

## Don't Shop for a Monthly Payment

Have you ever been shopping for a car, found one you really like (but don't think you can't afford) and the salesperson asks, **"What kind of monthly payment are you looking for?"** Then like magic the salesperson works up an 'affordable' monthly payment for that expensive car. The next thing you know you're behind the wheel, driving away with a car loan that ends up costing you a lot more in the long run.

While it's very important to have monthly payments that fit within your money map, making purchase decisions based on a monthly payment could be very costly. There are **Four basic Factors of Finance** to consider when keeping the cost of credit low: **down payment, loan fees, interest rate, and term**. Let's look at the four factors of finance to get a sense of how they might affect your total cost of credit.

	Loan Amount	Interest Rate	Term (months)	Loan Fees	Monthly Payment	Total Payments	Cost of Credit
<b>Example</b>	<b>\$10,000</b>	<b>8%</b>	<b>48</b>	<b>\$0</b>	<b>\$244</b>	<b>\$11,712</b> ( $\$244 \times 48$ )	<b>\$1712</b> ( $\$11,712 - \$10,000$ )
<b>Factor Change:</b>							
<b>Down Payment</b> ( $\$2,000$ )	<b>\$8,000</b>	8%	48	\$0	\$195	\$9,360 ( $\$195 \times 48$ )	<b>\$1360</b> ( $\$9,360 - \$8,000$ )
<b>Term</b> (60 months)	\$10,000	8%	<b>60</b>	\$0	\$203	\$12,180 ( $\$203 \times 60$ )	<b>\$2,180</b> ( $\$12,180 - \$10,000$ )
<b>Interest Rate</b> (9%)	\$10,000	<b>9%</b>	48	\$0	\$249	\$11,952 ( $\$249 \times 48$ )	<b>\$1,952</b> ( $\$11,952 - \$10,000$ )
<b>Loan Fees</b> ( $\$300$ )	\$10,000	8%	48	<b>\$300</b>	\$244	\$12,012 ( $\$244 \times 48 + \$300$ )	<b>\$2,012</b> ( $\$12,012 - \$10,000$ )

Use the worksheet on the next page to compare the total cost of credit when you're shopping for a loan. Enter the original loan terms across the first row and then down the left hand column as the factors change. You can also print a blank form and complete it manually.

Four Factors of Finance							
	Loan Amount	Interest Rate	Term (months)	Loan Fees	Monthly Payment*	Total Payments	Cost of Credit
<b>Enter loan information:</b>							
<b>Factor Change</b>							
<b>Down Payment</b>							
<b>Term (months)</b>							
<b>Interest Rate</b>							
<b>Loan Fees Paid up front:</b>							
<b>Added to loan:</b>							