

# First Time Auto Loan

S.K.Y. Youth Account Education Program

# Your First Auto Loan

Are you ready to buy your first car? If so, Sky Federal Credit Union can help!

This loan type is designed for those who have little to no credit and are ready to embark on the purchase of their first automobile. This loan comes with low rates, manageable terms and is an excellent way to establish a credit history.

# Need to know

When getting your first loan there's a lot of new vocabulary; so we put together a list of the most important terms to help prepare you for your loan!

# Annual Gross Income

Total amount of **income** earned annually. **Gross annual income** represents the amount of money a person earns in one year from all sources before

# Pre-Approval

When you have finally found the car you have been looking for, it's easy to get pre-approved, you can even apply online to save time! With a pre-approved auto loan, you know how much you'll qualify for, before you visit the dealership. Plus, you'll eliminate the expense and pressure of dealer financing.

# Collateral

This describes what property you are offering your financial institution to secure the loan with, in case you don't pay back the money you borrow. In this case it will be a car.

# Credit Score Analysis (C.S.A.)

Personalized review of your credit report where the Credit Union expert advises the first time auto buyer how to get started on the right foot, build a solid credit history, how credit scores work and how to establish a 700 plus credit score and keep it. This service is available to all members.

# Debt Ratio

How much money you owe each month (your debt) compared to how much income you receive. For example, if you owed 3 loans totaling \$850 dollars each month, and your income was \$2500 per month, you would take \$850 divided by \$2500 to figure out your Debt to Income ratio. In this case, it would be 34% (the lower the number the better).



# Finance Charge

This is how you will pay in interest and fees over the life of the loan. A car might be priced at \$10,000 but if you pay 11% for 60 months the total amount you will have paid back will be \$13,048. Your finance charge would be  $\$13,048 - \$10,000 = \$3,048$ .

# *Interest*

is the cost you pay to BORROW MONEY. The lower the interest rate, the less you pay back. Interest rates are determined by several factors, including your credit score, age of vehicle and overall economic conditions.

# Lienholder

The lienholder is the lender whose name is on your collateral during the term of the loan. For instance, if you take out a car loan from Sky Federal Credit Union, until you pay off your loan, your car is the collateral and Sky Federal Credit Union is the lienholder.

# Loan Term

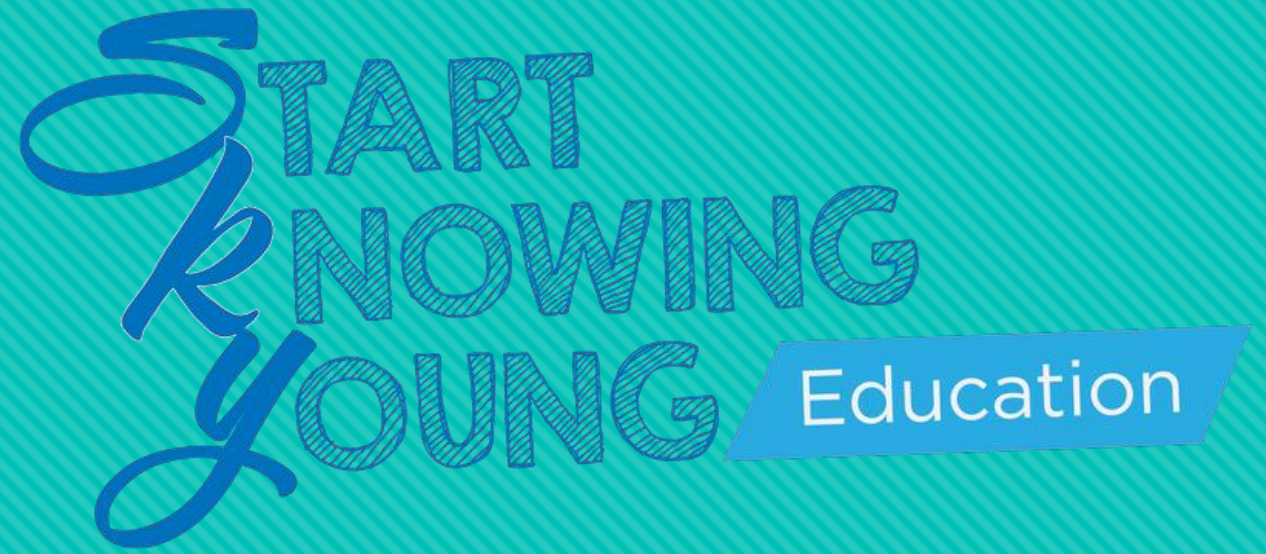
This is how long it will be before your loan is paid off. A good range for car loans is anywhere from 36 – 84 months (the majority are 60 months).

# Loan-to-Value

A loan-to-value ratio (LTV) is the total dollar value of your loan divided by the actual cash value (ACV) of your vehicle. It is usually expressed as a percentage. Your down payment reduces the loan to value ratio of your loan.

# Qualifications

- Must be at least 18 years old and able to repay the loan
- Must be employed for a minimum of 6 months or have a qualified co-borrower
- No prior auto loans on credit report.
- Proof of auto insurance required (\$500 Comprehensive & \$500 Collision)
- Terms up to 72 months
- Maximum loan up to 50% of Annual Gross Income
- Maximum Loan to Value 90% (with co-borrower this may be eliminated)
- Minimum 10% cash down (with co-borrower this may be eliminated)
- Credit Score Analysis (C.S.A.) will be reviewed with borrower



**Thank You!!**

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