



Auto Loans
Student Activity Packet
UNIT: TYPES OF CREDIT

Name:

Students will be able 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

NOTE: Vocabulary for this unit can be found in the [NGPF Personal Finance Dictionary](#)



INTRO

PROMPT

Use the space below to answer the prompt.

1. **Think about some of the car ads you see 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?**



LEARN IT

EDPUZZLE: All About Car Loans

A car, just like a mortgage, is a secured loan. That means if you fail to make payments, the lender can repossess the property, leaving you with a horrible credit score — and no car! For that reason, it's especially important that you understand how auto loans work. Watch this video and follow your teacher's directions to answer the questions either in your student activity packet or within the EdPuzzle itself.

NOTE: EdPuzzle videos shuffle answer choices and do not always match the order provided in the lesson here.

1. **How can making a larger down payment save you money when purchasing a car? (Choose two correct answers)**
 - a. Your monthly payment will be higher
 - b. Your monthly payment will be lower
 - c. You will pay less interest over the life of the loan
 - d. You will pay more interest over the life of the loan
 2. **A higher credit score...**
 - a. Will help you obtain a lower interest rate on an auto loan
 - b. Will help you obtain a higher interest rate on an auto loan
 - c. Has no impact on the interest rate on an auto loan
 3. **A longer term length will make your monthly payment lower and you will pay _____ interest when compared to a shorter term length and higher monthly payment.**
 - a. MORE
 - b. LESS
 4. **Which statement most accurately describes the difference between leasing and owning a vehicle?**
 - a. Leasing is a term used when you purchase a car for the longest term possible
 - b. Leasing a car is making monthly payments to use a car for a fixed period of time, but then you return it without owning it
 - c. Leasing is a term used when you take the car for an initial test drive
 - d. Leasing a car requires a very large down payment, while purchasing a car does not
 5. **According to the video, what is the first step in purchasing a new vehicle?**
 - a. Take multiple vehicles for a test drive to see what features you like best
 - b. Create a budget and check your credit score
 - c. Get an insurance quote for your new vehicle
 - d. Decide which color vehicle you want most
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INTERACTIVE: [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 4%. Use this calculator to answer the following questions.

1. **What is your estimated 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.

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		

3. What are two reasons someone might purposely choose a HIGHER monthly payment?



DO IT

ACTIVITY: [CALCULATE: The Cost of Auto Loans](#)

Perhaps you think it will be easy to make responsible decisions regarding auto loans in your future. But, decision making can be tricky when you're considering your dream car. Follow the directions on the sheet to complete the activity.



EXIT TICKET

Follow your teacher's directions to complete the Exit Ticket.