Car Finance
Fact Sheet

A car loan is used to finance the purchase of a new or used car. You borrow an amount of money that you agree to repay within a certain period of time (called the term). This can vary, but is usually 12 months to 5 years. You will have to sign a credit contract which will specify the amount borrowed and how you will repay it.

You pay interest on the amount you borrow, which may be at a fixed rate (where the interest rate is locked in for the term) or a variable rate (where the rate may go up or down over the term), plus any fees and charges.

A car loan may be secured or unsecured, depending on whether you put up your car (or other asset) as security for the loan.

If you buy from a car yard, the car dealer might offer to arrange finance for you. While dealer finance might seem more convenient, it's usually cheaper to get a loan elsewhere. Banks, building societies, credit unions and specialist lending and leasing companies also offer car loans.

Choosing a car loan

	How it Works	What to watch out for
Secured loan (often called a Chattel Mortgage)	You offer an asset, such as the car you are buying, as security or collateral for the loan.	If you don't make repayments, the credit provider can repossess and sell your asset to get their money back (without going to court). The age of your car will affect its resale value. If your car is sold for less than you owe, you can end up having to pay the credit provider the difference.
Unsecured loan (often referred to as a Personal Loan)	You do not need to have an asset to offer as security. Unsecured loans are usually harder to get, as you need to convince credit providers that your credit worthiness and financial position are good enough for them to give you a loan without you having an asset to sell if you can't pay your debt.	If you fail to repay the loan, the credit provider can still take you to court in order to sell your property and recover the money. Interest rates are usually higher than for secured loans, since the credit provider is taking a bigger risk.

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What is the difference between a car loan and a car lease?

A car lease is different to a loan, as with a loan you own the asset (car) and pay the borrowed sum back to the lender along with interest, much like a home loan.

With a lease finance company owns the car, and you rent the car from them for an agreed period of time. You do not have a right to purchase the car once the lease has finished. At the end of the period, the lease is terminated and the car sold by the finance company. You could make an offer for the car, but the credit provider does not have to accept your offer.

A ‘Novated’ lease can be used where the car is used for business or work purposes, and part of the lease payment is deducted from your salary pre-tax. Often a Novated Lease will also cover car maintenance and regular servicing as well.

How do I apply for a car loan?

Car loans are relatively easy to apply for and quick to settle, with funds generally being available 3-5 days from the time of application. Generally we’ll only need recent payslips, some ID and a description of the car to start the application process.

Call us on 02 9220 0396 if you need any further information, or are thinking of buying a new car and want to know more about your options.