Truck Financing Facts

7 KEY FINANCING FACTORS

Your goal is clear – you want the best financing deal. But without a tool to measure all the costs (both disclosed and hidden costs), you may end up paying more without knowing it.

Most departments can think of 1 factor – *the interest rate* – to measure their borrowing cost so they miss most of the factors. In fact, there are 7 factors and we'll explore all 7 factors here.

What is the real goal that actually saves you money?

The real goal is to measure Borrowing Cost – the total amount of money you have to pay to borrow money.

Borrowing Cost is a comprehensive measurement tool. It helps you measure every little cost – whether disclosed or hidden – so you know your true cost of borrowing the money.

It's much more comprehensive than measuring interest rate alone and here's why…

The problem with interest rates

By measuring interest rate alone, you are examining a fact (the "rate") that can be legally calculated several different ways – sometimes with huge cost differences. An example of this is when you get offered an interest rate, an effective interest rate, and an APR. All will be different based on the same payment.

Also, the rate does not include other costs and fees which are charged. This is a hidden way to pay a higher Borrowing Cost. But the banking rules don't require you to disclose how much fees impact your borrowing rate. This can be substantially change your rate – for example, a 1% fee or $500 processing charge can add as much as ½% to your real interest rate if disclosed.

So, the problems with interest rate analysis alone are numerous and a different measurement – Borrowing Cost – is a much more effective tool that measures all 7 factors that determine exactly how much you pay to borrow money.

Key Fact:

There are 7 factors that determine how much you pay in borrowing costs.

The 7 factors in descending order of money-saving potential.

1. **Amount borrowed.** Borrowing less can often provide the best financial return. Of course, you must balance your savings needs with the benefits of reduced payments. This also includes the fire truck specific offers of prepayment and chassis payments discounts.
2. **Financing Term.** Getting the best financing deal means striking the right balance. Pay off your financing for the shortest term possible to lower Borrowing Costs.
3. **Payment Frequency**. A common financial myth is that paying monthly saves more money than paying quarterly or annually. It's not always true when financing fire trucks.
4. **Payment Timing.** When you make payments is the sneakiest Borrowing Cost factor. This can cost thousands without you knowing it. Time your payments with your revenue in your budget.
5. **Interest rate tricks.** Is your rate locked? For how long? How much can it increase? Low teaser rates can be costly.
6. **Fees & Costs.** These aren't included in the interest rate. They easily add ½% or more in rate.
7. **Interest rate.** It does matter. But a ¼% lower rate will save less than half of the other factors.

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