

Car Loans

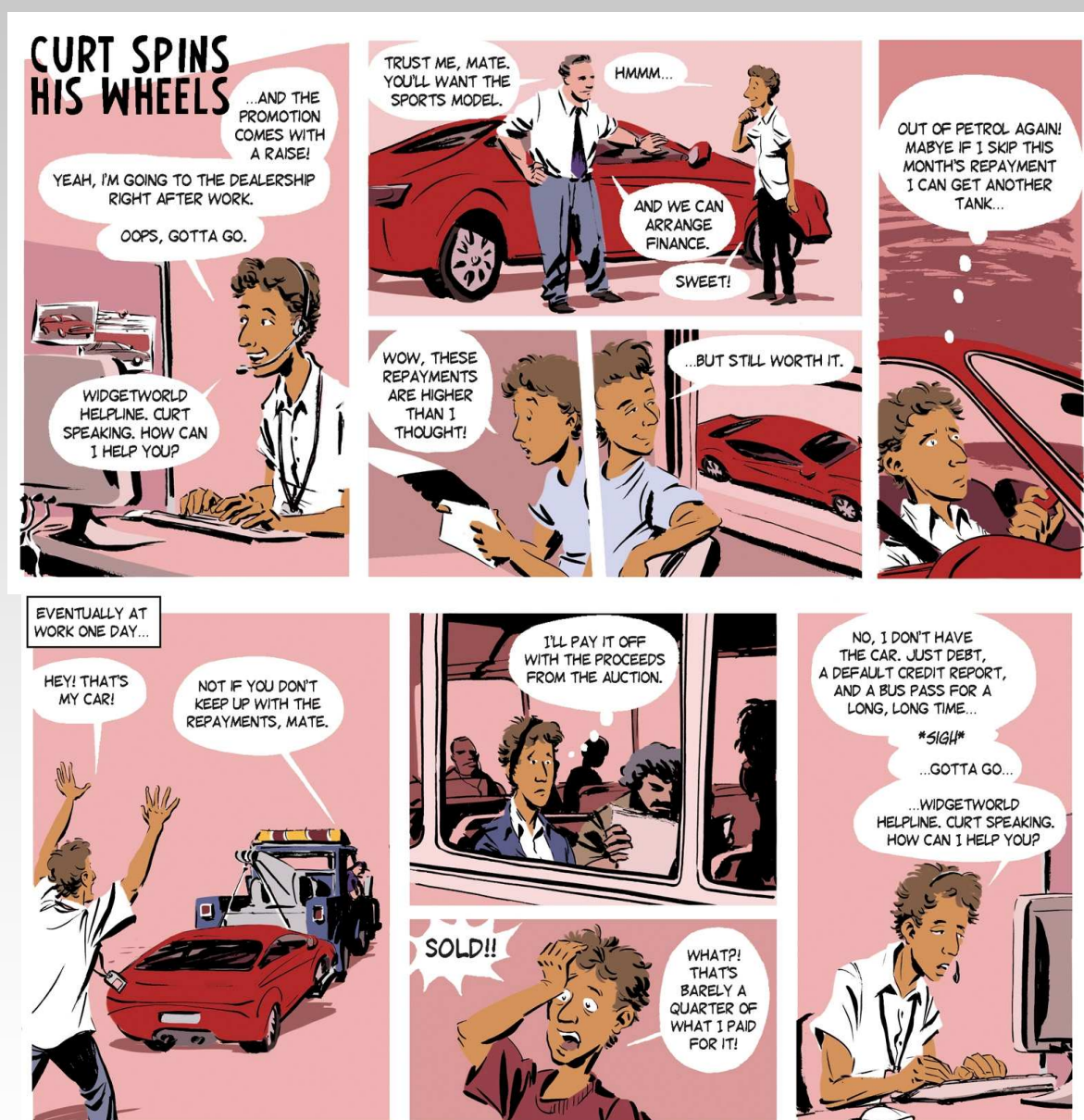
Want to buy a car but don't have the cash? You might be thinking about getting a loan. Before you do there are a few things you should think about.

A loan is a serious commitment that will 'lock you in' to pay over a long time.

While you might want the car now, you need to ask yourself:

1. Can I afford to still be paying this off for a few years?
2. Will my income or expenses change while I am paying off the loan?
3. How long can I keep up with payments if I lose my job?
4. Will I have to pay for repairs to my car or other unexpected costs?

Remember: Be realistic with yourself! Only commit yourself to what you will be able to repay!!



If you decide to seek a loan:

Shop around

The interest rate on car loans can be high and can vary a lot between different credit providers and different products. If you are considering applying for a car loan, shop around. The car yard may offer to arrange the

finance for you but this may turn out to be an expensive option. Many people sign up for finance through car yards only to discover later that there were better finance options available.



Secured loans

Loans can be secured or unsecured. Secured means you agree to put something up as security in case you can't pay, such as the car you are buying.

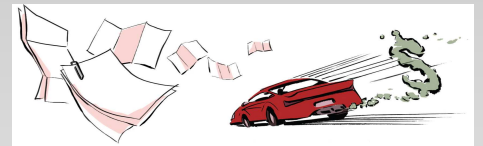
Car loans are a common type of secured loan. If you enter into a secured car loan you:

- must take care of the car and tell the lender where it is if they ask;
- will generally need to take out comprehensive insurance on the car for the term of the loan; and
- cannot sell the car without the lender's permission.

If you take out a **secured** car loan and don't keep up payments the creditor will take action to repossess the car. The car may then be sold by the creditor at auction for much less than the original purchase price. You are likely to be left with no car *and* a big debt. This will include the amount left owing on the loan as well as costs, including the cost of towing the car.

IMPORTANT!!!!

If you sign up your car as security, then be aware that *if you fail to repay the loan, the lender can take your car from you and sell it; often for less than what you owe. So you could end up owing and paying money on a car you no longer own!!!!*



Before you sign up for a loan make sure you understand:

- How much are the loan repayments and how often do you have to make them?
- What is the total amount you'll have to pay by the end of the loan period?
- If you miss (a) repayment(s) does the interest rate change?
- Are there any additional fees or charges that need to be paid above the interest charges?
- How long will you be paying it off?

Thinking of buying a second hand car through a private sale?

When buying a car through a private sale, make sure you check the Vehicles Securities Register at Vic Roads. You don't want to pay money for a car that could be repossessed because the seller still owes money on it.

Thinking of buying a second hand car through a dealer?

If you are thinking of buying a second hand car through a dealer you should understand your rights **before hand**. If you find you are unhappy with the car there may something you can do about it **but only** if you act fast. Your situation will be even more difficult if you have taken out a car loan.

See the Consumer Action Law Centre fact sheet "I am unhappy with a used car I bought from a motor car trader" to find out more: www.consumeraction.org.au/fact-sheets/

Also see the booklet *Better Car Deals* produced by CAV, VACC and RACV and available at www.consumer.vic.gov.au under 'Buying a Used Car.'

Can't meet your repayments?

If you're having trouble paying back the car loan, there are a few things you should consider:

It is important that you talk to the finance company as soon as possible! Depending on your circumstances you may be able to apply for a “hardship variation”. For more information on hardship variations see the Consumer Action Law Centre fact sheet “How do I change my loan repayments if I have suffered hardship?” www.consumeraction.org.au/fact-sheets/



When you talk to the finance company try to work out a solution that both of you can agree to. You may want to obtain help from a free financial counselling service.

Don't bury your head in the sand! If you're having trouble, seek help.

See “where to go for help” below.

Where to go for help

For advice and information you can contact:

Consumer Affairs Victoria Helpline

For your nearest financial counsellor and information on credit and debt issues call Consumer Affairs Victoria

Ph: 1300 55 81 81

Web address: www.consumer.vic.gov.au

Consumer Action Law Centre

Consumer Action Law Centre is a specialist community legal centre providing legal advice and assistance around consumer and credit related issues.

Ph: 9629 6300 or 1300 881 020

Web address: www.consumeraction.org.au

MoneyHelp is a free phone financial counselling service for those who have recently lost a job or had their work hours reduced or who are experiencing mortgage or rental stress .

Ph: 1800 149 689

Web address: www.moneyhelp.org.au

Or for legal advice contact us:

YouthLaw

19 King Street Melbourne

Phone: 9611 2412

Email: info@youthlaw.asn.au

The funding for this information sheet was provided from the Consumer Credit Fund on the approval of the Minister for Consumer Affairs.

This fact sheet was last updated January 2010.