

Smart Car-Buying & Loan-to-Value (LTV) Worksheet for Teens & First-Time Buyers

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How to use this worksheet: Complete **Steps 1 and 2 at home** before visiting a dealership. Separate three decisions: (1) lining up your financing at a credit union or bank, (2) verifying the car's real book value, and (3) negotiating the out-the-door price and trade-in separately—never by monthly payment alone.

STEP 1: Pre-Shopping Lender Check (Talk to Your Credit Union or Bank First)

Lender / Credit Union Name: _____	Pre-Approval Good Until: _____
Max Pre-Approved Loan Amount: \$ _____	Loan Term (Months): ☐ 36 ☐ 48 ☐ 60
Baseline APR (at 100% LTV): _____ %	Credit Tier / Score Checked: _____
Discounted APR at <= 90% LTV: _____ %	Discounted APR at <= 80% LTV: _____ %
Lender's Max LTV Cap (e.g., 110%–120%): _____ %	Valuation Guide Used: ☐ J.D. Power ☐ KBB
Credit Union / Insurer GAP Cost: \$ _____	Dealer Finance Desk GAP Quote: \$ _____

Smart Question to Ask Your Lender: "If I put money down or negotiate the price so my Loan-to-Value (LTV) is 90% or 80%, how much does my interest rate drop?" (Under CFPB guidance, auto loan inquiries made within a 14-to-45-day shopping window typically count as a single credit inquiry.)

STEP 2: Vehicle Book Value & Safety Lookup (Compare Two Cars Side by Side)

Vehicle Details & Research Checks	Vehicle Option A	Vehicle Option B
Year / Make / Model / Exact Trim Level		
17-Character VIN & Current Odometer (Miles)		
J.D. Power Book Value (jdpower.com/cars) — Lender LTV Baseline	\$	\$
Kelley Blue Book Fair Purchase Price (kbb.com)	\$	\$
Edmunds Dealer Retail Appraisal (edmunds.com/appraisal)	\$	\$
Seller's Advertised Price (Should be at or below book value)	\$	\$
NHTSA Safety Recalls Check (nhtsa.gov/recalls by VIN)	☐ 0 Open Recalls ☐ Needs Fix	☐ 0 Open Recalls ☐ Needs Fix
FuelEconomy.gov Est. Monthly Fuel Cost (fuelconomy.gov)	\$ / mo	\$ / mo
Independent Mechanic Inspection & FTC Buyers Guide	☐ Inspected ☐ Warranty / As-Is	☐ Inspected ☐ Warranty / As-Is

THE LOAN-TO-VALUE (LTV) FORMULA LENDERS ACTUALLY USE

$$\text{LTV (\%)} = (\text{Total Amount Financed} \div \text{Lender's Book Value of the Car [e.g., J.D. Power]}) \times 100$$

Why LTV Matters: Sales tax, registration, dealer doc fees, rolled-in negative trade-in equity, GAP insurance, and maintenance packages increase the top number (Total Amount Financed) without adding a single dollar to the bottom number (the car's J.D. Power Book Value). When LTV rises above 100%, lenders charge a higher interest rate (APR) and your monthly payment jumps.

STEP 3: Out-the-Door Price & Loan-to-Value (LTV) Calculator Box

Line Item	Sample \$15,000 Car (115% LTV Trap vs. 80% LTV Goal)	Your Deal (\$)
1. Negotiated Vehicle Purchase Price	\$15,000 (Matches J.D. Power book value)	\$ _____
2. + Sales Tax (State/Local %)	+ \$900 (Example 6% sales tax)	+ \$ _____
3. + Title, Registration & Plate Fees	+ \$250 (State DMV fees)	+ \$ _____
4. + Dealer Document Processing Fee (Doc Fee)	+ \$350 (Negotiate car price down to help offset)	+ \$ _____
5. + Optional Finance Desk Add-Ons (GAP, Warranty, Maintenance)	+ \$750 (115% Trap) \$0 in 90% & 80% tiers	+ \$ _____
6. = Total Out-the-Door Cash Price (Lines 1 + 2 + 3 + 4 + 5)	\$17,250 (w/ add-ons) \$16,500 (no add-ons)	= \$ _____
7. – Cash Down Payment (Reduces loan balance & LTV)	– \$0 (115% LTV) – \$3,000 (90%) – \$4,500 (80%)	– \$ _____
8. –/+ Net Trade-In Equity (Step 4: Subtract + equity; ADD – equity)	\$0 (Warning: \$2,500 negative equity adds +\$2,500!)	–/+ \$ _____
9. = TOTAL AMOUNT FINANCED (Loan Principal)	\$17,250 (115%) \$13,500 (90%) \$12,000 (80%)	= \$ _____
10. ÷ Lender's Book Value of Car (J.D. Power Value from Step 2)	÷ \$15,000 J.D. Power Book Value	÷ \$ _____
11. = YOUR LOAN-TO-VALUE (LTV %) [(Line 9 ÷ Line 10) × 100]	115% LTV (9.9% APR) 90% LTV (7.4%) 80% LTV (6.4%)	= _____ %

<= 80% LTV: Best Rate Tier
Lowest APR discounts & instant equity cushion

81%–90% LTV: Strong Tier
Qualifies for many credit union LTV rate discounts

91%–100% LTV: Standard Tier
Base APR; little buffer against depreciation

> 100% LTV: High-Risk Zone
Higher APR markup + upside-down (negative equity)

STEP 4: Trade-In Wholesale Value & Negative Equity Check

A. Wholesale / Trade-In Appraisal Value (Look up on J.D. Power, KBB & Edmunds; dealers pay wholesale, not retail)	\$ _____
B. – Current Loan Payoff Balance (Call your current lender for a 10-day payoff quote)	– \$ _____
C. = Net Trade-In Equity (A minus B) [] Positive Equity (Reduces new loan) [] Negative Equity Warning!	= \$ _____

Negative Equity Rollover Warning: If you owe \$8,000 on a trade-in worth \$5,500 wholesale, you have **-\$2,500 in negative equity**. When a dealer promises to "pay off your old loan," rolling that \$2,500 into your new loan adds \$2,500 to Line 9 above—spiking your LTV, raising your APR, and charging you interest on a car you no longer own. Always negotiate the purchase price and trade-in value separately!

STEP 5: Dealership Finance Office Red-Flag Checklist

- [] **Never negotiate by monthly payment:** A lower monthly payment often hides a 72- or 84-month loan term, a marked-up APR, or rolled-in fees.
- [] **Keep the 3 numbers separate:** Agree on (1) the vehicle's out-the-door price first, (2) your trade-in wholesale value second, and (3) financing last.
- [] **Watch out for credit "shotgunning" & dealer rate markups:** Dealerships often send your credit package to 8–10+ lenders and may add 1%–2%+ (dealer reserve) on top of the bank's buy rate. Make the dealer beat your pre-approved credit union APR without adding fees.
- [] **Inspect the itemized buyer's order line by line:** Check for unrequested add-ons (VIN etching, nitrogen tires, paint/fabric protection, maintenance plans, or overpriced GAP) before signing on a tablet or paper contract.
- [] **Confirm financing is 100% final before driving off:** Avoid "spot delivery" (yo-yo financing) traps where a dealer calls you back days later claiming the loan fell through and demanding a higher APR or larger down payment.

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