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CONTACT:

Christine Shock
Shock PR, Inc.
508-893-9933

cshock@shockpr.com

Christopher Burdick
AutoHeroes
617-965-3200

chris@autoheroes.com

Auto Buying Expert Rebuts Recent Media Reports; Says Car Financing Through an Auto Dealer May Be Best Way to Go

Christopher Burdick of AutoHeroes Offers Five Rules to Help Consumers Get Lowest Financing Rate on Their Cars

NEWTON, MA, April 20, 2004 -- A recent study by the Consumer Federation of America reveals questionable business ethics practiced by automobile dealers when securing loans for their customers. These practices have been publicized recently on major newsmagazine shows like Dateline NBC and 60 Minutes.

According to the study, "American car buyers are being charged at least hundreds of millions and as much as a billion dollars annually in undisclosed 'finance markup' charges." The study reports that a dealership may secure financing at a certain percentage rate and then add on additional percentage points to boost their profit. The additional points are then paid back to the dealership by the lending institution.

Christopher Burdick, founder and president of AutoHeroes, says this certainly is not always the case. "Our customers frequently finance through the dealership and receive excellent finance rates," says Burdick. "Consumers can easily take control of the financing process by researching finance rates and shopping around. By exploring loans available through outside institutions, a consumer can use those financing rates to negotiate a lower rate from a dealership."

Burdick started AutoHeroes, a Boston-based personalized auto buying/leasing advisory service, to help consumers with the often confusing process of buying or leasing a vehicle. He has no ties to auto manufacturers or dealerships.

"Dealerships want consumers to finance through them because the dealer makes money on the financing," continues Burdick. "When a consumer is ready to buy and tells the dealer that they have been approved for a certain percentage rate, say 4.9 percent, the dealer will offer 3.9 percent to get the customer to finance through the dealership. In the end, the most important factor for the consumer is getting the lowest financing rate. It really doesn't matter if they go through an outside source or through the dealership."

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Burdick offers these rules for getting the best deal on car financing:

Rule #1: Talk Total Cost Instead of Monthly Payments

When you start looking at a car, and the auto dealer asks how you want to pay for it, make sure you tell them that you aren't sure if you want to finance or not. Tell them that you want to look at the overall price of the car, not monthly payments. Some dealerships will try to use monthly payments to obscure hidden costs. Always negotiate the price that you will buy the car for first, then work on the financing.

Rule #2: Do Your Homework in Advance

Find out what financing rates you can get from sources outside the dealership before you talk to the dealership about financing. Check out web sites like eloan.com. You can also get financing through the American Automobile Association (AAA). Talk to your bank or credit union as well. This way, when you go in to talk to the dealership, you already know what rates you can get, and it's up to the dealership to try and beat those rates.

Rule #3: Keeping it Simple

If you can get a good financing rate through an outside source, you may want to just use that lender. That way, all you have to discuss with the dealership is the selling price of the car. This keeps dealerships from hiding extra charges within the financing deal.

Rule #4: Benefits of Financing Outside the Car Dealership

Dealerships sometimes offer a low percentage rate OR a cash rebate on the same car. IF you finance through the dealership, you cannot get the rebate as well. However, if you get your loan from outside the dealership, you can then get the cash rebate as well as low financing.

Rule #5: Cash Back or 0% Financing?

Nine times out of ten, it's better to take the cash back. However, it's always best to do the math involving both options to see which is the better deal. If you decide to take the cash back, you should still find the best interest rate on a loan from an outside source, and take it to the dealer to see if they can negotiate a lower finance rate through the dealer.

Last But Not Least... Pay Attention

The last and most important rule - even though you may want the process to be over with quickly, you need to look over the paperwork carefully. Have the dealer walk you through the paperwork and explain each calculation or fee that is included on your financing contract. A bit of scrutiny here can save you a big headache in the future.

“Like every big purchase in life, the best way for a consumer to guarantee that they get a good deal and avoid being ripped off is to be an educated buyer,” concludes Burdick.

AutoHeroes offers consumers additional advice at: <http://www.autoheroes.com>.

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