

Rate vs. Rebate

0% Financing – Know the Facts

Some members may think that they're better off with 0% financing instead of taking the cash rebate and financing with Best Reward Federal Credit Union. Well, that may not be the case. Here are a few things you may not know about 0% financing offers.

First, check the fine print. Most 0% financing offers have very specific restrictions. You may only be able to finance for a short term (2 or 3 years). Using the 0% financing may require a larger down payment, pre-payment penalties may exist, and you may not be able to negotiate a better deal. Also, you may be limited to "on-site stock" which minimizes your choice of models, colors, styles and so on. And to qualify; your credit history, employment history, length of residence, and overall financial picture needs to be pretty much perfect.

The cash rebate may be a better option. Take the example below. We have compared taking the cash rebate and using Best Reward to finance your vehicle, instead of taking the 0% financing. This example is based on a vehicle that costs \$24,000 and offers 0% interest or a cash rebate of \$4,000.

Financing Through

| | Dealership | Best Reward |
|-----------------------------|-----------------|--------------------|
| Purchase Price | \$24,000 | \$24,000 |
| Cash Rebate | \$0.00 | \$4,000 |
| Loan Amount | \$24,000 | \$20,000 |
| Interest Rate | 0% | 4.50% |
| Loan Term | 60 month | 60 months |
| Monthly Payment | \$400.00 | \$372.92 |
| Total Loan Repayment | \$24,000 | \$22,375.20 |

In this example, taking the rebate and financing with Best Reward would result in a monthly payment that is about \$30 lower and a savings of around \$1,625 over the term of the loan.

One More Tip:

Get pre-approved with Best Reward BEFORE you shop. Knowing how much you can afford and how much your monthly payment will be can really help you decide on what vehicle to purchase and how long you want to finance for. You will already have to negotiate the price of the vehicle, and possibly the value of your trade-in. Do you really want to spend more time in the finance manager's office? We didn't think so.