

# Get it CHEAPER

## SHOULD YOU USE A FINANCE BROKER?

**S**he's a beauty: a 2005 LandCruiser Sahara with a bullbar, winch, roofrack and even a rear bar already installed, and the price is right. You're about to head down to the dealership to have a look when your wife notices that dangerous glint in your eye and asks you where you're headed.

"But," she says, "you haven't organised a loan yet."

And you realise she is right. The golden rule when it comes to buying a car these days is to get your loan first, that way you have cash bargaining power. Everyone likes the sound of that word, because it means you're serious, that you'll be driving the car away sooner. And that can earn you a better price.

Heading out to the dealership with a loan pre-approval is equivalent to having cash in your pocket. And letting a broker shop around for you before you even apply for a loan means you're saving both time and money. You wouldn't buy the first car you looked at, so why treat picking a lender any differently, considering you are entering into a financial relationship that will last several years.

With a pre-approval in hand, once you find that dream car, you can get down to the brass tacks of negotiating the price, knowing exactly how much you have to spend, and even more important, that you can bargain on a cash basis.

You have three choices now. You can go down to the dealership and go with whatever finance they offer, losing your cash leverage. Psychologically, this

weakens your bargaining power too: you are sitting there with the car in the corner of your eye and the finance manager is telling you how you could be driving it home to your kids waiting in the driveway this afternoon if you just sign here.

You can ring up every bank in town shopping for the best rate, and applying separately to each of them.

Or you can ring up a finance broker who will ring up a hundred banks for you, for free, with one application after you've found the product that suits your needs.

Not every buyer is in the same financial situation, so there is no good reason for all of them to be lumped into one 'on the spot' finance solution at the dealership.

The way finance brokers work is by matching your needs to the right loan product. They are paid by financial institutions for this service, which means it doesn't matter who they go with, they make the same amount of money, so to get your business, they have to come up with the best deal for you, to 'beat the banks', so to speak.

Brokers are also in a leveraged position with the banks and lenders because they bring them so much business. The banks reward them by offering lower rates through the brokerage, which is passed on to the consumer. No matter how you slice it, the guy buying the car, you, always wins.

Another thing brokers can do for you is put you in a better position down the road by assessing a vehicle's current market value independently. That way, you know if you're paying too much for a car, which can cost thousands down the track when you are selling or making an insurance claim, or too little, which raises questions in itself about the quality of the car.

For instance, a friend purchased a car from a dealership in the US recently, paying what looked to be a fair price. A year later, when the car was written off in an accident, the insurance company paid the now current market value, leaving a substantial gap between what was owed on the loan and the current value. Fine, he had gap insurance. But the gap insurance, sold by the dealership, assessed the purchase price as too much, so they refused to cover the gap. So he had to pay several thousand dollars to close the loan, despite buying insurance for just that purpose a year before. What happened? He let the same people who sold him the car sell him finance insurance, so there was no due diligence when it came to valuing the car vs the purchase price.

Brokered lenders and banks have a vested interest in making sure they are not over-insuring a vehicle, so this situation probably would not have arisen had he shopped around for a loan first.

So remember, find a broker or lender you can trust before you go shopping for a vehicle, obtain a pre-approval so that you can go car shopping with 'cash' in your pocket, get a great price and a great loan without wasting time or money.

For more information on finance brokerage, feel free to ring Nat Loans on 1300 327 827 or visit [www.natloans.com.au](http://www.natloans.com.au).



**SOLD**