

PROJECT 7: PURCHASING A VEHICLE

INSTRUCTOR OVERVIEW

Through this assignment students will gain a better understanding of the car-buying process and the components that affect monthly payments. We will compare the purchase of a new car, used car, and a lease.

INSTRUCTIONAL OBJECTIVES

Purchasing a vehicle can greatly affect students' financial situations. In this lesson, students will:

- Define the terms associated with buying a car (including leasing, buying new, and buying used)
- Research used car values
- Identify the factors that affect the total price for a car (including the interest rate, the length of a contract, and the size of a down payment)
- Evaluate the costs and benefits of car purchase options

CENTRAL QUESTION OR PROBLEM

What is my best option for buying a vehicle?

ASSIGNMENT RESOURCES

Students may use all legitimate resources to complete the lesson.

ASSIGNMENT LENGTH

One week

NOTES

- During class, I walk students through the “build a car” process on VW.com, examining both purchase and lease options, as well as looking at the same model, used, through autotrader.com. As we go, we discuss whether monthly payments seem reasonable, the pros and cons of changing the payment term, the impact of credit ratings on interest rates, how down payment amounts affect monthly payments, the basics of leasing agreements, and the importance of examining warranties for all purchases.
- This take-home car-building exercise is a fun activity for the students. I let them pick any car that they can readily find information about online.
- When checking the assignment, I typically make sure they have included all components. I don't judge what type of car they researched. Much of this is part of the learning process when deciding how much car to buy.
- I really enjoy reading the essays. Students have very strong feelings about what type of car they would like. Many feel it is an extension of their identity; some have brand loyalty, others only think of utility. Regardless, they are always entertaining.

As a general rule, textbooks suggest that leasing an automobile is the least advantageous method of acquiring a vehicle. There are some compelling arguments that students come up with when arguing their point. I had a foreign student that was planning to be here for three years. He argued that he could put a little money down and have a low monthly payment. He also wouldn't have to worry about dependability and could turn it in to the dealership when he was ready to return home. The bottom line is that this activity has them working with online calculators to compare and contrast what options they have when looking to purchase a vehicle. This research will help them better prepare for their first experience with a car dealership.

PROJECT 7 ASSESSMENT

PURCHASING A VEHICLE RUBRIC

This project has a total value of 20 points.

The student did not follow directions. (minus 2)	
The student completed the car worksheet. (plus 10) The student attempted to complete the form but they were not thorough. (plus 5) The student did not attempt. (0 points)	
The essay was well written. The essay displays clear facility in the use of grammar, mechanics, usage and spelling. The essay is generally free from errors. (plus 6) The essay contained a few mistakes. The essay displays facility in the use of grammar, mechanics, usage, and spelling, though it may contain errors. However, these errors do not overly detract from the overall success of the message. (plus 4) The essay contained many mistakes. The essay displays serious deficiencies in the use of grammar, mechanics, usage, and spelling. The essay contains an accumulation of serious errors in any and/or all these areas. (plus 2)	
The essay answered all questions thoughtfully. The essay contains details that support the author's responses. (plus 4) The essay answered most questions but lacked detail. (plus 3) The essay was vague and lacked detail. (plus 1)	
Total	

PROJECT 7 OVERVIEW: PURCHASING A VEHICLE

WHAT IS MY BEST OPTION FOR PURCHASING A VEHICLE?

Purchasing a vehicle can greatly affect your financial situation. In this lesson, you will:

- Define the terms associated with buying a car (including leasing, buying new and buying used)
- Research used-car values
- Identify the factors that affect the total price for a car (including the interest rate, the length of a contract, and the size of a down payment)
- Evaluate the costs and benefits of car-purchase options

Through this assignment you will gain a better understanding of the car-buying process and the components that affect your monthly payments. We will compare the purchase of a new car, used car, and a lease.

ASSIGNMENT INSTRUCTIONS

- Is there a new car or truck you have dreamed about owning? Now is your chance to see how much it would cost.
- For this assignment, you will need Internet access and the Buying a Car worksheet (Student Handout 7B)
- First, choose a car or truck, then build and price a new model with varying terms and interest rates. Print out a fact sheet or brochure, if available, about your selected new car.
- Next you'll look at a used model, including certified used models and leasing options. You'll also review warranty information on the vehicle. Print out a fact sheet or brochure, if available, about your selected used car.
- After completing the worksheet, summarize the activity in a reflective essay that includes your conclusion about which vehicle-purchasing option is best for you.
- Be careful about providing your email address or other contact information to auto dealerships, whose sales staff may contact you repeatedly.
- Remember that this assignment is hypothetical. Relax and have fun.

PROJECT 7 ACTIVITY**PURCHASING A VEHICLE WORKSHEET**

1. Build and price a new car of your choice (something other than the car your instructor demonstrated in class).
 - a. Calculate your monthly payment for a five-year term, 5% expected APR, with a \$10,000 down payment.
 - b. What happens to your payment if you decrease your term to three years?
 - c. You lost your savings and can no longer afford to put money down on the car. The day worsens when the dealership informs you that your credit rating is less than ideal, and your expected APR is 18%. How does this affect your monthly payment for a three-year term?
 - d. Multiply your monthly payments by the amount of months in the term to determine the total price you will have paid for the car. How much more are you paying for the car in comparison to the selling price?

PROJECT 7 ACTIVITY: PURCHASING A VEHICLE WORKSHEET (CONTINUED)

2. Visit a website that sells used cars (e.g., [AutoTrader.com](https://www.autotrader.com)) to see how much the used version of the car you selected earlier cost. Use that price for the following questions.
 - a. Using the used car price, calculate your monthly payments for a five-year term, 5% expected APR, with \$10,000 down. Compare the payments to that of a new car.
 - b. Once again, you cannot afford to put any money down on the car and the dealer informs you your poor credit results in an 18% APR. How does this affect your monthly payment for a three-year term?
 - c. Multiply your monthly payments by the amount of months in the term to determine the total price you will have paid for the car. How much more are you paying for the car in comparison to the selling price?

PROJECT 7 ACTIVITY

PURCHASING A VEHICLE ESSAY

In a one- to two-page reflective essay, typed and double-spaced, answer the following questions. Make sure you proof the essay for grammar and word usage mistakes.

- Have you purchased a vehicle before? If so, do you have any regrets about the experience?
- After completing the worksheet, do you feel more confident about researching a vehicle?
- Now that you have gone through this exercise, if you were in the market for a car or truck, which option would you choose: buying new, used, or leasing? Explain how this choice will benefit you financially in the future.