



# CAR BUYING STRATEGIES

## TRAINING TECHNIQUES

### MODULE DESCRIPTION

Car Buying Strategies is a 60-75 minute interactive program suitable for all audiences. It is designed to develop knowledge and skills that will give participants the self-confidence to negotiate effectively when purchasing an automobile.

### LEARNING OBJECTIVES

At the conclusion of this program, participants will be able to:

- Identify affordable automobiles using a financial spending plan, monthly payment calculation, and debt-to-income ratio.
- Explain the three deals of car buying: the purchase, the financing, and the trade-in.
- Explain the benefits of keeping the deals three separate transactions.
- Describe how to research a fair price for a car.
- Describe common “high pressure” sales tactics and methods for overcoming them.
- Discriminate among good and bad choices in car financing.
- Assert legal rights in the car buying process.
- Identify sources of help in the car buying process.

### REFERENCES

- SECNAVINST 1754.1, *Family Service Center Program*.
- OPNAV Instruction 1740.5B, *Personal Financial Management Education, Training and Counseling Program*.
- *Command Financial Specialist Training Manual*, NAVPERS 15608D (or later).

- Current Edition. *Edmund's Car Prices Buyers Guide*. West Hempstead, New York: Edmund Publications Corporation.
- *NADA Official Used Car Guide*. National Automobile Dealers Association.
- *Consumer Reports Magazine*. April Issue.
- Nerad, Jack R. 1996. *The Complete Idiots Guide to Buying or Leasing a Car*. New York: MacMillan Spectrum/Alpha.
- Editors of Consumer Reports. 2006/2007. *New Car Buying Guide 2006 & 2007*. Consumer Reports.
- Reed, P. 2005. *Edmunds.com Strategies for Smart Car Buyers*. Edmunds Publications.
- [www.annualcreditreport.gov](http://www.annualcreditreport.gov) (Free Annual Credit Report)
- [www.autopedia.com](http://www.autopedia.com) (The Automotive Encyclopedia)
- <http://autos.msn.com> (MSN Auto Website)
- [www.carfax.com](http://www.carfax.com) (Vehicle History Reports)
- [www.carlemon.com](http://www.carlemon.com) (State Lemon Law Information)
- [www.consumerworld.org](http://www.consumerworld.org) (Consumer Website)
- [www.edmunds.com](http://www.edmunds.com) (Edmunds Car Buying Guides)
- [www.federalreserve.gov/pubs/leasing/](http://www.federalreserve.gov/pubs/leasing/) (Federal Reserve "Keys to Leasing" Booklet)
- [www.highwaysafety.org](http://www.highwaysafety.org) (Insurance Institute for Highway Safety)
- [www.intellichoice.com](http://www.intellichoice.com) (Prices and Reviews for New and Used Cars)
- [www.kbb.com](http://www.kbb.com) (Kelley Blue Book Guides)
- [www.lifelines.navy.mil](http://www.lifelines.navy.mil) (Lifelines Services Network)
- [www.naag.org](http://www.naag.org) (National Association of Attorneys General)
- [www.nada.org](http://www.nada.org) (NADA Guides)

## ■ MODULE PREPARATION

### **Handouts:**

- The Three Deals of Car Buying
- Sources of Help – Car Buying
- Financial Planning Worksheet
- Debt-to-Income Ratio
- Determining Car Payments
- Car Sales Tricks of the Trade
- Questions to Ask Car Dealers
- Installment Sale Contract for Titled Vehicle and Equipment
- Leasing vs. Buying (Optional with Slide 16)

### **Materials (varies depending on activities chosen):**

- Car-go Bingo Cards and Markers
- Car Buying Jackpot PowerPoint Review Game

## ■ SUMMARY OF OPTIONAL PARTICIPANT ACTIVITIES

- **Car-Go Bingo:** A Bingo-style game that provides participants with presentation concepts as the lecture is given.
- **Car Buying Jackpot:** A Jeopardy-style game used to review program content.

## ■ CURRICULUM OUTLINE

1. Welcome and Introduction (5 minute)
  - a. Optional Participant Activity: Car-Go
2. Deal #1: The Purchase (20 minutes)
  - a. How much can you afford?

- b. What type of car do you want?
  - c. Where will you buy?
  - d. What is a fair price?
  - e. What about leasing?
  - f. Negotiating skills
  - g. Tricks of the trade
3. Deal #2: The Financing (15 minutes)
    - a. Where to Finance
    - b. The Cost of Money: Finance Charges
    - c. The Purchase Contract
    - d. Common Dealership Financing Pitfalls
4. Deal #3: The Trade-In (10 minutes)
    - a. Trading-in vs. Private Sale
    - b. What is a fair price?
    - c. What is the dealer willing to pay?
    - d. What if you owe more than it is worth?
5. Your Legal Rights (5 minutes)
    - a. State Lemon Laws
    - b. Consumer Leasing Act
    - c. Odometer Reading
    - d. Used Car Buyer's Guide
    - e. Magnuson-Moss Warranty Act
    - f. State Auto Repair Facilities Act
6. Complaint Resolution (5 minutes)

## 7. Summary (20 minutes)

- a. Sources of Help
- b. Optional Participant Activity: Car Buying Jackpot

## INSTRUCTOR TECHNIQUES BY SLIDE NUMBER



**Optional Participant Activity: Car-Go Bingo Game:** Participants are given a bingo-like card and markers. As the lecture progresses they mark off concepts on their card that appear on the slides or are mentioned during the lecture. The first person to get five in a row gets a prize. Variations include awarding prizes for the first several people to get “Car-Go”, and/or requiring that the winner get two sets of five in a row, or five in a row and all four corners, etc.

**Time:** The game is played during the lecture and an optional review at the end should take about ten minutes.

**Materials:** One Car-Go card for each participant and some type of marker. There are 30 different cards in the set. Print duplicates if necessary. Markers can be a small bag of M&M’s, small plastic disk bingo markers, or participants can simply mark off the concepts with a pen or pencil.

**Fabulous Prize(s):** Can be anything, “Big Bucks”, candy, a toy car, etc. If you plan on having more than one winner, have enough prizes for all.

**Procedure:** Distribute Car-Go cards and markers to all participants. Explain to participants that as you go through the lecture you will mention quite a few concepts, and if a concept appears on their Car-Go card they should mark it. Concepts will appear on the slides, in the things you say, and on the handouts. The first person to get “Car-Go” wins. Explain what “Car-Go” will be (five in a row, two sets of five in a row, five in a row plus four corners, etc.)

Before beginning the lecture, give participants a few minutes to read through the concepts on their cards so they will be familiar with the terms. When participants have had a chance to review the concepts, begin the lecture with Slide 1. When someone gets “Car-Go” they should shout out “Car-Go”. Have them read off the concepts on their card, and if you have reviewed all of them, award a prize. You can then go on to award prizes to subsequent “Car-Go’s” if you choose. When the lecture is done, use the Car-Go cards as a quick review.

Note: Car Buying Jackpot review can be used instead of using the Car-Go game to review.

Also for Slide 1, refer participants to “The Three Deals of Car Buying” and “Sources of Help”, as you will refer participants to these as the module progresses.

5

Refer participants to the “Financial Planning Worksheet”. Encourage them to complete their budget or spending plan if they don’t already have one. Invite them to “Developing Your Spending Plan” or to visit their CFS or FFSC FE.

6

Refer participants to the “Debt-to-Income Ratio Worksheet”. If they think they might have a lot of debt, invite them to attend a “Credit Management” workshop or visit their CFS before they buy a car. Encourage participants to order their credit report as one of the first steps they take in buying a car. Point out the guidelines for debt-to-income ratios at the bottom of the sheet.

7

Refer participants to the “Determining Car Payments” handout and ensure they understand how it works. Explain that most credit union, bank, and car buying websites also have calculators that help you determine what a car payment will be based on the amount of the loan, the number of months, and the APR.

15

If time allows and there is an internet connection in the training room, go to one of the car pricing websites and show participants some features. Practice ahead of time so you will be proficient at demonstrating the website(s).

16

Leasing a car could be a course in and of itself, and a detailed discussion of leasing is beyond the scope of this program. If anyone is interested in leasing, provide the handout “Leasing vs. Buying”. If there are a lot of participants interested, review the handout if time allows. Refer those considering leasing to some of the resources listed in the “Sources of Help” section. The most important point is to have them bring their leasing contract to Legal before signing.

18

Refer participants to the handout “Car Sales Tricks of the Trade”. Provide a brief description of the tricks listed. Be sure to mention “Mutt and Jeff” if you are using the Car-Go game.

21

Refer participants to the handout “Questions to Ask Car Dealers”. It isn’t necessary to go over all of the information, just let them know that they should review this before they speak with a dealer about any special promotions or low-interest dealer financing opportunities.

23

Refer participants to the handout “Installment Sales Contract”. Review the relevant areas of the contract as you progress through this portion of the module. You should be thoroughly familiar with the information and how it is written into the contract in order to adequately explain it to the class.

Explain that the Truth-in-Lending box must be easily readable on all financing contracts, and completely filled in. Also, point out that this “customer” opted to purchase Optional Mechanical Repair for \$720.86. Not only did he purchase it, but he opted to finance it right along with his loan. If the buyer did not buy the Optional Mechanical Repair, the total amount financed would have been \$5,789 rather than \$6,509. The total interest paid would have been \$1,147, rather than \$1,290, and the monthly payment would have been \$289 rather than \$325.

24

You can toggle back to slide 23 to show participants what a Truth-in-Lending Disclosure looks like.

25

As you review each pitfall, ask the class what they think the solution to avoiding the pitfall could be.

29

Check with [www.carlemon.com](http://www.carlemon.com) to research the lemon laws in your state and have the information readily available for the discussion on this slide.

31

Refer participants to the handout “Sources of Help – Car Buying” and remind them that there are extensive resources listed on this handout. They should use them in their car search. If they are not planning on buying a car any time soon, suggest they keep it filed someplace where they will remember it when the time comes.

### **Optional Participant Activity: Car Buying Jackpot Review Game**

See “Introduction to the Modules: PowerPoint Games”

### **Question Bank for Car Buying Jackpot**

**Categories:** Your Money, Deals, Tricks of the Trade, The Trade-in, Legalese

## **YOUR MONEY**

### **100**

A: The first step in the Purchase Deal.

Q: What is determine how much you can afford?

### **200**

A: The financial tool used to figure out how much car you can afford.

Q: What is a Budget or Financial Plan?

### **300**

A: The recommended debt load for the average household.

Q: What is 15-20%?

### **400**

A: The best deal for the consumer for calculating interest.

Q: What is Simple Interest?

### **500**

A: Maintenance, insurance, operating expenses and taxes should not take more than this much of your monthly income.

Q: What is 10%?

## **DEALS**

### **100**

A: Where most of the homework and negotiation happens.

Q: What is The Purchase Deal?

**200**

A: The options are to sell it to the dealer, privately or at auction.

Q: What is The Trade-in Deal?

**300**

A: Considerations are where to go, interest rates, and contracts.

Q: What is The Finance Deal?

**400**

A: They are professionals, trained and experienced in the art of sales.

Q: What are dealers?

**500**

A: The #1 rule for all the deals.

Q: What is “Everything is Negotiable”?

## **TRICKS OF THE TRADE**

**100**

A: Often unnecessary charges such as undercoating, protections packages, and dealer installed options that increase the dealers profit.

Q: What is Padding or Dealer Add-ons?

**200**

A: When you are switched from the advertised, stripped down model to the well-equipped one with a higher price tag.

Q: What is Bait and Switch?

**300**

A: A high trade-in allowance for the trade or low price for the new vehicle is offered to get you to return for negotiations.

Q: What is High and Low Balling?

**400**

A: When the customer takes the car home, and the salesperson hopes that he or she will fall in love with it like a warm puppy.

Q: What is Put-to-Ride?

**500**

A: When the salesman and manager play “good guy/bad guy” for dramatic effect to win the confidence of the customer.

Q: What is the Mutt and Jeff Routine?

## **THE TRADE-IN**

**100**

A: The commonly used quote for market value for a used vehicle.

Q: What is “Blue Book” Value?

**200**

A: A popular magazine with an April auto issue.

Q: What is *Consumer Reports*?

**300**

A: When you owe more than what the car is worth.

Q: What is “upside down”?

**400**

A: The difference between trade-in value and retail price in used car publications, why the dealer cannot give full retail value in most cases, and why it is worth selling the car yourself.

Q: What is “Dealer Profit”?

## 500

A: Key websites for finding fair new and used car prices.

Q: What are [www.edmunds.com](http://www.edmunds.com) or [www.nada.com](http://www.nada.com) and [www.kbb.com](http://www.kbb.com)?

## LEGALESE

### 100

A: The “As Is” sticker required by Federal Law.

Q: What is the Used Car Buyers Guide?

### 200

A: State Laws protecting buyers from defective new vehicles that can’t be repaired and conform to the standards of the warranty.

Q: What are Lemon Laws?

### 300

A: Navy Legal Services Office will give head of the line service if you bring one of these in.

Q: What is an unsigned contract?

### 400

A: The Federal requirement that ensures key financial information is highlighted in a contract.

Q: What is the Federal-Truth-in-Lending Act?

### 500

A: True or False: State laws regarding automobile issues are uniform across the fifty states.

Q: What is false?

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## **FINAL JACKPOT**

A: This is one of the most important personal financial documents you should review before you purchase a car in order to know your credit rating.

Q: What is a credit report?