Frequently Asked Questions

Question: What if I owe more money on the trade-in vehicle than it is worth?

Answer: Steps to consider: determine the balance owed on the car, research current market value/ trade-in value, and decide if you will pay off the existing loan or roll the difference into a new loan on the new vehicle (“negative equity”).

Question: What does the “Sale Contingent on Financing Approval” form mean?

Answer: This means the dealer believes the loan will be approved by a lender by the terms on the contract; however, the dealer does not have an official approval from a lender. Possible outcomes include: loan approved on the terms of the contract, the loan is approved on different terms, or the loan is not approved.

If it is not approved, you must return the car, and the dealer must return your trade-in and any money you have given them. If approved on different terms, you can accept the new terms or return the car and the dealer must return your trade-in and any money you had already paid them.

Question: How do I find out the value of the vehicle I want to trade-in?

Answer: Commercial websites such as Edmunds, Kelly Blue Book, Consumer Reports, and NADA can offer reports of similar vehicles sold recently in your area. Additionally, the dealer will assess the value of the vehicle through an appraisal for a trade-in offer, which if often negotiable.

Know Your Rights

The Truth in Lending Act (TILA) is a federal law enacted in 1968 to help protect consumers in their dealings with lenders and creditors. The TILA was implemented by the Federal Reserve Board through a series of regulations. Some of the most important aspects of the act concern the information that must be disclosed to a borrower before extending credit, such as the annual percentage rate (APR), the term of the loan, and the total costs to the borrower. This information must be conspicuous on documents presented to the borrower before signing and in some cases on the borrower’s periodic billing statements.

The Equal Credit Opportunity Act (ECOA) is a federal law that makes it illegal for a lender to discriminate against you, in any aspect of a transaction, because of: sex (including sexual orientation and gender identity), age (provided the applicant is old enough to enter a contract), race, color or national origin, religion, marital status or whether all or part of your income is from any public assistance program. This includes Social Security and Supplemental Security Income (SSI), unemployment compensation, Temporary Assistance to Needy Families (TANF), and Supplemental Nutritional Assistance Program (SNAP).

If you believe you have been discriminated against, please contact the NH Banking Department at (603) 271-3561 or nhbd@banking.nh.gov or the Consumer Financial Protection Bureau at (855) 411-2372.

Information in this guide was provided by the Consumer Financial Protection Bureau. Please visit our website at www.nh.gov/banking for more helpful information. Front cover photo by Zach Vessels, available on Unsplash.com.

State of New Hampshire
Banking Department
53 Regional Drive
Suite 200
Concord NH 03301

Helpful Tips For Buying a Car

New Hampshire Banking Department

Key terms to understand

Truth in Lending disclosure: The federal Truth in Lending Act (TILA) requires that borrowers receive written disclosures about important terms of credit before they are legally bound to pay the loan.

FEDERAL TRUTH-IN-LENDING DISCLOSURES				
ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate.	**FINANCE CHARGE** The dollar amount the credit will cost you.	**Amount Financed** The amount of credit provided to you or on your behalf.	**Total of Payments** The amount you will have paid after you have made all payments as scheduled.	**Total Sale Price** The total cost of your purchase on credit, including your down payment of $ 0.00 is
11.95 %	$ 12987.66	$ 31472.34	$ 44460.00	$ 44460.00

Your Payment Schedule Will Be:

Number of Payments	Amount of Payments	When Payments Are Due
72	617.50	Monthly beginning 09/14/2020

Annual Percentage Rate (APR): The Annual Percentage Rate (APR) is the cost you pay each year to borrow money, including fees, expressed as a percentage. The higher the APR, the more you'll pay over the life of the loan. A loan's APR and interest rate are two important measures of the price you pay for borrowing money.

Finance Charge: The finance charge is the cost of consumer credit as a dollar amount. This includes all interest you pay over the life of the loan if you make payments exactly on schedule plus any upfront fees for financing the vehicle.

Down payment: This is an initial, upfront payment you make toward the total cost of the vehicle. Your down payment could be cash, the value of a trade-in, or both. The more you put down, the less you need to borrow.

Total Sale Price: This is how much you will pay to buy your vehicle, including the principal, interest, down payment, or trade-in over the life of the loan.

Loan term or duration: This is the length of your loan. A shorter loan term will reduce your total loan cost. A longer loan can reduce your payment amount, but you pay more interest over the life of the loan. A longer loan also puts you at risk for negative equity.

Who else may be involved:

Assignee: An assignee is a person or a company who buys your auto loan. For example, an auto dealer who extends credit to you may sell your loan to a bank, making the bank the assignee. You owe the money to whoever has purchased your loan.

Co-signer: A co-signer is a person such as a parent, close family member, or friend who pledges to pay back the loan if you do not. A co-signer is equally responsible to ensure the loan is paid in full.

Finance and insurance department: If you purchase a vehicle at a dealership, the salesperson may refer you to someone in the F&I or business office, the part of the dealership that markets loans and optional add-ons to customers after they agree to buy a vehicle. It is also where you sign documents to complete the sale.

About the purchase:

Base price: The vehicle's price without options.

Manufacturer Suggested Retail Price (MSRP): This is the price that the automaker (the manufacturer) *suggests* that the dealer ask for the vehicle.

Other products:

Debt cancellation or suspension products: Some auto dealers, banks and credit unions offer "debt cancellation" and "debt suspension" products or insurance under various names. These are similar to credit insurance in terms of their function, but fees and other features may be different.

Extended warranty or vehicle service contract: These can cover some repairs in addition to or after the manufacturer's warranty ends.

Guaranteed Auto Protection (GAP) insurance: GAP insurance covers the difference between the amount you owe on your auto loan and what your insurance pays if your vehicle is stolen, damaged, or totaled. This is not mandatory and lenders may set varying prices for this product.

Insurance:

Credit insurance: This is optional insurance that may make your auto payments to your lender in certain situations, such as death or disability.

Force-placed insurance: In order to obtain a loan to buy a vehicle, you must have insurance to cover the vehicle itself. If you fail to obtain insurance or let your insurance lapse, the contract usually gives the lender the right to get insurance to cover their interest in the vehicle and not necessarily for you.

Vendor's Single Interest (VSI) insurance: VSI insurance protects the lender, but not you, if the vehicle is damaged or destroyed.

Other financing terms:

Interest rate: This is the cost you pay each year to borrow money expressed as a percentage. The interest rate does not include fees charged for the loan.

Negative equity: If you owe more on your current auto loan than the vehicle is worth, referred to as being "upside down," then you have negative equity.

No credit check or "buy here, pay here" auto loan: These auto loans are offered by dealerships that typically finance auto loans "in-house" to borrowers with no credit or poor credit. Often the interest rate is higher than other sources of financing.

Buy rate: This is the interest rate that a potential lender quotes to your dealer when you apply for dealer-arranged financing. The dealer may hold points and offer an increased interest rate to you to make money for the dealership.

Principal: The amount that you originally agreed to pay back. This may be more than the Amount Financed if you paid upfront finance charges. Generally, any payment made on an auto loan will be applied first to any fees that are due. Next, remaining money from your payment will be applied to any interest due, including past due interest, if applicable. The rest of your payment will then be applied to the principal balance.