

Financing Your Next Car: How to Avoid Scams



Know what to look for

When you are exploring financing options for the purchase of a car, be sure you understand the entire contract. Here's what to look for:

- Length of the loan: Make sure you know how long you'll have to make payments, i.e., 60 months or X years.
- Monthly payment amount: Be clear on the amount you will have to pay each month.
- Down payment amount: Typically, the more money you pay up front, the less interest you will have to pay on the loan.
- APR: This is the cost of credit expressed as a yearly interest rate. The lower the percentage, the less you will pay. Shop around for lenders offering the lowest rate.
- Fixed-rate or variable-rate financing: With fixed-rate financing, the rate does not change. With variable-rate financing, your rate (and your monthly payments) will change over time. If your lender suggests variable-rate financing, make sure you understand when and how the rate will change.

Know what you're paying for

- Make sure you understand and want the things you're paying for.
- But be careful—not all Finance & Insurance products are useful.

Know the signs of predatory lending

Here are a tips to help you avoid predatory lending:

- The lender has left blank lines on contracts.
- The lender ignores your questions.
- The lender rushes or pressures you into signing the contract.

Things to Remember

- Don't sign a contract unless all of the spaces are filled in.
- Take your time in reading the contract. Seek additional counsel if you have trouble understand-

ing the documents.

- Never drive a car home until all financing is arranged and all documents are signed.
- If your dealer says that the lender requires certain fees or add-ons, you can contact the lender yourself to double check.

Don't sign until you're satisfied

You probably negotiated over the price of the car—so you don't have to take the first financing offer either.

- Dealers may charge you additional markup, so contact other lenders yourself to see what rates you qualify for.
- If your dealer isn't giving you the best deal, don't be afraid to shop around for better deals.

* "Private retailers borrow tricks from public groups to lift F&I profit." Automotive News 84, no. 6410: 17.

Resources:

- The Federal Reserve Board keys to vehicle leasing:
www.federalreserve.gov/pubs/leasing
- The Federal Trade Commission:
www.ftc.gov/bcp/menus/consumer/autos/buy.shtm
1-877-FTC-HELP (1-877-382-4357)
- The Better Business Bureau:
www.bbb.org
1-703-276-0100
- The American Financial Services Association Education Foundation:
www.afaef.org/publication.cfm?id=43
1-888-400-7577



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