Financing Basics 101:

When financing a car purchase, you typically provide a down payment on the vehicle and take out a loan for the remainder. Your monthly payment will depend on the overall amount financed, the interest rate you are offered (based on your credit), and the duration of the loan. Every monthly payment will increase your equity, and once the loan is repaid, you own the car free and clear. Although the car will significantly depreciate in value by the time your loan is paid off, you will likely be able to continue using it for several more years. You will also have the option to sell the vehicle if it is no longer needed.

Overall cost of financing will include the following:

- Initial expenses, including a down payment (typically higher than what would be required to lease), sales taxes, title fees, license fees, and insurance.
- Ongoing expenses, including monthly payments and maintenance and repairs. Unlike a lease, you can decide when routine maintenance may be needed; however, these costs may be higher over the long-term as your warranty ends and more major repairs are needed as the car ages.
- After 8-10 years, major repairs may become cost prohibitive.
- You may also refinance your car loan in the future if your credit improves or interest rates drop.