

Getting a Car Loan



If you're getting a car loan, shop around to get the best deal. And learn how to avoid dealer financing scams.

How do I get a car loan?

You can apply for a car loan from a lender, like a bank or a credit union. Contact a few lenders and ask:

- ▶ What is the annual percentage rate, or APR (the interest rate plus other lender fees)?
- ▶ How much will my monthly payment be?
- ▶ How many payments will I have to make?
- ▶ What is the total amount I will pay for the car?

Ask the lender to pre-approve your loan. That will tell you how much money you can borrow to buy a car. Check your budget to see how much you can afford to borrow.

What should I know about dealer financing?

Many car dealers also offer financing. Compare the cost of the dealer financing with a loan from a credit union or bank. Then decide what the best deal is for you.

A dishonest dealer might try to trick you into paying more to finance a car than you expected. It can happen like this:

- ▶ The dealer lets you drive the car home.
- ▶ Later, the dealer says your financing wasn't approved and you must return the car to the dealership.
- ▶ The dealer offers you new financing terms that make the car more expensive.



You don't have to accept the new deal. But then the dealer might threaten to take away the car. And if you refuse to return the car, the dealer might threaten to call the police. The dealer might also refuse to give back your down payment or a car you traded in.

How do I avoid problems with dealer financing?

To avoid a problem with dealer financing, ask the dealer if your financing terms are final.

If your financing is final, make sure that's written in the contract. Check that the APR, length of time, and amount borrowed are what you expected. If they're not what you expected, don't sign the contract.

If your financing isn't final, the terms could change. The car might become more expensive. Get a written promise that:

- ▶ the dealer will return your down payment if the financing isn't approved
- ▶ the dealer won't sell your trade-in vehicle before the financing is approved

How do I report problems?

If you have a problem with financing you got from a dealer, tell the Federal Trade Commission:

- ▶ Go online at [ReportFraud.ftc.gov](https://www.ftc.gov/report-fraud)
- ▶ Call **1-877-382-4357**

