



INSIDER SECRETS ON FINANCING A TRUCK

Buying a truck is the most expensive purchase for your towing business and often will include financing your purchase. In the first of a series of articles, our Provider Discount Partner, Balboa Capital, will discuss things you need to consider when financing your next truck.

Most non-bank finance companies are not required to disclose the Annual Percentage Rate "APR" on your loan. This is not meant to mislead you, but to streamline the paperwork.

Sadly, the less trustworthy lender(s) may actually tell you a rate that is not true, or will use many common "tricks" to hide the true cost you are paying. **Some common "red flag" terms to look out for are:**

- Simple Interest (the **worst** of them all)
- Advance Rentals (or first and last payments in advance)
- Quarterly Payments (especially with Advance Payments)
- Security Deposit
- 10% Buyout (or another %)

Here is an example of how "Simple Interest" is so misleading:

Sample transaction:

Amount Financed= \$100,000

Term= 60 Months (5 years)

Interest Rate = 9.0%

Monthly Payment= \$2,076 (Calculated using a financial calculator)

A sneaky finance representative will prove to you a lower rate using a regular calculator and the following explanation:

Monthly Payment of \$2,076 x 60 Months= \$124,560 Total Amount Paid.

Total Amount Paid of \$124,560 - Amount Financed of \$100,000 = \$24,560 of Interest Paid.

This math is correct so far, but now they get tricky and show you:

\$24,650 of Interest Paid ÷ 5 Years= \$4,930 Interest Paid Per Year.

\$4,930 Interest Paid Per Year ÷ Amount Financed of \$100,000 = 4.93%.

So, you are told the rate is 4.93%- but the "real" rate on your loan is 9%- sneaky, right? As the old adage goes, if it sounds too good to be true, it probably is!

How do you determine the "Real" rate on your loan? You could pay \$149 for the software program. Or, just call or email our Provider Discount Partner, Mark Johnston at Balboa Capital, and he will tell you the "real" interest rate you are paying. All he needs to know is the following:

Purchase Price (with sales tax if applicable)

Down Payment (if any)

Monthly Payment

Term (number of months)

of payments upfront (if any)

\$ amount of security deposit (if any)

% buyout or \$ amount of payment at the end (if any)

He will be happy to tell you the "Real" APR. If it is good, no harm done. If not, he usually can beat it and have an answer for you in less than 2 hours after taking your application during a 5-minute phone call.

Contact:

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