

Becoming a Car Owner

Where Can I Purchase a Car?

As you start thinking about “purchasing a car”, consider thinking about the kind of seller you’d like to purchase a car from.

Car Dealership	Used Car Retailer	Private Seller
Establishment has a contract with a car maker to sell their vehicles	Establishment is not affiliated with a particular manufacturer	An individual selling their vehicle
Sell new and used cars purchased from the manufacturer	Sell used cars purchased from trade-ins, auctions, private sales and other sources	A specific car make and model
	Wide variety of vehicles to choose from	Vehicle may or may not have maintenance issues

How Do I Purchase a Car?

What Do I Need?

It’s important to have the following before you can purchase a car. Additional information on car insurance and financing options are included in this guide! Also check out the [Federal Trade Commission’s *Financing or Leasing a Car* article](#) (scan qr code for article!).



- Driver’s license
- Proof of auto insurance
- Financing documents (if applicable)
- Down Payment

Before Making the Purchase

- Copy of your credit report (Go to <https://www.annualcreditreport.com/index.action>)
- Get an *out-the-door* price of the car in writing *before* visiting and financing with the dealer.
- Know your budget for car payment and expenses.
- Consider saving for a down payment.
- Ask if you’ll need a co-signer.



Financing Options

Direct Lending

- Loan from a bank, finance company or credit union.
- Loan includes Cost of car + finance charge to be paid over a period of time.
- You get your credit terms in advance including annual percentage rate (APR), length of the loan and max. borrowing amount.
- Makes it easier to ask a dealer for a written *out-the-door* price. This helps with negotiating the best deal.

Important Note: Information presented is gathered through a combination of public resources and not put together by an official financial/insurance advisor. Information provided are meant to serve as nothing more than suggestions and left to the reader’s discretion.

Becoming a Car Owner

How Do I Purchase a Car?

Financing Options

Dealership Financing

- Loan from a dealership that includes cost of the car + finance charge to be paid over a period of time.
- May offer multiple financing options but doesn't necessarily mean you'll be offered the best deal.
- Special programs – may have manufacturer-sponsored, low-rate or incentive programs. This could be limited to certain cars, have special requirements (ex. larger down payment) or require a strong credit rating.

Leasing

- Leasing is paying for the right to use the car for an agreed amount of time and miles. You're paying to drive the car, not buy it.
- Monthly payments include lease period + rent charge, taxes, and fees.
- Annual mileage limit in most leases is 15,000 or less. You could request to increase the limit for an additional cost.
- Additional fee if the annual mileage limit exceeds the amount set on the lease when returning the vehicle.
- Responsible for excess wear, damage, and missing equipment
- Service the car based on the manufacturer's recommendations.
- May be required to maintain car insurance that meets the leasing company's standards.
- Ending a lease early may cause you to pay a substantial early termination charge.

Car Paperwork and Fees

Purchase/Financing Contract

Review the terms before you sign for the purchase and financing. Don't be rushed. Ask the dealer to slow down, especially if they're moving quickly and using an electronic process on an iPad, tablet, or other device to show you the agreement. Tell them you want to see the terms clearly before you agree, especially all the fees and charges in the deal. That way, you know the dealer didn't include charges for any extra items you don't want. Carefully compare what you are seeing at signing to what the dealer sent you beforehand.

Don't leave the dealership without a signed copy of the completed credit contract or lease agreement. Make sure you understand whether the deal is final before you leave in your new (or new-to-you) car. If you're called back to the dealership because the financing wasn't final or didn't go through, carefully review any changes or new documents you're asked to sign. Consider whether you want to proceed. If you don't want to agree to the new deal, ask dealer to cancel and to give back down payment and trade-in. Make sure the application and contract have been canceled and have this confirmed in writing. If loan was being arranged by a financing company, call that company to confirm cancellation.

Important Note: Information presented is gathered through a combination of public resources and not put together by an official financial/insurance advisor. Information provided are meant to serve as nothing more than suggestions and left to the reader's discretion.

Becoming a Car Owner

Car Paperwork and Fees

Primary Documents

The following are a list of documents that are required of you to carry on you whenever you are driving a vehicle.

Driver's License

A U.S. driver's license must be renewed every few years depending on the state. The fee to renew a license varies by state. Individuals moving to another state must transfer their license within a certain number of days. Ex. PA license is valid for 4 years, Renewal Fee is \$36.50 and new residents have 60 days to transfer their out-of-state license.

Car Title

A legal document administered by the state government that states who owns the vehicle. There is only one initial fee for this document.

State Registration

Certifies that the vehicle can be driven on public roads and connects the vehicle to both a state and an owner. The registration must be renewed every 1-2 years depending on the state. The fee to renew also varies by state. This is a document you are required to have on you whenever you drive.

Car Inspection

Some states require a vehicle pass a safety and/or emissions test to ensure that it is in good condition and may not allow one to renew their state registration until passing the inspection. This is an annual inspection and may include a fee. Ex. PA requires the safety inspection with a fee. A sticker is placed on the car windshield as certification.

Car Insurance

What is Car Insurance?

Covers damage to your vehicle and protects you financially in case of accidents, theft, or other incidents beyond your control.

Important Note: Information presented is gathered through a combination of public resources and not put together by an official financial/insurance advisor. Information provided are meant to serve as nothing more than suggestions and left to the reader's discretion.

Becoming a Car Owner

Car Insurance

Common Terminology

The following are common terminology you may see on a car insurance policy. Moreover, most of the terms generally refer to a type of coverage offered through a car insurance policy.

- **Policy** – A car insurance plan with certain limits agreed upon you and the insurance company.
- **Premium** – The total cost of the insurance plan. This doesn't include your deductible. You generally have the option to pay monthly or in full.
- **Deductible** – A set amount you are required to pay before your insurance plan is applied to your claim request. For example, you have a \$500 deductible, hit a telephone pole, and your car repairs cost \$2,000. You'll pay \$500, and your insurer pays the remaining \$1,500. You can choose your deductible amount from the options offered by your insurer.
- **Liability** – Required in 49 states. If you're found at fault in an auto accident, liability coverage can pay for damage to other vehicles, damage to objects, injuries to other drivers and their passengers, and lawsuits if you're sued due to an accident.
- **Comprehensive** – Protects against damage to your car from events beyond your control, including theft, windshield and glass damage, vandalism, falling trees and more.
- **Collision** – Covers your vehicle if it overturns or collides with another vehicle or object, including trees, guardrails, and fences.
- **Medical Payments/Personal Injury Protection (PIP)** – Medical payments coverage is offered in most states, while [personal injury protection](#) is a broader coverage that is available only in the states that require it to be offered. Both cover medical bills if you or your passengers are injured in a car accident (regardless of fault).
- **Uninsured/Underinsured Motorist Bodily Injury (UIM) and Property Damage (UMPD)** – [UIM](#) can pay for injuries caused to you and your passengers when you're hit by a driver with no insurance or not enough coverage. UMPD can pay to repair or replace your vehicle if it's damaged in an accident with an uninsured or underinsured driver.

Car Insurance Coverage

- **Other optional coverages** – Includes rental car reimbursement, loan/lease payoff (also known as gap coverage), and roadside assistance.
- **What does car insurance NOT cover?**
 - Wear and tear
 - Maintenance and mechanical failures
 - People who regularly drive your car but aren't listed on your policy.
 - Driving on a ridesharing platform. However, you can sometimes add coverage or purchase a separate policy or warranty to cover the things your auto policy doesn't.

Important Note: Information presented is gathered through a combination of public resources and not put together by an official financial/insurance advisor. Information provided are meant to serve as nothing more than suggestions and left to the reader's discretion.

Becoming a Car Owner



Car Insurance

Car Insurance Cost Factors

A variety of factors affect your car insurance rate, including your age, location, driving record, vehicle usage, accidents, vehicle type, and more. As a result, the average rate varies from state to state. Check out [Progressive's *How much is car insurance?*](#) article (scan qr code) for more information!

- **Age** – On average, car insurance rates are higher when you're younger and decrease (or stabilize) as your age increases.
- **Location** – If you live in an area where you're at a higher risk for [car theft](#), vandalism, and harm to your car, then you're likely to pay more for the [comprehensive insurance](#) and [auto collision coverage](#) portion of your policy. Additionally, different states have different coverage requirements, including how much [liability coverage](#) you're required to carry. All of these aspects of your location have some impact on your car insurance rate.
- **Vehicle Usage** – If you use your vehicle mostly for pleasure or commuting, you'll usually pay less than a driver using their vehicle for other purposes. If you use your vehicle for business or for ridesharing services like Uber and Lyft, some companies may charge you more, or may even require [rideshare insurance coverage](#).
- **Driving Record** – A better driving record — especially a [clean driving record](#) — can get you a better rate. Accidents and tickets can impact your record, and new drivers with no record may also pay more.
- **Accidents** –
 - **At-Fault** – Will raise your rate, but the increase won't be permanent. Your insurance company will stop charging you for the accident after several years (the length varies by insurer and state).
 - **Not-at-Fault/One-Car** – You won't see an increase in many states for a not-at-fault accident. But in other states, your company could increase your rate — depending on your state and insurance company. Insurance companies generally consider one-car accidents at fault because no other driver is involved.
- **Vehicle Type** – Factors include how much you paid for it, the cost of repairs, and if it has a higher theft rate. For example, a convertible or sports car may cost more to insure.
- **Mileage** – Many insurance companies focus on how often you drive and may charge high-volume drivers more.
- **Credit** – Many insurers use credit-based insurance scores to calculate car insurance rates. A better credit-based insurance score means a better rate. And no, getting a quote will not impact your actual credit score.
- **Continuous Insurance** – If you have zero gaps or cancellations in your insurance history, you'll typically get a lower car insurance rate.

Important Note: Information presented is gathered through a combination of public resources and not put together by an official financial/insurance advisor. Information provided are meant to serve as nothing more than suggestions and left to the reader's discretion.

Becoming a Car Owner

Car Insurance

Ways to Lower Cost



Check out [Liberty Mutual's 13 Ways to Lower Your Car Insurance Rate](#)



- Collect and compare car insurance quotes from different companies.
- Determine what car liability coverage level is right for you.
- Many car insurance companies offer discounts, see which you qualify for
- Maintain a good driving record.
- Participate in a safe driving program and/or defensive driving course.
- Improve credit score.
- Research insurance costs before deciding on what car you want.

Credit Information & Resources

❖ If you don't have credit (or no loans) consider,

- Becoming an **authorized user** on an account of a family member
- Opening a student credit card account, check out NerdWallet's [Best College Student Credit Cards of January 2023](#) (scan QR code for article!) 
- Applying for a **secured card** which requires that one pay a deposit and after you've established history of paying on time, you can look into upgrading to an unsecured card 
- Applying for a **credit-builder loan** also known as, a **reverse loan** where you make payments for a designated amount that gets placed in a savings account and the funds become available to you at the end of the loan period



❖ If you have credit (a loan or service under your name) consider,

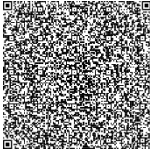
- Start and/or continue to make payments on time.
- Pay **at least the minimum amount** given to avoid a late fee plus a penalty on your credit report.
- It's recommended that credit card usage remains below 30% of your credit limit.
- Designate a card to keep open over time even if it's no longer used as often. Credit history takes into account your average account age.
- Be mindful of how many credit lines you open; lenders may choose not to loan you money if you have too many credit lines open.
- **If you have multiple accounts open**, prioritize paying off the account with the highest interest rate first by paying a little more than the minimum amounts each month

Important Note: Information presented is gathered through a combination of public resources and not put together by an official financial/insurance advisor. Information provided are meant to serve as nothing more than suggestions and left to the reader's discretion.

Becoming a Car Owner

Resources

Compare Car Insurance



PA Info for New Residents



What to bring when buying a car



How does Car Insurance Work



References

DeBoer, B. (n.d.). What is the difference between an independent auto dealer and a franchise dealer? DeBoer's Automotive Services and Repairs. Retrieved February 18, 2023, from <https://www.deboersauto.com/blog/what-is-the-difference-between-an-independent-auto-dealer-and-a-franchise-dealer>

Hebert, A., Hernandez, A., Perkins, R., & Puig, A. (2022, October 25). Financing or leasing a car. Federal Trade Commission Consumer Advice. Retrieved February 18, 2023, from <https://consumer.ftc.gov/articles/financing-or-leasing-car>

How does car insurance work? Progressive. (n.d.). Retrieved February 18, 2023, from <https://www.progressive.com/answers/auto-101/>

How much is car insurance? Progressive. (n.d.). Retrieved February 18, 2023, from <https://www.progressive.com/answers/average-car-insurance-cost/>

Info for new residents. PennDOT Driver & Vehicle Services. (n.d.). Retrieved February 18, 2023, from <https://www.dmv.pa.gov/Driver-Services/New-Resident-Relocation-Information/New%20Residents/Pages/Info-For-New-Residents.aspx>

Learn how financing a car works. Bank of America. (n.d.). Retrieved February 18, 2023, from <https://www.bankofamerica.com/auto-loans/financing-car/>

Liberty Mutual Insurance. (2022, January 14). 13 ways to Lower your car insurance rate. Liberty Mutual. Retrieved February 18, 2023, from <https://www.libertymutual.com/insurance-resources/auto/how-to-lower-your-car-insurance-rate>

Important Note: Information presented is gathered through a combination of public resources and not put together by an official financial/insurance advisor. Information provided are meant to serve as nothing more than suggestions and left to the reader's discretion.

Becoming a Car Owner

References (Continued)

Norman, K. (2023, January 5). Compare 2023 car insurance rates online. NerdWallet. Retrieved February 18, 2023, from https://www.nerdwallet.com/article/insurance/car-insurance-d-1-go-c-a-sw?bucket_id=sticky_widget_desktop&gclid=Cj0KCQiAi8KfBhCuARIsADp-A560BzYUlpYC44DbkUmEDIqFOijNKlhW5SKAu6nGG0gkZmU_kr6XhakaAhNkEALw_wcB&gclsrc=aw.ds&mktg_body=3128&mktg_hline=19559&mktg_place=aud-1340757045541%3Akwd-10152031&model_execution_id=2754EF35-2A30-4854-83B4-B092481C823D&nw_campaign_id=730521&utm_campaign=ai_mktg_paid_010820_head_e_d&utm_content=ta&utm_medium=cpc&utm_source=goog&utm_term=auto%2Binsurance

Payments and fees. PennDOT Driver & Vehicle Services. (n.d.). Retrieved February 18, 2023, from <https://www.dmv.pa.gov/Information-Centers/Payment/Pages/Payments-and-Fees-Page.aspx>

Safety Inspection Program. PennDOT Driver & Vehicle Services. (n.d.). Retrieved February 18, 2023, from <https://www.dmv.pa.gov/VEHICLE-SERVICES/Inspection-Information/Safety-Inspection-Program/Pages/default.aspx>

What is a car title? Progressive. (n.d.). Retrieved February 18, 2023, from <https://www.progressive.com/answers/what-is-car-title/>

What is vehicle registration? Progressive. (n.d.). Retrieved February 18, 2023, from <https://www.progressive.com/answers/what-is-vehicle-registration/>

What to bring when buying a car. Progressive. (n.d.). Retrieved February 18, 2023, from <https://www.progressive.com/answers/documents-for-buying-a-car/>

Important Note: Information presented is gathered through a combination of public resources and not put together by an official financial/insurance advisor. Information provided are meant to serve as nothing more than suggestions and left to the reader's discretion.