



## Increasing Financial Stability of Individuals and Families

# Car Buying

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Today, 88 percent of Americans drive their cars to work, with two-thirds of new jobs located in suburban areas away from public transportation systems. A car can be a critical factor in getting and keeping a job and moving up the career ladder toward financial independence. Lack of access to a car creates serious difficulties for parents who juggle work, errands and transporting children to school, child care, and other activities. Cars make commuting at night safer and decrease the vulnerability of families during emergencies.

However, low-income people, and those without bank accounts or a credit history can be misled when purchasing a car. On average, low-wage workers pay more than other households to purchase and maintain a comparable car. Here are some key things to consider when purchasing a car:

- Consider your driving habits, needs and budget
- Research car models, options, and prices ... a good resource is Kelly Blue Book
- Make sure you understand the loan agreement before signing any paperwork
- Insist on getting the car inspected by a responsible and trustworthy mechanic before purchasing
- Never negotiate based on a “What you can afford to pay per month?” basis

Avoid “Buy Here/Pay Here” car lots. At these lots, the car dealer and not a finance company, extends credit to the buyer and they often require a high down payment amount and excessively high interest rates for their loans. In addition, most buy here/pay here lots do not report payment history to the credit reporting agencies, which prevents consumers from building their credit history through timely repayment of their car loan.

Don't be talked into a bad deal. Clients should take their time when buying a car and stop the transaction if feeling pressured or confused. Buying a car can be an intimidating experience in particular for someone who has little credit history or has language barriers. Low-wage workers often don't have checking/savings accounts or credit cards due to fear or uncertainty about how banks and credit unions work. Learn more about the banking and credit union industry so you will have a trusted and reliable resource to turn to when applying for car loans.

### Resources:

Kelly Blue Book - [kbb.com](http://kbb.com)

Federal Trade Commission - [ftc.com](http://ftc.com)

Annie E. Casey Foundation, *Pursuit of the Dream, Cars & Jobs in America*. Report found on - [aecf.org](http://aecf.org)