

5.6 COMPARE: Auto Loans

Molly is celebrating her exciting new career and wants to upgrade her junky old car for a shiny new 2016 Jeep Patriot. She's gone to Calculator.net and pulled up their handy [Auto Loan Calculator](#). Next, she heads to Jeep's website and sees the following financing deals:

2016 Patriot

Latitude 4x4	
Sport	MSRP* Starting at: \$17,595
Sport SE	MSRP* Starting at: \$19,740
Latitude	MSRP* Starting at: \$25,495
<input type="checkbox"/> FWD <input checked="" type="checkbox"/> 4x4	
High Altitude	MSRP* Starting at: \$24,775




20 city/26 hwy
EPA est. MPG+


2.4-Liter I4 DOHC
16-Valve Dual
VVT Engine


AutoStick®
Automatic
Transmission


2,000 lb Towing
Capacity +
Maximum

View
Standard
Features

Finance for
0% APR

For 36 months
Plus up to \$1,500
Cash Allowance

Offer expires on 02-01-2016.
[View Disclosure](#)

Finance for
1.9% APR

For 84 months
Plus up to \$500
Cash Allowance

Offer expires on 02-01-2016.
[View Disclosure](#)

Note: For this activity, assume Molly's going to pay the exact MSRP of \$25,495. This is most likely NOT true, but that's more about buying a car than understanding loans -- a topic for another lesson.

Part I: 0% APR sounds PERFECT!

Answer the following questions using the details from the 0% APR offer above.

- Molly has a \$2500 down payment saved for this purchase. Molly assumes the \$1500 Cash Allowance will come straight off her total. How much loan does Molly need?

2. How much will Molly pay per month to buy this car?

3. How much total interest will Molly pay using this plan?

4. When Molly adds all of her payments, how much will the car cost her?

Part II: Maybe the 1.9% is more manageable?

Oh, boy! Molly cannot afford the monthly payment using the 0% financing. Answer the following questions using the [Auto Loan Calculator](#) and the 1.9% APR offer.

5. Molly has a \$2500 down payment saved for this purchase. Molly assumes the \$500 Cash Allowance will come straight off her total. How much loan does Molly need?

6. How much will Molly pay per month to buy this car?

7. Click "Show Amortization Table," which shows how each one of Molly's payments is being applied to her principal and interest. How much total interest will Molly pay using this plan?

8. When Molly adds all of her payments, how much will the car cost her using this plan?

9. This amount is SO much more reasonable per month. Molly decides she can contribute \$100 more per month. If she does this,

a. How much is her monthly payment?

b. How much total interest will Molly pay?

c. When Molly adds all of her payments, how much will the car cost her?

Part III: Reading the Fine Print

Before she heads into the dealership, Molly notices, in small blue print, “View Disclosure” under the financing deal. When she clicks, she finds the following:

Offer Disclosure

For well-qualified buyers. Not all buyers will qualify for the lowest rates. Must receive financing through Chrysler Capital. Example down payment is 10%. Monthly charge is per \$1,000 financed - see table below. See dealer for details. Must take retail delivery by 02/01/2016.

APR RATE	36 Months	48 Months	60 Months	72 Months	84 Months
0.00%	\$27.78	\$20.83	\$16.67	\$13.89	\$11.90
0.90%	\$28.16	\$21.22	\$17.05	\$14.27	\$12.29
1.9%	\$28.60	\$21.65	\$17.48	\$14.71	\$12.72
2.9%	\$29.04	\$22.09	\$17.92	\$15.15	\$13.17
3.9%	\$29.48	\$22.53	\$18.37	\$15.60	\$13.62
4.9%	\$29.93	\$22.98	\$18.83	\$16.06	\$14.09
5.9%	\$30.38	\$23.44	\$19.29	\$16.53	\$14.56
6.9%	\$30.83	\$23.90	\$19.75	\$17.00	\$15.04

Seeing that the offer is good for a limited time only, she rushes into her local Jeep dealership. She’s confident she’s a “well-qualified buyer” because she’s got a good job and, since graduating from college 1.5 years ago, has never fallen behind with any of her bills. Molly picks out a car, sits down at the financing desk, and hears the following:

Well, we ran your credit history. You’ve got a really thin file -- just a year’s worth of student loan payments. The best deal we can offer you is 6.6% for 60 months. A little more bad news -- the cash allowance is also based on credit history, so you don’t qualify for \$500. That said, you’re excited about a Jeep, and I want to see you driving one, so I can do \$400 for you!

10. Molly still has a \$2500 down payment. How much loan does Molly need?

11. How much will Molly pay per month to buy this car?

12. Click “Show Amortization Table,” which shows how each one of Molly’s payments is being applied to her principal and interest. How much total interest will Molly pay using this plan?

13. When Molly adds all of her payments, how much will the car cost her using this plan?

Part IV: In Summary

14. What valuable lessons did Molly learn about auto financing?

15. Molly desperately wants a Jeep Patriot. What suggestions do you have for making her dream become reality?