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|  | **Semester Course****5.6 Understanding Auto Loans**Student Activity PacketUNIT: TYPES OF CREDIT |

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### Name:

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| In this lesson, you will learn to:* Calculate how much an auto loan will cost given special offers as well as standard factors such as down payment, APR, and term
* Compare auto loan offers and decide how they fit within your budget
* Negotiate with car salespeople to get the best deal
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| **RESOURCES** | QUESTIONS |
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|  **1**  | [**Discussion Prompts**](https://docs.google.com/presentation/d/1wtV587M9xCGKxu7YLKwwNLF6oVQtjfZ_wt_SpbJ86CM/edit#slide=id.g1c25cf1c04_0_0)Discuss these questions with your classmates or with a partner. |

 | *Estimated time: 5 mins*1. If you think of car commercials on TV, internet, or print, what are some of the special offers advertised?
2. What advice have you heard or been given about buying cars?
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|  **2** | [**Estimate Your Monthly Car Loan Payment**](https://www.bankofamerica.com/auto-loans/auto-loan-calculator/)Auto loans are amortized installment loans, so once the terms of your loan are set, your payments should stay the same month after month. Assume you are taking a $20,000 car loan, for a term of 48 months, with an interest rate of 3%. Use this calculator to answer the following questions.  |

 | *Estimated time: 8 mins*1. What is your monthly payment?
2. Experiment with the values in the calculator to complete the chart. Use up or down arrows to indicate how the Action impacts the Monthly Payment and Total Cost of the Car Loan.

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| **Action** | **Monthly Payment** | **Total Cost** **of the Car Loan** |
| Increase the amount of down payment |  |  |
| Secure a lower APR |  |  |
| Extend the term of your loan |  |  |
| Pay more than the minimum monthly bill  |  |  |

1. What are two reasons someone might purposely choose a HIGHER monthly payment?
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|  **3** | [**The Art of the Deal: How to Haggle for a Used Car**](https://youtu.be/UpEsmEaJcJo)They say that knowledge is power, which is why it’s so important to understand how auto loans work. On top of that, learning to negotiate well can be a huge asset. Watch the video then answer the following questions: |

 | *Estimated time: 7 mins*1. Why is it important to “haggle” when negotiating to buy a car?

1. What strategies were most effective during the “haggling” process? Why do you think they were effective?
2. Do you think that you could successfully negotiate a fair price for a car? If yes, why? If no, what could you do to help prepare yourself?
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