

# Which is the Best Deal?

	Total Points Earned
15	Total Points Possible
	Percentage

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

**Scenario:** Cesar has started his first job with a monthly net income of \$2,740. He currently has an education loan for \$230 per month. Cesar wants to purchase a reliable vehicle to get to and from work. His dream vehicle is a new truck. After talking to the automobile dealership and conducting extensive research, he has selected one that costs \$25,000 after his \$3,000 down payment. He has shopped around for a loan and has three options.

**Directions:** Review the information below to help Cesar choose an automobile loan by answering the following questions.

	Option 1	Option 2	Option 3
Lender	Car Dealership	Local Credit Union	Online Auto Loans
Annual Interest Rate	4.2%	1.79%	4.64%
Number of Months	48	60	72
Monthly Payment	\$566.72	\$435.90	\$398.46
Fees	\$0	\$30 application fee	\$45 application fee
Incentives and Requirements	\$2,500 cash back provided to borrower	Must have an account with the credit union	APR increases to 11.36% for a missed payment
Total Amount Paid	\$27,202.56 total payment less \$2,500 = \$24,702.56	\$26,154.00 total + \$30 application fee = \$26,184	\$28,691.28 total + \$45 application fee = \$28,736.28
Total Cost	-\$297.44 (because of the cash back)	\$1,184.00	\$3,736.28

1. What is an advantage and disadvantage of each loan option? (6 points)

	Option 1	Option 2	Option 3
Advantage			
Disadvantage			

2. Which loan option would you recommend for Cesar? Provide three reasons to explain your recommendation. (4 points)
3. Do you feel this truck is affordable for Cesar or should he consider other alternatives? Provide at least two reasons supporting your answer. (3 points)
4. How can you use a credit analysis process like this in your own life? (2 points)