

Buying your first car in Canada

Purchasing a car may be one of the first big expenses you're likely to have after coming to Canada, as a car can make it easier to get to work and travel from place to place.

You'll find that it is fairly common to own a new or used car in Canada. However, most Canadian drivers need to borrow funds to purchase their vehicle.

To meet the needs of prospective car owners, RBC Royal Bank® offers a full range of convenient, cost-competitive financing solutions. We will help you find one that works for you.

Car financing explained

There are several ways to borrow for a car purchase in Canada. Because it can take a few years to pay off a car loan, there are more cost-effective choices than short-term credit solutions like credit cards.

Here is an overview of more-affordable car financing solutions.

› **Car loan.** Loans are available directly from us. With a car loan, you can borrow up to the full amount of the purchase price and

pay it back over a predetermined term, typically one to five years.

Loan repayments will be on a regular schedule that you choose, but you can pay back some or all of the amount of the loan at any time. With a variable-rate loan, the interest rate moves with market rate. With a fixed-rate loan, the interest is fixed for the full term.

› **Dealer financing.** We have authorized certain car dealers to provide financing in their dealerships. This provides you with the convenience of financing with RBC Royal Bank at the location where you buy your car. This financing can be very convenient, as it is arranged at the time and place the purchase is made. If you are not being offered an RBC® Royal Way loan, you'll want to compare dealer financing costs with those available from us to ensure you're not paying more than you need to.

› **Lease.** With a car lease, you don't own the car. Instead, you pay a monthly fee to a leasing company



for the term of the lease, typically one to five years. At the end of the term, you can return the car to the dealer or buy it at a price that's in your lease agreement.

Leasing is usually only available for new cars and it limits the distance that you're allowed to drive. If you drive more, you'll be charged a penalty. The lease may also set out other obligations regarding maintenance and usage.

› **Royal Buy-Back® Car Loan.** This type of loan provides you with a guaranteed residual/future value for your car at the end of your selected term. While you pay interest on the total loan amount you require, you only make principal payments on the total loan amount, minus the residual value of your car. This way, your monthly payments are lower than with a traditional car loan.

Unlike a lease, there are no early payment penalties, and you actually own the car. At the end of the term you can sell the car and pay off the loan, refinance the remaining balance or return the car.

We're here to help

When you're ready to start looking for the car that's right for you, the first place you should visit is an RBC branch. We can review your cash flow and credit rating and give you an idea of what you might be pre-approved for in a car loan.

Getting you on the road

To learn more about how we can help you buy a car or reach other important goals, just drop by any RBC branch or call the branch most convenient for you and make an appointment. You'll also find helpful information online at www.rbc.com/canada.

Four tips for lowering your car financing costs

- 1. Make as large a down payment as possible.** The less you have to borrow, the lower your interest costs will be.
- 2. Make use of pre-payment options.** Even a small lump-sum payment, or a slight increase to your regular payments, can make a big difference in interest savings over your loan term.
- 3. Consider a variable-rate loan.** The rates on variable-rate loans are slightly lower than on fixed-rate loans. If rates decline, you'll benefit.
- 4. Consider a Royal Buy-Back Car Loan.** Your monthly costs are generally lower with this residual value loan than with a regular car loan.

Important banking terms

Here is an explanation of the terms you're most likely to encounter when you need financing to purchase a car.

Dealer financing. Car loans or leasing offered directly by the car dealer, either through the car company itself or a third-party financing company.

Down payment. The amount of your own money that you use to buy your car — with the rest of the purchase price being financed.

Fixed rate. A loan whose interest rate is the same for the term of the loan.

Lease. An agreement under which a person pays a monthly amount for the right to use a specific asset, such as a car, for a specified length of time.

Residual value. The value of the car at the end of the loan or lease term.

Trade-in. A car you own that can be sold to the car dealer when buying a new car. The trade-in reduces the price of the new car.

Variable rate. A loan whose interest rate moves up or down with changes in market interest rates.

How RBC Royal Bank can help

For more information about how we can help newcomers to Canada, please visit our Website: www.rbc.com/canada.

We have created publications specifically for newcomers to Canada on the following topics.

- › Bank accounts
- › Credit
- › Buying a car
- › Buying a home
- › General insurance
- › Creditor insurance
- › Registered Retirement Savings Accounts
- › Registered Education SavingsAccounts
- › Investing

These publications also exist in the following languages:

English	Tamil
French	Tagalog
Chinese (traditional & simplified)	Farsi
Punjabi	Korean
Hindi	Romanian
Urdu	Spanish
	Russian

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