

PURCHASING A CAR

Latino Community Credit Union & Latino
Community Development Center



www.latinoccu.org

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Environment

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ASKING FOR A LOAN



DISCUSSION TOPIC

Who has applied for a loan? Where? What was the experience like?
Why did you apply for a loan?

When asking for a loan you will have to fill out an application. The financial institution will ask you some questions to learn if you will be able to pay back the loan or make the payments on your credit cards regularly.

When you ask for a loan you will have to fill out an application.



The financial institution will look for the following:

Good credit history

Length of time at current job

Length of time at current address

How much do you earn? You will have to show recent paystubs

¿Do you have many expenses or too much debt?

Some companies will look up **your credit score**. If you do not have credit history, some companies will check to see if you pay your bills on time (rent or utilities.) This is called “**alternative**” credit.



EXAMPLE

Using the points mentioned above, write down your goal and see if it is a short, medium or long term goal.

MY GOAL IS

CONSUMER LOANS

Before asking for a loan it is important to know what you will do with the money you will be getting. There are too many options in the market, that offer different kinds of terms, interest, and collateral options. Below we will talk about the most common types of consumer loans.

PERSONAL LOAN: You will receive a predetermined amount of money that will decrease as you make payments and will remain active until you have paid it off. This loan is the best to cover unexpected emergencies. You will not be asked for collateral.

PERSONAL LOAN WITH COLLATERAL: This is a loan with some form of collateral, usually a car title, offered as warranty. In the event that the terms of the loan are not met you might lose your collateral and the lender would have the right to sell it to recover some of the funds owed.

SECURED LOAN: Also known as credit builder, this loan can be used to establish or fix your credit. The loan is for the same amount of money that you will deposit as guarantee. Each month, you will make a payment until the balance is paid. When you are done, your funds will again be available to you.

CREDIT CARD: A very convenient type of loan that allows you to purchase items now and pay for them later. The limit assigned is based on your credit history. If you do not pay the balance off at the end of the month you will have to pay interest on the purchases made. There is a monthly minimum payment that has to be made in order to keep the account in good standing.

SECURED CREDIT CARD: A credit card that can also be used to make purchases. The limit assigned is based on the amount you deposited as guarantee in your account. Each month you may pay off the balance or make smaller payments until the total is paid.

BEWARE OF BAD LOANS



DISCUSSION TOPIC

Has anyone heard about payday lenders or car title loans? Has anyone used them?

There are some companies that offer loans that you should not trust. They will charge you very high interest rates and extra fees. Sometimes, they will promise easy money and will not check your payment history or credit report. These loans are hard to pay off and the company might seize, or take, things such as your car or your home.



PAYDAY LOANS: A small, short-term loan designed to cover your expenses until you receive your wages. The companies that grant these loans will claim that it is a quick and easy way to get cash. But in reality, these loans are very expensive and very hard to get rid of. Most people end up paying much more than what they borrowed originally.



PAWNING: A loan that is given in exchange for something of value, such as jewelry or a TV, that will be used as collateral. If the loan is paid, you will get your item back; if not, the pawnshop will sell it. These loans have very high interest rates and fees to keep the item pawned.



CAR TITLE LOANS: A loan given in exchange for a car title, which is used as collateral. The fees are very high, making the loan very difficult to pay off. If you cannot pay the loan in full, you may lose your car.

Remember! Ask for loans only from companies and financial institutions that you trust, and only ask for the money that you need.



EXAMPLE

Watch the video: “The used car” from *Reymundo’s World*. Discuss: what mistakes did Reymundo make?

Buying a car is an important decision. Before doing so it is best to be informed and think about the following:

WHICH CAR IS RIGHT FOR ME?

How will I use the car?	Do you need lots of seats for a large family? Do you need extra cargo space for work equipment? Do you need a small car to drive and park in the city?
What is the safety record of the car?	Will it protect you and your family in an accident?
Is the car reliable?	If not, you might save money when you buy the car, but spend more money later for repairs. Check www.consumerreports.org for safety and reliability reports.
How much am I willing to pay for gas?	Do you prefer a car with high gas mileage to save money in gas each month?
What extras do I really need in my car?	Example: Sun roof or tinted windows? Think carefully since each of these extra features costs more money.

MILES PER GALLON (MPG)



Miles per gallon is the number of miles that a car can travel for each gallon of gas consumed. Usually you will find this information as CITY MPG (miles per gallon in the city) and HIGHWAY MPG (miles per gallon in the highway). Cars tend to consume more gasoline in the city because the driver stops and starts more frequently.



To save on gas, choose a car that has the best gas mileage. It is substantially different to drive a car that can only travel 15 miles per gallon than one that can travel 40 miles per gallon. Additionally, if the price of gasoline increases, this can seriously affect the amount of money you spend on gas each month.

How much gas does my current car use?

HOW MUCH CAN I AFFORD?



DISCUSSION TOPIC:

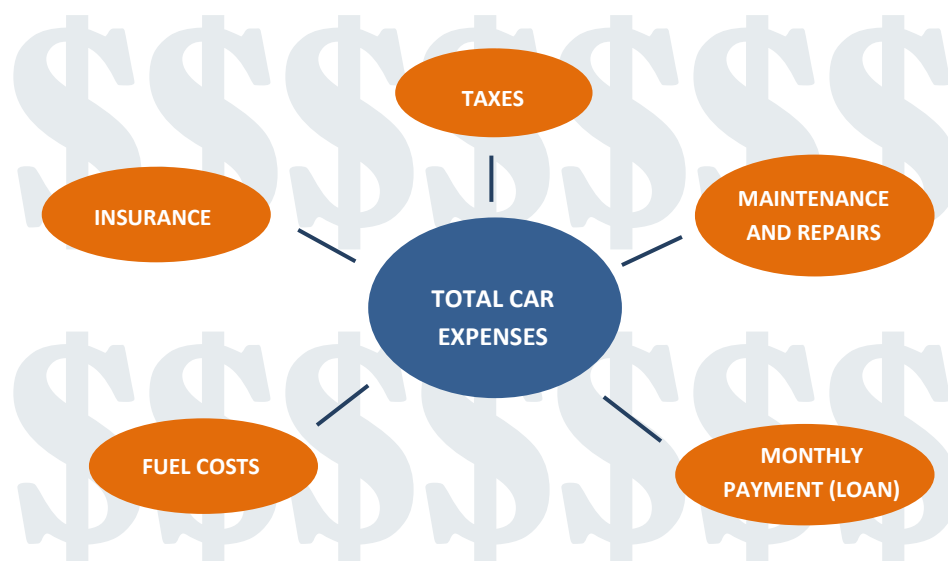
Who is a car owner? What was your experience like when you bought it?

Your **monthly payment** will depend on:

- the type of car you purchase (new or used)
- the amount of the loan
- how much you put towards the down payment
- the interest rate
- fees or charges for obtaining the loan
- the amount of time you have to pay the loan

It is a good idea to get **prequalified** before going to a dealership. In the prequalification process, your financial institution will tell you how much you can afford to pay for your car as well as the interest rate you will be charged.

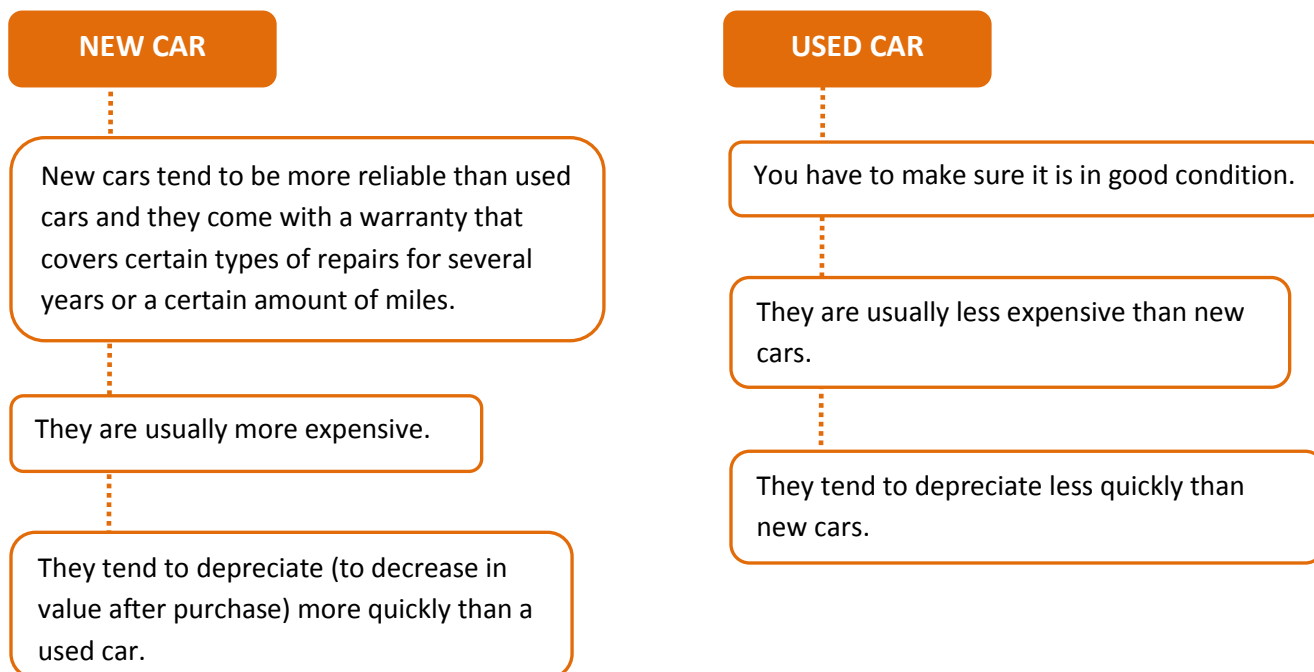
When you are thinking about how much you can afford, remember to consider insurance, maintenance and fuel costs, which can vary by car.



Experts recommend that you spend **no more than 20% of your monthly take home pay** (after taxes) on your monthly car payment.

NEW CAR OR USED CAR?

When deciding which car to buy, keep the following in mind:



TIPS FOR BUYING A CAR

NEGOTIATING

Learning to negotiate a price and an interest rate for your new car is an important skill. Check out our tips below:

- 1. Do not discuss your finances** (how much you are willing to pay per month or how much you have saved for a down payment) until after negotiating the price of the car! The dealer will work harder to get you the best price possible!
- 2. Take your time.** Remember that there is always another car. Search around at different dealerships.
- 3. Try to avoid showing your excitement** about a car. Be calm and confident.
- 4. Make your first offer low** but in the ballpark of the price you would want to pay.



DISCUSSION TOPIC

Where can I find reliable information about the best cars on the market?

Every year, the Consumer Reports magazine publishes a report about the best cars in different categories such as station wagons, economy, SUV, fuel efficient, sports, etc. Vehicles are tested for road performance, reliability and safety. The best cars in each category are selected.



<http://www.consumerreports.org/cro/cars/index.htm>

BUYING A NEW CAR

Here are some tips for buying a new car:

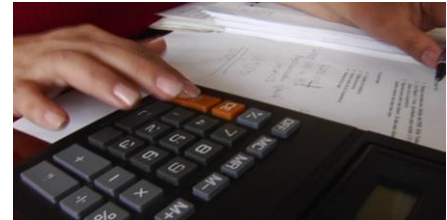
- **Visit various dealers** to find one that has the car you want and where you feel most comfortable. Find out about the dealer selling the car. Do you know anyone who bought a car there? Did they have a good experience?
- **You can find the best deals on a new car at the end of the month or year**, when dealerships are trying to meet their sales goals. Towards the end of the year, especially August through September, is a good time to shop since dealerships are trying to sell the current models to make room for the next year's models.
- **If you're looking for a new car, compare the MSRP** (Manufacturer Suggested Retail Price) and the price the dealer paid for that car is called the invoice price. You should either ask or investigate yourself to find out the invoice price. How much is the difference between these two prices? This gives you an idea of how much you can negotiate the price. You can also check the National Automobile Dealers Association (NADA) www.nadaguides.com to find out the average price buyers are paying for a certain type of car in your area.
- **Find out if the car has a warranty.** For example, some new cars have warranties that cover basic repairs for 60 months or 60,000 miles.
- **Go for a test drive** to determine if you have found the car you really want.



0% INTEREST OR DISCOUNT?

Often, new car dealers will give you the option to choose between a discount or a 0% interest deal. Look at your options carefully before deciding.

For example, if you buy a car for \$16,000 and finance it for 48 months at a 6% interest, the dealer might give you the option of a 0% interest or a \$2,500 discount. How do you know which option is best for you?



6% interest equals \$2,036.

- If you decide to pay 6% interest and get the \$2,500, you will get $\$2,500 - \$2,036 = \$464$
- If you decide not to pay interest, you will not get anything

Every case is different, do the numbers and decide what is best for you.

In this example, you save more with the discount option.

LEASING A CAR

When you lease a car, you pay part of the cost of the car, so you can use the car over a certain period of time. When the lease ends, you have the option of returning the car, or buying it for its **residual** value. A lower residual value means higher monthly payments. People who want to have a new car every few years might want to lease.

The residual value is how much your car is estimated to be worth when your lease ends.

The negative aspects of leasing a car are below:



- **You do not own the car.**
- **If you drive more** than a certain number of miles (such as 12,000 miles in one year), you are charged extra fees per mile.
- **Insuring a leased car** could be more expensive than one that you own.
- **Although the monthly payments tend to be lower,** you are continuously making payments if you always lease.

BUYING A USED CAR

Here are some tips for buying a used car:

- **Find out about past maintenance of the car.** Ask for all records of the car.
- **Take the car to an expert** you trust to find any problems before you buy it.
- **Look for any information about the car's history** on websites such as Carfax, www.carfax.com and www.vehiclehistory.gov using the Vehicle Identification Number (VIN). The dealer may charge you a minimal fee for this information. The report often includes the registration and car title information, mileage (odometer) readings, history of fraud, accidents, frame/structural damage, service/repair information, how the vehicle was used (taxi, rental, lease, etc.), and recall information.

CARFAX Ownership History The number of owners is estimated Year purchased: 2003 Type of owner: Personal Estimated length of ownership: 7 yrs. 5 mo. Owned in the following states/provinces: North Carolina Estimated miles driven per year: 17,161/yr Last reported odometer reading: 117,380	CARFAX CARFAX® Vehicle History Report™ An independent company established in 1986 Vehicle Information: 2004 VOLVO XC90 VIN: YV [REDACTED] 4 DR. WAGON/SPORT UTILITY 2.5L L5 PFI FRONT WHEEL DRIVE Standard Equipment Safety Options No accident / damage reported to CARFAX CARFAX 1-Owner vehicle 21 Service records available Personal vehicle 117,380 Last reported odometer reading
CARFAX Title History CARFAX guarantees the information in this section Salvage Junk Rebuilt Fire Flood Hail Lemon Not Actual Mileage Exceeds Mechanical Limits	Owner 1 Guaranteed No Problem Guaranteed No Problem
CARFAX Additional History Not all accidents / issues are reported to CARFAX Total Loss No total loss reported to CARFAX. Structural / Frame Damage No structural / frame damage reported to CARFAX. Airbag Deployment No airbag deployment reported to CARFAX. Odometer Rollback No indication of an odometer rollback. Accident / Damage No accidents or damage reported to CARFAX. Manufacturer Recall No recalls still require repair.	Owner 1 No Issues Reported No Issues Reported No Issues Reported No Issues Indicated No Issues Reported No Recalls Reported



EXAMPLE

Using the VIN of your car or of the vehicle you wish to purchase, pull up the CARFAX report. Highlight the important sections and the most relevant information.

- **Find out if the car has a warranty.** Unfortunately, many used cars have limited or no warranties and are sold “as is” (you will be required to sign an “as is” agreement).
- **Ask about used cars at rental agencies** or at the dealers that are for sale. Sometimes these cars are almost new but are much less expensive.
- **Ask about certified pre-owned vehicles.** These vehicles are inspected and have a warranty.
- **Be wary of buying a used car at an auction.** While they are cheaper, they are often not in good condition and you may not have a chance to inspect the car.
- **Go for a test drive.** Pay careful attention to how the car feels when you drive. Look for signs of prior damage, check engine lights, and listen/feel for issues with the brakes or suspension.
- **Negotiate the price.** Use the National Automobile Dealers Association (NADA) online guide at www.nadaguides.com to find out the average price buyers are paying for a certain type of car in your area.
- **Ask to see the title** before you sign any documents to purchase the car.



EXAMPLE

Using the VIN of your car or of the vehicle you wish to purchase, pull up NADA price, and find the most relevant information.

TRADE-IN

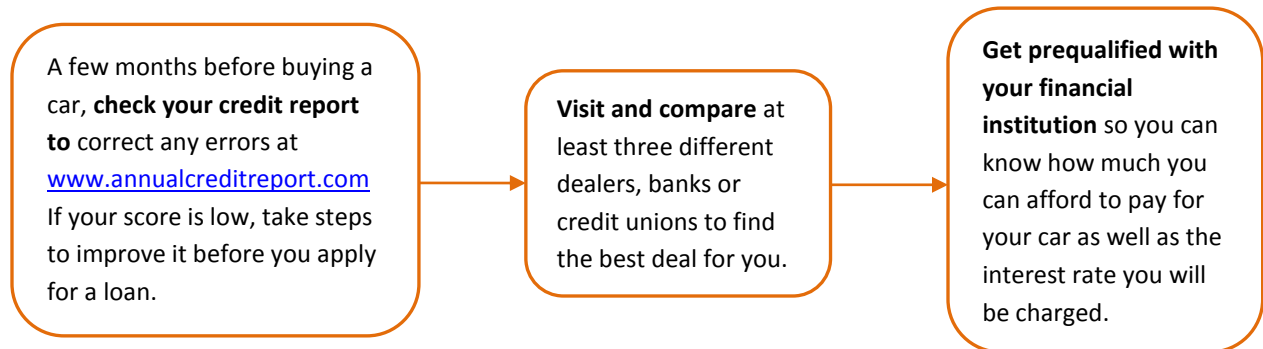
Before you trade-in your current car for another one, make sure you know what your car is worth. You can use the National Automobile Dealers Association (NADA) webpage www.nada.com to determine the price that is fair to charge a buyer. Selling the car yourself can take more time, but you can often get a better price. If you decide to trade-in your car at the dealership, visit several dealers to search for the best price and negotiate the best possible price for your new car before agreeing on a trade in price for your old car.

If you are still paying off a loan on the car you want to trade-in, the car may be worth less than the amount you owe on your loan. This difference will likely be added to the total amount of your new loan. It is best to wait to buy a car until you have paid off your current car loan.

YOUR CAR LOAN

A car loan is the money a financial institution gives you, using the car you are buying as collateral. The financial institution keeps the title of the car until the loan is paid off in its entirety.

BEFORE YOU APPLY FOR A LOAN...



YOUR MONTHLY PAYMENT WILL DEPEND ON:

- The type of car you buy (new or used)
- Loan amount (Price of the car + extras + taxes)
- Down payment
- Interest rate
- Fees or charges for obtaining the loan
- Time you have to pay off the loan and number of payments you make

YOUR INTEREST RATE WILL VARY DEPENDING ON:

- Your credit history
- The institution handling the loan
- The total purchase price of your car

If you get a loan to buy your car, you will have to get **full coverage insurance** at least during the term of the loan.

GAP INSURANCE

The **Guaranteed Auto Protection (GAP)** insurance is an additional protection you can purchase when financing your car. This insurance covers the difference between what you actually owe on your car loan and the value of your car, in case it is stolen or suffers a total loss.

If your car is stolen or suffers a total loss (damaged to the point that repair would cost more than the car is worth), your insurance company would most likely only reimburse you the market value of the car.

GAP insurance is recommended if you pay your loan over a long period of time and/or make little or no down-payment on your car loan (i.e., if your car loan is more than 90% of the value of the car), or have a car that quickly depreciates in value. Especially if you buy a new car since they significantly decrease in value (as much as 20-30%) as soon as you drive the car off the lot.

GAP insurance is recommended if you will owe more on your car loan than your car is worth for a certain period of time.

EXTENDED WARRANTY

Extended warranties are service agreements for new or used cars (after the manufacturer's warranty has expired). In most cases, these warranties are expensive and not very convenient. Before making a decision, be sure to understand the details of the warranty including:

REPAIRS

In many cases, these warranties do not cover damage to the transmission or the engine or normal wear and tear. That is, they would not pay for the most expensive repairs.

PRICE

When deciding if the warranty is reasonably priced, take into account the make, model and age of the car. In general, warranties for imported cars are more expensive.

WHO SELLS IT?

Certain dealers might sell very expensive warranties that actually do not cover much.

Sometimes, it is best to forgo the warranty and set aside some money in a savings account for car repairs and maintenance.

REFINANCING



DISCUSSION TOPIC:

Does anyone think that they are paying too much for their car? If you have a car loan, do you know what your interest rate is?

When you refinance, you replace your original loan with a new loan that has a lower interest rate. In some cases, refinancing can save you money in the long run. Some people stay with the same lender while others look for a loan with a different financial institution.



Lupe has an \$8,000 car loan and pays 29% in annual interest. She has 3 years (36 months) to pay the loan back.

Lupe can refinance the loan with a bank or credit union and pay less in interest. The bank or credit union will pay her original loan. She will then only have to pay the new loan.

CURRENT LOAN		NEW LOAN
Amount: \$8,000		Amount: \$8,000
Interest: 29%		Interest: 11.75%
Term: 3 years (36 months)		Term: 3 years (36 months)
Monthly payment: \$336		Monthly payment: \$265
Lupe will pay \$12,061.46 at the end of the loan, including \$4,061.46 in interest.		Lupe will pay \$9,531.85 for her car, including \$1,531.85 in interest.

UNDERSTANDING KEY DOCUMENTS

The main documents you will need to sign are:



1. **BILL OF SALE** from the dealer
2. **CONTRACT OR PROMISSORY NOTE** from the financial institution
3. **WARRANTY** for the car, if applicable

Before closing your loan, the lender is required by law to provide you with the information in a **Truth in Lending Disclosure Statement**. This statement includes the following:

- The total amount you are borrowing
- The annual percentage rate (interest rate)
- Finance charges (the total amount borrowing will cost you)
- Payment amount and number of payments and when they are due
- Any penalties, like a late-payment or a pre-payment penalty



If possible, **ask a trusted person** to help you review these documents before signing.

1. BILL OF SALE

When you buy a used car, the car dealership will ask you to sign a bill of sale, a legal document. Review it very carefully to ensure all of the information is correct in order to avoid problems with the title transfer. Also verify costs to delete overpriced add-ons, or extras, that you do not want, such as extended warranties, fabric protection, or rust proofing. The Bill of Sale should include the following information:

2. Car description:

Make, model, year, Vehicle Identification Number (VIN), and the number of miles on the car. Extras you are paying for (i.e. special floor mats, radio package, leather seats, etc.).

3. Trade-in:

Information about your trade-in (if applicable)

4. Contact information of the seller.

7. Other information that could be included in the bill of sale:

- Details about vehicle inspection (if applicable).
- Extended warranty – many of these are unnecessary and expensive.
- Agreement to take the vehicle “as is”.

1. Contact information of the seller.

Juan Antonio Pérez
Purchaser/Buyer #1

Purchaser/Buyer #2
100 Street St.
Durham, NC 27700
City State Zip
(919) 999-99-99 Home Phone Work Phone

VEHICLE PURCHASE
☐ New ☒ Used

Make TOYOTA	Body Type 2D REGULAR CAB	Model TUNDRA
Vehicle ID Number 1LL1V222333334	Year 2002	Mileage 58,990
Stock Number 7777777888	Color GOLD	

Unless otherwise indicated, the odometer mileage listed on the Odometer Disclosure Statement on the reverse side of the title (or in a separate Odometer Disclosure Statement) to the vehicle transferred to Purchaser hereunder is based on the best knowledge and belief of DEALER, and Purchaser agrees that DEALER shall have no liability to Purchaser under this agreement or otherwise if the odometer is determined to be inaccurate for reasons beyond the control of, and without the actual knowledge of DEALER.

NO LIABILITY INSURANCE INCLUDED
Purchaser's Insurance Company: GMAC INSURANCE
GMAC
Agent's Name
Address City

TRADE-IN INFORMATION (Vehicle sold to CarMax)

Make	Body Type	Model
Vehicle ID Number	Year	Mileage

Make	Body Type	Model
Vehicle ID Number	Year	Mileage

DEALER Dealer Address: 100 Dealer Ave.
Raleigh, NC 28000

5. Processing fee

BILL OF SALE

1) Base Price of Vehicle	1) \$ 12,899.00
2) Accessories (see Accessories Addendum attached hereto and made a part hereof)	2) \$ 0.00
3) Extended Service Agreement	3) \$ 0.00
4) Optional GAP Waiver Agreement	4) \$ 0
5) Total Vehicle Balance	5) \$ 12,899.00
6) Total "Trade-in" Value Cash Delivered to Purchaser \$ 0.00 Total Amount not Applied to Purchase \$ 0.00 Applied Equity from "Trade-in"	6) \$ 0.00
7) Total Balance Due(5-6)	7) \$ 12,899.00
8) Other Charges: Title Fee \$ 40.00 Registration Fees \$ 48.50 Sales Tax \$ 386.97 N/A \$ N/A N/A \$ N/A N/A \$ N/A DEALER PROCESSING FEE \$ 149.00	8) \$ 624.47
9) Discharge of Lien TO:	9) \$ 0.00
10) Total Selling Price (7+8+9)	10) \$ 13,523.47
11) Downpayment	11) \$ 1,000.00
12) Incentives and Rebates N/A \$ N/A N/A \$ N/A	12) \$ 0.00
13) BALANCE DUE AT SETTLEMENT (10-11-12)	13) \$ 12,523.47

☐ Cash Sale ☒ Financed ☐ Lease
If applicable, Finance Company Name:

6. Total price of the vehicle and the MSRP (Manufacturer Suggested Retail Price) for new cars.

Watch out for "Mandatory arbitration" language, which will not allow you to make a valid complaint through a court of law with the car dealer.

2. CONTRACT (PROMISSORY NOTE)

The dealer or financial institution that gives you the loan will ask you to sign a contract (or promissory note). Pay particular attention to:

Finance Charges (the total amount borrowing will cost you).

Amount you are financing (or borrowing)

Interest Rate (or Annual Percentage Rate)

Payment amount and number of payments

Any penalties – such as late payments or pre-payment penalties.

Your vehicle as loan collateral.

TRUTH IN LENDING DISCLOSURES			
ANNUAL PERCENTAGE RATE The cost of my credit as a yearly rate. 8.25 %	FINANCE CHARGE The dollar amount the credit will cost me. \$ 2,902.04	AMOUNT FINANCED The amount of credit provided to me or on my behalf. \$ 16,044.31	TOTAL OF PAYMENTS The amount I will have paid after I have made all payments as scheduled. \$ 18,946.35
PAYMENT SCHEDULE My payment schedule will be 48 installments as follows: Months Skipped			
NUMBER OF PAYMENTS	AMOUNT OF PAYMENTS	WHEN PAYMENTS ARE DUE	
47	\$395.00	<input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Semi-Monthly <input type="checkbox"/> On <input type="checkbox"/> Bi-Weekly <input type="checkbox"/> Weekly commencing 8/30/2011	
1	\$381.35	Final Payment Due 07/30/2015	
SECURITY: I am giving a security interest in: <input type="checkbox"/> The goods or property being purchased <input type="checkbox"/> Real Property located at <input type="checkbox"/> Other Collateral (describe): <input checked="" type="checkbox"/> my shares and/or deposits in this Credit Union <input checked="" type="checkbox"/> A Motor Vehicle <input type="checkbox"/> Account No., _____			
The collateral will secure this loan as well as all other debts that I owe you now and in the future, except any note which is itself secured by my residential real estate. Collateral securing other loans with you will secure this loan.			
<input checked="" type="checkbox"/> Required Deposit: If this box is checked, the annual percentage rate does not take into account my required deposit.			
If my home secures this loan, someone buying my home cannot assume the remainder of the mortgage on the original terms.			
Property Insurance: I will obtain property insurance for the loss or destruction of the security for this loan payable to you from any insurer of my choice that is acceptable to you.			
Late Charge: If a payment is late, I will be charged 4% of my installment payment or \$6.00, whichever is less.			
Prepayment: If I pay off early: (a) I will not have to pay a penalty (b) I will not be entitled to a refund of part of the finance charge.			
ADDITIONAL INFORMATION: I must see my contract documents for any additional information about nonpayment, default, and any required repayment in full before the scheduled date and prepayment refunds and penalties.			
e means an estimate You are not required to complete this agreement merely because you have received these disclosures or signed a loan application.			

ITEMIZATION OF THE AMOUNT FINANCED			
Itemization of Amount Financed of \$ 16,044.31	Amount Given to Me Directly \$ 15,909.31	Amount Paid on My Account \$ 0.00	Prepaid Finance Charge \$
Amounts Paid to Others on My Behalf IF AN ITEM IS MARKED WITH AN ASTERISK (*), THE CREDIT UNION WILL RETAIN A PORTION OF THAT AMOUNT.			
\$ to Public	\$ to Credit Reporting Agencies	\$ 135.00 to LCCU	\$ to
\$ to	\$ to	\$ to	\$ to
SECURITY DESCRIPTION			
THIS NOTE IS SECURED BY A GENERAL PLEDGE OF SHARES (SEE BELOW) AND A SECURITY INTEREST IN THE FOLLOWING DESCRIBED			
<input checked="" type="checkbox"/> Motor Vehicles	MAKE FORD TRUCK	MODEL F350 Super Duty-V8	YEAR 2004
			I.D. NO. 1FTWW33P44EC53057
<input checked="" type="checkbox"/> Shares Pledged			
A Security Interest (as a pledge) in my share accounts and for other deposit account(s) \$			
<input type="checkbox"/> Other (Description) - Including serial number or other appropriate identification			
<input type="checkbox"/> DEED OF TRUST: If checked here, I acknowledge that I have given you a Deed of Trust dated today, which is a lien on the property located at the following address:			

to protect you from any loss which might result if I do not keep my promise to pay this Note. The Deed of Trust is an agreement which I must keep; and if I do not, it can cause this Note to be called in default. It also describes the conditions which may cause me to have to pay the full amount owed under this Note earlier than the payment schedule set forth in this Note.

FINANCE CHARGES: I promise to pay Finance Charges on the outstanding balance of the amounts loaned to me by you under this Agreement. The Finance Charge will accrue daily on the outstanding balance due under this Agreement plus prepaid Finance Charges as disclosed in the Itemization of the Amount Financed section above. The Finance Charge disclosed payment early, you will earn less interest. The amount of any increases or decreases will be reflected in the last payment. If optional credit life and disability insurance are elected below, the Credit Union will charge Finance Charges at the Contract Rate on the amounts of the insurance premium advanced each month and added to the outstanding principal balance. Any sums due, even after the date of the last payment, will earn interest at the rate of interest set out above even after a default or even after you have obtained a judgment against me.

3. WARRANTY

If the car has a warranty or if you purchase a warranty, be sure that you get information in writing about the specifics. Ask about everything that is covered.

HOW TO HANDLE AN ACCIDENT

- 1. Call the police immediately**, even if it is a smaller accident. Do not leave the scene of the accident until the police arrive. Ask for a copy of the police report and note the officer's name and badge number.
- 2. If someone is injured, call 911.**
- 3. If possible, do not move the cars.** Only move the cars if they're not in a safe place.
- 4. Speak with your insurance company** immediately.
- 5. Write down the information of the other drivers:** name, addresses, phone numbers, insurance company, policy numbers, license plate numbers, and driver's license numbers. Take notes about the accident and the damages to the vehicles involved. If you have a camera, it is useful to take some photos.
- 6. Describe the circumstances of the accident honestly** and in as much detail as possible.

Remember! Don't sign any documents unless they come from the police or an insurance agent.

The police and insurance company may conduct an investigation to determine who is at fault for the accident. If you are at fault, your insurance company will likely have to pay for the damages, although this might change from state to state. Some states have a "no-fault" insurance policy, which means each driver pays for the damages, regardless of whose fault it was.



LEMON LAW: This law protects those who buy a "lemon" car, a car that has many problems. For the most part, this law is for new cars, but can apply to used cars in certain cases. The problems with the car must seriously impact the car's safety. You must also try to fix the defects a certain number of times before the law will protect you (specifics of the law vary from state to state).

TIPS AND ADVICE

Be informed before you buy your car! There are different types of schemes to look out for when you finance your car with your car dealer.

Schemes to watch	What does it mean?	What to do?
DEALER KICKBACKS	The car dealer is often not able to provide the best deal for you since some of them receive “kickbacks,” or incentives from certain lenders or they might increase the interest rate to get more money.	Go to your financial institution to get prequalified for a loan before you go to the dealer to find your car. Carefully compare the offer from your credit union or bank to the dealer to find the best one for you.
AVOID ADD-ONS	Dealers increase the overall price of the car loan through <i>overpriced add-on products</i> . These products are usually sold as a package and include vehicle service contracts, rust proofing, and theft prevention packages, all of which are often expensive and unnecessary.	Be sure you read your Bill of Sale carefully to understand exactly what has been included in the price of your car.
“YO-YO” SALES	The buyer is given a conditional sale agreement rather than a final sale. After the buyer drives the car home, the dealer says they cannot fund the loan at the price in the agreement. The buyer has to return the car and renegotiate, which most often results in a more expensive loan. The buyer is left with few options because their down payment is non-refundable and/or their trade-in has already been sold.	Be sure that any contracts you sign are final. Avoid contracts with words like “conditional,” or “subject to” final approval. Also, beware of 0% rate loans. Usually your interest will go up and you will end up paying more for the car.
BUY HERE. PAY HERE.	Buy Here Pay Here dealerships finance used auto loans to borrowers with no or poor credit histories. The average interest rate is much higher than a bank or credit union loan. Dealers usually require a large percentage of the car’s actual value for a down payment and include unnecessary fees in the loan so they make more money up front.	Go to your financial institution to get prequalified for a loan before you go to the car dealer.
NO OPTION FOR COURT	Look for “Mandatory arbitration” sentences on your invoice. This means you lose your right to sue in court, even if you have a valid complaint. Instead, you would have to solve complaints through an outside party—which is more likely to benefit the car dealer.	
DAMAGED CAR FRAUD	Avoid car auctions that often sell highly damaged or “totaled” cars. These cars often have unfixed damage making them unsafe to drive.	Get the car inspected by an expert, trusted mechanic and body shop before you buy it. You can also check with www.vehiclehistory.gov to see if the car was “totaled,” stolen, or if the mileage was rolled back.

Source: Center for Responsible Lending

TIPS TO BUY YOUR DREAM CAR

In order to use what you have learned, we give you some examples to get you started today.

On the left column check at least three of the boxes next to the steps you need to take to reach your desired goal and what is your deadline to do so.

Possible goals	Deadline
<input type="checkbox"/> Check your credit report.	
<input type="checkbox"/> If you have bad credit, take the necessary steps to improve it and be able to get a better loan when you are ready to buy your new car.	
<input type="checkbox"/> Get information about loans from different institutions.	
<input type="checkbox"/> Get a prequalification from your financial institution to know how much they could lend you.	
<input type="checkbox"/> Think about the car you need and talk it over with your family.	
<input type="checkbox"/> Visit different dealerships.	
<input type="checkbox"/> Check the NADA guide to learn more about pricing.	
If you already have a car loan:	
<input type="checkbox"/> Review your contract and its terms and conditions.	
<input type="checkbox"/> What interest are you paying?	
<input type="checkbox"/> If you believe the interest you are paying is too high, check with several financial institutions, to learn if you could refinance your loan at a better rate.	
If you have paid your car off:	
<input type="checkbox"/> How much do you spend each month on gas?	
<input type="checkbox"/> Do you think you are spending too much?	
<input type="checkbox"/> May be the time has come to buy a new car that will use less gas	
<input type="checkbox"/> Check the NADA guide to see how much your car is worth and if it may be possible to trade it in for a new one.	

