

Becoming a Car Owner

Breaking Barriers - Adulting 101 Workshop

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.



Agenda



- Where Can I Purchase a Car?
- How Do I Purchase a Car?
- Car Paperwork and Fees
- Car Insurance

Where Can I Purchase a Car?



Where to Purchase a Car?

Car Dealership

- Establishment has a contract with a car maker to sell their vehicles.
- Sell new and used cars purchased from the manufacturer

Used Car Retailer

- Establishment is not affiliated with a particular manufacturer
- Sell used cars purchased from trade-ins, auctions, private sales and other sources
- Wide variety of vehicles to choose from

Private Seller

- An individual selling their vehicle
- A specific car make and model
- Vehicle may or may not have maintenance issues

How Do I Purchase a Car?





What Do I Need?

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

Before Making the Purchase

CAR LOAN APPLICATION

Applicant Information

Complete for joint credit or if you live in a community property state: Married Separated Unmarried (single, divorced, widowed)

Name: *Michelle Sample Public* Birth Date: *02-02-1980* Social Security No.: *98765432* Mother's Maiden Name (for *Online*)

Phone: *345 678* Driver's License No./State: *45678 910* Email Address: *MichelleSamplePublic@email.com*

Current Address: *123 Main St 45678 91015* Previous Address (if current less than 2 years)

Relationship: *Cousin Brother* Nearest Family Member: *00001*

Employment and Other Information

Employer Name and Address: *Employer - 012 Employer Address 45678* Position: *0123456789*

Type of Credit Applied: Used Vehicle Lease Vehicle Loan

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- Copy of your credit report
- 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

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.

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



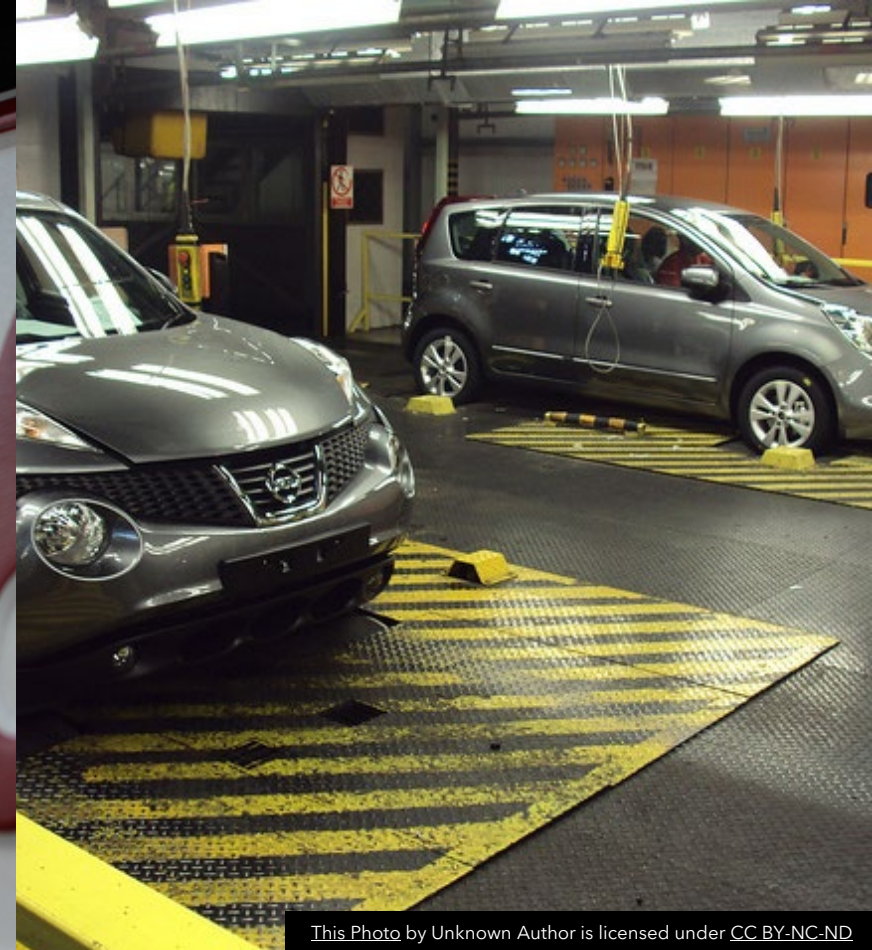


Leasing

- 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



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Car Paperwork and Fees

Purchase/Financing Contract

- Review the terms before signing for the purchase and financing
- Don't be afraid to ask the dealer to slow down, especially if they're using an electronic process on an iPad, table or other device to show you the agreement
- Compare the agreement to what the dealer sent you beforehand
- Get a signed copy of the completed credit contract or lease agreement



Purchase/Financing Contract



- Confirm whether the deal is final before you leave in your 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
 - 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.

Primary Documents

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 pink piggy bank is centered on a dark wooden block. A black umbrella is open above it, with its handle extending down to the top of the piggy bank. The background is a dark, textured grey. The text 'Car Insurance' is written in white, bold, sans-serif font on the left side of the image.

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.



Common Terminology

- **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.

Common Terminology

- **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.

Common Terminology

- **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.

Car Insurance Cost Factors

- **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.

Car Insurance Cost Factors

- **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.

Car Insurance Cost Factors

- **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.

Car Insurance Cost Factors

- **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. Generally speaking, 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.

Ways to Lower Cost



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- 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

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