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First-time car buyers lack financing know-how

By Chris Friedrich

Only a third of first-time car buyers know their credit score, which impacts how much they will pay in interest charges during the length of their car loan, according to the results of an annual auto survey from [Capital One](#).

While today's first-time car buyers are more savvy and diligent about researching and budgeting out their car-buying options than in the past, almost half of survey respondents are unprepared for the true cost of vehicle ownership. Vehicle maintenance and repairs, financing and registration fees were the most common variables not factored into the true cost of car ownership, reveals the "Seventh Annual Rule of the Road Survey" from Capital One Auto Finance.

"It is important that first-time car buyers do their research and factor all elements of car ownership into the purchase price before moving forward with a decision," said Capital One Auto Finance President Sanjiv Yajnik in a press release. Yajnik emphasized that "investigating financing options, insurance companies and warranties must be approached in a similarly diligent manner."

Consumers may know how to research which kind of car they want, but Capital One's study showed that 59 percent of first-time car buyers felt "uneducated" in matters of financing options. In addition, 54 percent were unaware that different financing options can be compared online before even stepping onto the car lot. Of the entire group surveyed, only 18 percent of consumers used the Internet to compare different lenders.

So before making deals at the convenience of the salesman, Capital One provides several tips to better prepare consumers prior to looking at window stickers.

Most importantly, begin by obtaining your consumer [credit report](#). Knowing your credit rating is important in determining whether now is the best time to purchase a vehicle. A consumer's [credit score](#) will also determine how easy it will be to find willing lenders and what finance rates are available to the buyer.

Be sure to thoroughly research vehicle pricing, any transaction costs and how a new vehicle's price compares to a used model.

When researching financing options, the Internet is your ally. Financing contracts made at the dealership might be convenient at the time, but a financing plan from a third party often comes with more attractive rates. Credit report in hand, consumers can explore and compare different financiers from the comfort of home.

Finally, car purchasing should be treated as two separate transactions: one as a negotiation on vehicle price, the other as a negotiation on financing. If either area seem unreasonable or that a better deal could be made elsewhere, Capital One recommends walking away.

See related: [Your car loan: Finance or pay it off?](#), [Tough choice: credit card debt vs. down payment on a car loan](#), [Buying a car? Know the 3 main costs of auto ownership](#), [In default on car loan: What to do?](#), [Can you really afford that car loan?](#)

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Airline	14.24%
Reward	14.29%
Instant Approval	15.99%
Bad Credit	24.64%

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