



UNDERSTANDING THE TRUTH IN LENDING ACT (TILA) DISCLOSURE FACT SHEET



If you plan on financing (taking out a loan) your next new or used car purchase, Soldiers should be aware of the provisions of the Truth in Lending Act (TILA) before they start the process. This law governs all car loan lenders and all aspects of these loans.

Knowing the provisions of this act will help you better understand and possibly even obtain better terms when applying for a loan. In a nutshell, TILA requires the lender to disclose to you all the fees and interest charges. Specifically, the lender must disclose the following information:

- **Finance Charge** - This is defined as the cost of the credit extended over the life of the loan. It is expressed as a dollar amount, and it includes all fees, costs and "points."
- **Annual Percentage Rate (APR)** - This is the cost of the credit expressed as a percentage.
- **Amount Financed** - Expressed as a dollar amount, this is the amount of money you borrow to buy your car.
- **Schedule of Payments** - The exact dates you are expected to make your payments and the exact amounts of those payments.
- **Total of Payments** - Expressed as a dollar amount, this is the amount of money you will have paid out by the time the loan is completely paid off. This is assuming payments are made on time, with no late fees.

When you go car shopping, the first and most common type of vehicle financing you'll see is "dealership financing." The buyer and the car dealer enter into a contract where the buyer agrees to pay the amount financed, plus an agreed-upon finance charge, over a period of time. The dealership may keep the sales contract, but usually sells it to a bank, finance company or credit union, which services the account and collects the payments.

Often, Soldiers later come to realize that they cannot afford the monthly payments or they could have received a better deal from another lender. As a car buyer, it is a best practice to shop around for the best possible loan terms. You should contact different banks and ask for what type of rates you could obtain given your personal credit history. Compare the rates the car dealership will offer with the rates you could get from other lenders. If you have not obtained rates before visiting a car dealer, then check with

lenders once the car dealership has provided you with the TILA disclosure. The law requires the car dealer to give customers the TILA disclosure.

It is perfectly legal and acceptable to get all the way up until the point in the transaction where the dealer hands you the TILA disclosure, which often takes the shape of a long, yellow form, and walk out the door with the information to think it over. Most likely, the salesperson will lower the price or APR for one last attempt to finalize the sale that day. If nothing else, you have a document in your hand you can present to competitor dealers for similar vehicles showing them what they need to beat in order to receive your business.

If you have any questions regarding TILA, then you should call the Fort Benning Legal Assistance Office at 706-545-3281/3282 to meet with an attorney.



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