

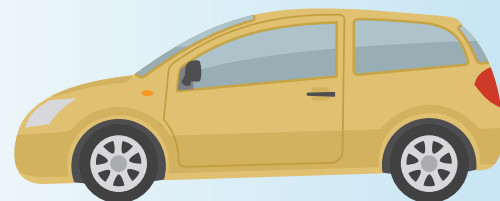
CAR BUYING 101: WHEN YOUR TRADE-IN HAS Negative Equity





Upside down or underwater,

it all means the same thing:
your car has negative equity.

Negative Equity = Car Value < Car Loan Balance




 **Warning:** Don't fall for ads promising to pay off your loan when you trade in for a new car.

 **The facts:** Rolling negative equity into the principal of a new car loan just puts you further underwater.

\$12,000 total car loan
- \$8,000 total car worth

\$4,000 negative equity

 **The interest you owe:**
\$991.81 after 3 years
\$1,709.58 after 5 years
\$2,483.71 after 7 years
...all on top of your new car loan*

Instead:

- 1. Don't do it.** If you don't need to trade in your current car, don't do it.
- 2. Delay the purchase.** Wait until you're in a better financial position on your loan before trading in.
- 3. Trade down.** Find a new-to-you car that's less expensive.

Hot Tip:

Interest rates are impacted by your credit score. So, the better your score is, the better interest rate you will receive.

Need help dealing with negative equity?
Reach out to a [personal financial manager](#) or counselor at your nearest Family Center.

*Interest rate calculated at 15%.



For more tips, follow the
Office of Financial Readiness
at <https://finred.usalearning.gov>

Follow @DoDFINRED:

