

Getting a Loan



Can I afford the loan?

A loan will require regular repayments.

Before deciding to get yourself into debt, you should consider how much you earn and your current expenses.

A loan is a serious commitment that will 'lock you in' to pay over a long time.

While you might want to buy a car right away, you need to ask yourself:

- Can I afford to still be paying this off for a few years?
- Is my income or are my expenses going to change while I am paying off the loan?
- Am I going to be changing jobs and earning less money?
- If I lose my job, how long will I be able to keep up with repayments for?
- Will I have to pay for repairs to my car or other unexpected costs?



Remember: Be realistic with yourself! Only commit yourself to what you will be able to repay!!

Fixed and variable interest rates

A fixed rate stays the same, so you will always know your interest rate.

A variable rate may seem attractive and cheaper, but if rates go up so will the amount you have to pay!

Before you sign up for a loan make sure you understand:

- How much are the loan repayments and how often do you have to make them?
- If you decide to pay out the loan early is there a fee?
- When the interest rate being offered is fixed there will usually be an early repayment fee.
- What is the total amount you'll have to pay by the end of the loan period?
- This will include the basic amount you have to pay each month, the interest and any other fees and charges.
- If you miss a repayment(s) does the interest rate change?
- Are there any additional fees or charges that need to be paid above the interest charges?
- How long will you be paying it off?
- How much is the total amount you will have to pay back?

The lender wants loan security

A secured loan means that you agree to put up something as security in case you can't pay such as the car you are buying.

An unsecured loan means there is no security.

Car loans are a common type of secured loan. (See the "Car Loans" fact sheet for more info about car loans). The lender asks for security to make sure that if you cannot repay the loan they can get their money back. One form of security is the car itself. If you enter into a secured car loan you:

- Must take care of the car and tell the lender where it is if they ask;
- Will generally need to take out comprehensive insurance on the car for the term of the loan; and
- Cannot sell the car without the lender's permission.

IMPORTANT!!!!
If you sign up your car as security, then be aware that *if you fail to repay the loan, the lender can take your car from you and sell it, sometimes for less than what you owe. So you could end up owing and paying money on a car you no longer own!!!!*



Before you sign a contract look here!!!

Here are some helpful tips about contracts:

Make sure you read and understand everything in the contract. If there is anything that you are unsure or unclear about then you should get legal advice.

Don't feel pressured and just sign anyway. Signing a contract means that you understand and agree to everything in it.

Guarantors

Sometimes when a person has trouble getting a loan they might ask a friend or family member to act as a "guarantor". This means that if the borrower fails to repay the loan then the guarantor will have to.

Before the borrower applies for the loan the guarantor must:

- Have a copy of the loan contract.
- The document explaining their rights and liabilities if you fail to pay.

There are a few things you need to know if you are considering acting as a guarantor:

- As a guarantor you are saying that if the person taking out the loan doesn't pay you will pay back the loan for them.
- Acting as a guarantor is a serious commitment and you should seek legal advice before doing so!

Can't meet your repayments?

If you're having trouble paying back the loan, there are a few things you should consider:

It is important that you talk to the finance company as soon as possible!

When you talk to them try to work out a solution that both of you agree to. You may want to obtain help from a free financial counselling service.

Don't bury your head in the sand! If you're having trouble seek help. See "where to go for help" below.

Where to go for help

For advice and information on loans, and meeting your repayments as well as general information on your rights you can contact:

Consumer Affairs Victoria Helpline

For your nearest financial counsellor and information on credit and debt issues call Consumer Affairs Victoria
Ph: 1300 55 81 81

Web address: www.consumer.vic.gov.au



Consumer Action Law Centre

Consumer Action Law Centre is a specialist community legal centre providing legal advice and assistance around consumer and credit related issues.

Ph: 9629 6300 or 1300 881 020

Web address: www.consumeraction.org.au

MoneyHelp is a free phone financial counselling service for those who have recently lost a job or had their work hours reduced or who are experiencing mortgage or rental stress .

Ph: 1800 149 689

Web address: www.moneyhelp.org.au

Or for legal advice contact us:

YouthLaw

19 King Street Melbourne

Phone: 9611 2412

Email: info@youthlaw.asn.au

The funding for this information sheet was provided from the Consumer Credit Fund on the approval of the Minister for Consumer Affairs.

This fact sheet was last updated January 2010.