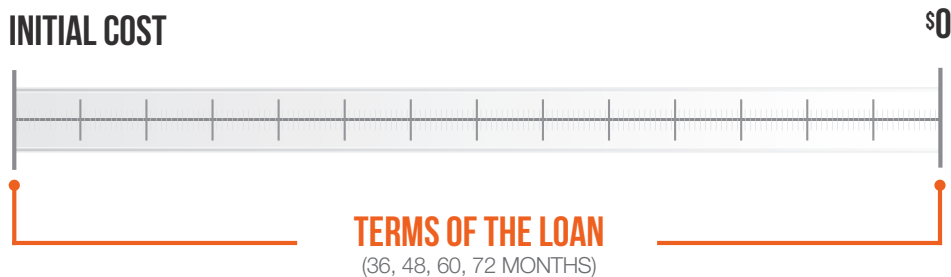
- Full ownership of the vehicle
- No mileage limits
- No excess depreciation or mileage fees
- Earn equity in the vehicle

CONS

- Locked into your choice of vehicle for longer
- Higher monthly payments
- Limited warranty coverage

HOW DOES FINANCING WORK?

If you're financing a vehicle, you'll be applying for credit. The total amount you will pay per month depends on multiple factors including the price of the vehicle, the Annual Percentage Rate (APR) and the length of the loan terms (shorter loans typically have lower rates but higher monthly payments). Loan terms for vehicles are typically 36, 48, 60 or 72 months.



As you make monthly payments the loan amount will drop to zero and you will own the vehicle completely.

DTI, PTI & LTV

DTI, PTI and LTV are three elements in determining how much the lender is willing to loan and how much you can actually afford.

DTI (DEBT TO INCOME)

Formula: Monthly Debt/Monthly Gross Income

DTI determines your available income. It includes all outstanding debts including rent/mortgage, monthly utility bills, credit card debt and other loans you may have. DTI should be under 50%.

PTI (PAYMENT TO INCOME)

Formula: Monthly Gross Income x 0.15

PTI is the amount of the monthly vehicle payment compared to your monthly gross income. A reasonable PTI is around 15%.

LTV (LOAN TO VALUE)

Expressed as a percentage value

LTV is the amount financed compared to the vehicle's worth. If you finance a car for \$19,000 and the vehicle's value is \$20,000 you would have a 95% loan to value.

WHAT IF I HAVE **BAD CREDIT?**

Don't get discouraged! With so many factors going into financing a new vehicle you can still get an auto loan even with bad credit. Before you visit the dealership determine your financial situation and budget. Get a copy of your credit report so you know what to expect in terms of financing. Find a vehicle that fits in your budget and go to a reputable dealer.

SOME THINGS TO THINK ABOUT

- **Make a wise vehicle selection. Aim for the newest, lowest mileage vehicle within your means.**
- **Put money down to decrease the size of the loan.**
- **Have a strong cosigner to help you qualify for the loan.**
- **Keep the loan with good payment history for at least 12 months.**
- **Don't shop your credit.**

TIP

It's easier to qualify for a loan on a newer, low mileage car; it's less risk for the bank.

LEASING

If you like the sound of driving something new every few years and saving money when making a down-payment, leasing may be right for you.

When you lease a vehicle, there are no loans involved. You establish lease terms based on how many months or miles you want to drive that vehicle (for example: 36 months or 36,000 miles at 12,000 miles per year). You make a down-payment and pay a monthly fee, just as you would if you were financing. However, the down-payment you make is lower when you lease, and your factory warranty covers the cost of typical maintenance issues that arise when you're buying to own.

When your lease term is up or you've reached your mileage cap, you must give the car back to the dealership and pay any excess depreciation or mileage fees (if any). The car also must look as close to it did when you got it as possible, so accessories you added have to be removed and permanent alteration or customization isn't allowed. You may have the choice of buying the car at its residual value, but most people typically lease a different vehicle under a fresh term, or buy a new or used vehicle.

TIP

If you're young and don't have much credit history, leasing might be a good option for you while you build up credit.

PROS

Lower down-payment

No loans

Factory warranty coverage

Ability to upgrade to a new car sooner

More varied driving experiences when exchanging vehicles each term

CONS

Mileage and term limits

Excess depreciation and mileage fees

Limited customization

No ability to earn equity

No ownership of vehicle

THINGS TO CONSIDER

YOUR LIFESTYLE

What are you going to do with the vehicle?

It's also good to keep in mind what you want to do with your vehicle. If you're planning on hauling boats and trailers around on the weekends or consistently heading off the beaten path, it may be unwise to lease your vehicle. If you damage or scuff up a leased vehicle through regular use, you'll need to either get it fixed before you turn it in or pay excess depreciation fees when you return it to the dealership, all for a car you don't own.

And if you plan to put in some serious mileage in your vehicle through long-distance business travel or frequent road trips, you could easily blow past your lease's pre-established mileage limit. Then, at the end of the lease, you'll have to pay for every mile you've driven beyond that limit, which at 10 to 25 cents per mile can add up quickly!



THINGS TO CONSIDER

GOALS & DIRECTION

Where do you see yourself in five years?

If you're living in a more suburban or rural town right now but expect to be moving to a crowded city in the next few years, you may decide that taking out a loan is not the right move financially. You'll be locked into a longer-term payment plan, which may become a small burden. For example, you'll have to regularly pay things like garage, permit and car insurance fees if you bring your vehicle into the city, all when it may be easier and more affordable overall to just use public transit. If you lease, you can drive the car that you need for the next 36 or 48 months and then cleanly return it before you move into the city.

On the other hand, if you see your living situation changing as you move away from the city or out of state, it may be wiser to finance. You won't need to come back to return your car to the dealership you leased it from, and you'll have a vehicle to drive for as many years as you need it. You can even sell your vehicle for some extra income, or give it to your children when they get their drivers' licenses.

SHOPPING IN GENERAL

FIND THE RIGHT VEHICLE FOR YOU

Before you even get to the lot do a self assessment to determine what you need in a vehicle.

ASK A LOT OF QUESTIONS

If they can't answer or you don't understand, it's probably not a wise investment or the right place for you to buy from.

THEY SHOULD BE THERE TO HELP YOU

If you feel pressured or uncomfortable while making your purchase think about buying somewhere else. You should never purchase something you don't see the value in.

THE WALSER DIFFERENCE?

- **Our Best Price First With Zero Negotiation**

Every vehicle is clearly marked with our pre-discounted Walser Best Price. There are no hidden costs and zero negotiation; no haggle, no hassle.

- **Commission-Free Sales**

Our goal is to help find the right vehicle for you with no pressure. Our customer specialists are paid hourly and by customer satisfaction.

- **Work With One Person**

You have one individual customer specialist throughout the entire buying process from greeting to delivery.

- **Limited Powertrain Warranty for Life**

All new and most pre-owned vehicles come with a complimentary limited powertrain warranty.