

# Auto Loans 101

1. The accepted standard is to spend \_\_\_\_\_ of your monthly income, after taxes, on transportation. This includes all car payments, insurance premiums, fuel and maintenance costs.
  - a. 20-30%.
  - b. 16-23%.
  - c. 15-20%.
  - d. 50-60%
  - e. None of the above.
2. If you plan to drive the same vehicle for the next 8-10 years, you'll want something \_\_\_\_\_ and you'll want to know the car's \_\_\_\_\_.
  - a. Fast, mileage.
  - b. Reliable, history.
  - c. Cheap, past owner's names.
  - d. Fuel efficient, miles per gallon.
  - e. None of the above.
3. Until you've signed on the dotted line, don't be afraid to walk away from a deal that doesn't satisfy you.
  - a. True.
  - b. False.
4. There are four types of insurance coverage you'll need to consider when choosing car insurance. Those options are bodily injury, personal injury protection, collision and comprehensive coverage, and \_\_\_\_\_.
  - a. More personal injury protection.
  - b. Weather and fallen tree protection.
  - c. Rental car insurance.
  - d. Uninsured motorist.
  - e. All of the above.
5. Insurance companies base premium rates on your credit card interest rates.
  - a. True.
  - b. False.



6. If you get into a situation where your auto loan becomes too much to handle, the first step is to \_\_\_\_\_.
- Communicate with your lender.
  - Skip this month's payment and pay double next month.
  - Pay what you can now and pay the rest later.
  - Allow the car to be repossessed.
  - None of the above.
7. Buying a car means you pay the entire cost of the vehicle. Leasing a car means you'll pay a portion of the vehicle's cost equal to the time and/or mileage that you use while driving the vehicle.
- True.
  - False.
8. Loan/lease payoff coverage is also known as \_\_\_\_\_.
- Loan/lease insurance.
  - Payoff coverage insurance.
  - Damage insurance.
  - Gap insurance.
  - None of the above.
9. Insurance costs related to theft and collision may be cheaper for new cars.
- True.
  - False.
10. If interest rates drop or if you're just not happy with your current financing, you can consider refinancing your auto loan.
- True.
  - False.