

What's in the boxes?

We're breaking down the boxes. Ahhh... puns are fun.

So... have you noticed the boxes on your loan notes, credit card statement, etc. and wondered why they were there and what they mean or are you like most people skip over them?

We get it. Loan paperwork seems overwhelming and confusing. So borrowers tend to focus on the basics.

Unfortunately, most auto dealers know this and take it a step further by adopting a *"pay no attention to the man behind the curtain"* approach and purposefully ignore everything on the page except the payment and when it's due. This practice allows them to avoid questions about how much your vehicle is REALLY going to cost you after add-ons and charges.

These 4 boxes give the real picture of what you are paying when signing any loan. The government put regulations in place several years ago requiring these boxes on all loans so borrowers can easily understand the cost of the loan.

Below are 2 examples showing the impact these boxes can make on your loan decisions.

Box 1. ANNUAL PERCENTAGE RATE. Most people recognize this as the interest rate. The interest rate is the cost you pay for using the credit union's money, shown as a percentage. **Fun fact:** Did you know interest compounds on a daily basis for loans and only on a monthly basis for savings accounts?

Box 2. FINANCE CHARGE is the cost you pay for using the credit union's money shown in dollars and cents. It's the total amount of interest paid over the term (84 months in this example). If a borrower makes extra payments or regularly pays extra on their monthly payment, the FINANCE CHARGE amount will decrease significantly.

Box 3. AMOUNT FINANCED is the amount being borrowed. It is also known as the beginning PRINCIPAL amount of the loan. It is the amount of money borrowed before interest. Note: If you have agreed to purchase something for \$80,000 but this box shows \$83,775... the difference is probably fees, charges, taxes, titling, closing costs, or add-ons. Paying attention to this box is important because you can catch add-ons that you may not have agreed to.

Box 4. TOTAL OF PAYMENTS is the total amount a borrower will repay in principal and interest over the term (84 month in this example) of the loan. This is the REAL COST of the item you are purchasing. This loan happens to for a 2020 F250 truck. If the borrower doesn't make extra payments this \$83,775.00 truck will ultimately cost them \$94,561.27 if their interest rate is 3.49% or... \$97,784.10 if their interest rate is 4.49%.

Note the difference an interest rate makes in the cost of the loan. Here, the difference from 3.49% to 4.49% in the FINANCE CHARGE (interest paid) is \$3,222.83. That is a lot of money by most people's standards.

Examples:

1	2	3	4	Date	
ANNUAL PERCENTAGE RATE The cost of Your credit as a yearly rate. 3.49%	FINANCE CHARGE The dollar amount the credit will cost You. \$10,786.27	AMOUNT FINANCED The amount of credit provided to You or on Your behalf. \$83,775.00	TOTAL OF PAYMENTS The amount You will have paid when You have made all scheduled payments. \$94,561.27	06/21/2021	
Your payment schedule will be:					
Number of Payments		Amount of Payments		When Payments Are Due	
84		\$1,125.73		Monthly BEGINNING 08/05/2021	

1	2	3	4	Date	
ANNUAL PERCENTAGE RATE The cost of Your credit as a yearly rate. 4.49%	FINANCE CHARGE The dollar amount the credit will cost You. \$14,009.10	AMOUNT FINANCED The amount of credit provided to You or on Your behalf. \$83,775.00	TOTAL OF PAYMENTS The amount You will have paid when You have made all scheduled payments. \$97,784.10	06/21/2021	
Your payment schedule will be:					
Number of Payments		Amount of Payments		When Payments Are Due	
84		\$1,164.10		Monthly BEGINNING 08/05/2021	