

Instructor Guide

Money Smart

Loan to Own



NATIONAL ASSOCIATION OF FEDERAL CREDIT UNIONS

Table of Contents

Instructor Information 1

Before the Session.....	1
Materials and Equipment.....	1
Instructor Steps.....	2
Icons.....	3

Loan To Own 4

Course Introduction.....	5
What Do You Know.....	7
Installment Loan Basics.....	8
Car Loans.....	12
Other Secured Installment Loans.....	15
Unsecured Installment Loans.....	19
Course Summary.....	36
End of Course Evaluation.....	37

Instructor Information

Before the Session

To properly present the *Loan To Own* course, you should:

- Review all materials in the Instructor Guide and the Participant Take-Home Guide.
- Make copies of the Participant Take-Home Guide.
- Copy the slides (overheads) onto transparencies.
- When appropriate, prepare chart paper examples.
- Identify potential trouble spots in the exercises as well as hints for assisting participants.
- Select and prepare anecdotes from real-world experiences that can be used to illustrate special scenarios, generate discussions, and maintain participant interest.

Material and Equipment

- Transparency projector
- *Loan To Own* transparencies
- Chart paper and easel
- Markers for chart paper and transparencies
- Pencils or pens for each participant
- Name tents
- Participant Take-Home Guides

Instructor Steps

Step-by-step directions are provided for the instructor. The text below is an example of an instructor step:

Instructor Cue	Instructions
Slide 2	<ul style="list-style-type: none">➤ Show Slide 2 (You Will Know).➤ Review course objectives.

Generally, these steps enable the instructor to ask questions, provide explanations, show slides, hand out materials, and introduce exercises.

Icons

Icons alert the instructor to discussion questions, exercises, transitions, and summaries. They appear in the left margin:



Ask questions or conduct a discussion.



Distribute a handout.



Give exercise information or record the results of a brainstorm.



Refer to activity material.



Indicate the beginning of an individual activity or exercise.



Indicate the beginning of a group activity or exercise.



Summarize an activity or check for understanding.



Summarize the course.



Transition to the next topic.

Thumbnail-sized replicas of the slides have been placed in the left column.

Loan To Own

Time


60 Minutes


Objectives

By the end of this course, participants will be familiar with the characteristics of consumer installment loans. To achieve this objective, participants will be able to:



- Describe the different types of consumer installment loans
- Determine the right consumer installment loan for their needs

Course Instruction

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Before the start of the class, hand out the following materials to each participant: <ul style="list-style-type: none"> • Participant Take-Home Guide • Pencil or pen • Name tent
Slide 1	<ul style="list-style-type: none"> ➤ Show Slide 1 (Loan To Own). ➤ “Welcome to <i>Loan To Own!</i>” Introduce yourself (e.g., your name and experience as an instructor or credit union employee).
	<ul style="list-style-type: none"> ➤ Explain: “This course provides general information on consumer installment loans, including car loans.”
Slide 2	<ul style="list-style-type: none"> ➤ Slide 2 (You Will Know) ➤ Explain: “By the end of the course, you will become familiar with the characteristics of consumer installment loans. You will know: <ul style="list-style-type: none"> • The different types of consumer installment loans, and • The right consumer installment loan for your needs.”
	<ul style="list-style-type: none"> ➤ Show the Participant Take-Home Guide to the class.

Instructor Cue	Instructions
	<p>➤ Explain: “Each of you has a copy of the <i>Loan To Own Take-Home Guide</i> which contains highlights of the course. Take it home and use it as a reference.”</p>

What Do You Know

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “Take out the last page of your Take-Home Guide, the What Do You Know form.”
	<ul style="list-style-type: none"> ➤ Explain: “The What Do You Know form lets you measure how much you have learned from the course.”
	<ul style="list-style-type: none"> ➤ Read the instructions and walk the participants through each statement. ➤ Explain: “Complete the Before-the-Course column only. You will complete the other column at the end of the course.”
	<ul style="list-style-type: none"> ➤ Provide enough time for participants to complete the What Do You Know form. (1-2 minutes) ➤ Have participants put these forms aside until the end of the course when they will complete the After-the-Course column.
	<ul style="list-style-type: none"> ➤ Transition: “Now, let’s start with installment loan basics.”



Installment Loan Basics

Instructor Cue	Instructions
	<ul style="list-style-type: none">➤ Explain: “Installment loans are loans that are repaid in equal monthly payments, or installments, for a specific period of time, usually several years.”
?	<ul style="list-style-type: none">➤ Ask: “Can anyone give an example of an installment loan?”➤ Acknowledge participants’ responses. If no one responds provide an example of a car loan where monthly payments are made.


Instructor Cue	Instructions
Slide 3	<p>➤ Show Slide 3 (Lending Terms).</p> <p>➤ Explain: “Some important lending terms you should know are:</p> <ul style="list-style-type: none"> • Fixed rate loan—A loan that has an interest rate that stays the same throughout the term of the loan. Most installment loans have fixed rates. • Variable rate loan—A loan that has an interest rate that might change during any period of the loan, as written in the loan agreement, or contract. • Annual Percentage Rate—The APR is the cost of your loan expressed as a yearly percentage rate. When shopping for the best loan rates, compare the APRs rather than the interest rates, since APRs reflect the cost of interest <u>and</u> other finance charges. • Finance Charge—The dollar amount the loan will cost you. It includes items such as interest, service charges, and loan fees. • Collateral—The asset you promise to give to the lender if you do not pay back the loan. • Secured loan—A loan where the borrower offers collateral for the loan. The borrower gives up his or her right to the collateral if the loan is not paid back as agreed. • Unsecured loan—A loan where the lender does not require collateral.”


Instructor Cue	Instructions
?	<ul style="list-style-type: none"> ➤ Ask: “Kevin took out a loan for a car and used his car as collateral. What am I describing?” ➤ Answer: A secured loan.
?	<ul style="list-style-type: none"> ➤ Ask: “Michael took out a loan to buy a computer and used his savings account as collateral. Which lending term does this situation describe?” ➤ Answer: This also describes a secured loan.
?	<ul style="list-style-type: none"> ➤ Ask: “Stephanie took out a car loan and paid \$100 in loan fees and 10% interest on the loan. Which lending term does this situation describe?” ➤ Answer: Finance charges.
✓	<ul style="list-style-type: none"> ➤ Check for participants’ understanding. ➤ Ask: “Are there any questions about loan terms?” ➤ Answer participants’ questions. ➤ Explain: “We are now going to discuss: <ul style="list-style-type: none"> • What lenders look for when deciding whether to approve your loan request, and • How APRs affect the cost of your loan.”

Instructor Cue	Instructions
Slide 4	<ul style="list-style-type: none"> ➤ Show Slide 4 (The Three Cs). ➤ Explain: “Lenders generally review the three Cs to decide whether to make a loan to you. The three Cs are capacity, capital, and character.” <ul style="list-style-type: none"> • Capacity is your present and future ability to meet your payment obligations. This includes whether you have enough income to pay your bills and other debts. • Capital refers to your savings and other assets that can be used as collateral for a loan. • Character refers to how you have paid bills or debts in the past. Your credit report is one tool lenders use too consider your willingness to repay your debts.” ➤ Refer interested participants to the <i>To Your Credit</i> course for more information about the importance of credit reports.
?	<ul style="list-style-type: none"> ➤ Ask: “What rate do you compare when shopping for a loan?” ➤ Answer: The annual percentage rate (APR).



Instructor Cue	Instructions
Slide 5	<ul style="list-style-type: none"> ➤ Show Slide 5 (Annual Percentage Rate Table). ➤ Explain: “Before you commit to a loan, shop for the best APR. Even a 1% change in the APR can affect the price of your purchase over the life of the loan.” ➤ This table, which is also on page 4 of your Take-Home Guide, shows how much you would pay for a \$5,000 five-year loan with different APRs.” ➤ Explain and point out the following on the slide: “A \$5,000 loan could cost \$148.20 more if your APR was 11% instead of 10% ($\\$6,522.60 - \\$6,374.40 = \\$148.20$). ➤ If you were charged a 16% APR, the loan could cost you \$921 more than a loan with a 10% APR ($\\$7,295 - \\$6,374.40 = \\$921$). ➤
	<ul style="list-style-type: none"> ➤ Transition: “A loan could be expensive, but it is usually cheaper than some of the alternatives.”
	<ul style="list-style-type: none"> ➤ Ask: “Has anyone used, or know someone who has used, rent-to-own services?” ➤ Ask for a show of hands. ➤ Explain: “Let’s talk about the difference between secured installment loans and rent-to-own services.”

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “Although there are many similarities between secured installment loans and rent-to-own services, there are very important differences. ➤ Secured installment loans are loans that are repaid in equal monthly payments for a specific period and are secured by the item you purchased. You can use the item you purchased while you are paying. ➤ Rent-to-own allows you to use an item for a short period of time. You make weekly or monthly payments in exchange for using the item. ➤ You do not have to purchase the item. However, if you decide to purchase the item, the store will set up a plan for you to rent the item until it is paid off. ➤ The store is the legal owner until you make the final payment. If a payment is missed, the store may repossess the property, which means you do not own anything.”
	<ul style="list-style-type: none"> ➤ Explain: “With installment loans, you are charged interest and you can shop for the best deal by comparing APRs. ➤ Rent-to-own agreements are technically not loans, so no “interest” is charged and, often no credit check is performed. However, by making the weekly payments, you will pay much more than if you paid by cash. ➤ The difference between the cash price and your total payment is just like interest you would pay on a loan. Generally, installment loans are less expensive than rent-to-own agreements.”

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “Turn to the example on page 5 in your Take-Home Guide.” ➤ Explain: “In our example, Chris is trying to decide between getting an installment loan or using a rent-to-own service to purchase a television. ➤ A local electronics store was selling the television Chris wanted for \$500. A nearby rent-to-own store advertised the same model for \$15 a week. After seeing the advertisement, he went to the rent-to-own store to get more details. ➤ The manager told Chris he would own the television in 72 weeks. Chris multiplied $\\$15 \times 72$ weeks and got \$1,080. ➤ Chris also found out that if he misses one payment, the rent-to-own would take the television back. If he makes 60 payments on time – that’s $60 \times \\$15 = \\900 – and misses payment 61, he loses the television and is out \$900. ➤ The manager indicated that with rent-to-own, Chris could return the television with no obligation. Chris did another quick calculation. ➤ If he used the rent-to-own company and returned the television after a year, Chris would pay \$780 – that’s $52 \text{ weeks} \times \\$15 = \\$780$.”


Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “Chris decided to purchase the television at the electronics store for \$500. He was able to obtain a 1-year installment loan with a 10% APR. ➤ By the end of the year, Chris paid off his loan and paid a total of \$527.52. His monthly payments for the installment loan were \$43.96, which is less than what he would have paid with a rent-to-own agreement – that’s \$15 x 4 weeks = \$60 a month. ➤ By obtaining a short-term installment loan, Chris saved \$552.48 (\$1,080 - \$527.52 = \$552.48).”
	<ul style="list-style-type: none"> ➤ Transition: “We just discussed basic lending terms, the three main factors lenders review, why you should compare APRs when shopping for a loan, and the difference between installment loans secured by purchase and rent-to-own businesses. Now we will look at car loans.”

Car Loans



Instructor Cue	Instructions
	<p>➤ Explain: “There are many decisions you must make before purchasing or leasing a car. We are going to focus on financing and leasing, but let’s first talk about some other factors you need to consider when looking for a car.”</p>
	<p>➤ Ask: “What are some questions to ask yourself when looking for a car?”</p> <p>➤ Answer:</p> <ul style="list-style-type: none"> • Should I get a new or used car? • Should I lease or buy? • How much can I afford? • Should I trade in my old car?
	<p>➤ Explain: “Turn to the <i>Buying a Car</i> section on page 10 of your Take-Home Guide.”</p> <p>➤ Explain: “The Federal Trade Commission, or FTC, has publications that can help you buy a car and make sure you get the best price. At the FTC website, you can access brochures such as:</p> <ul style="list-style-type: none"> • Buying a New Car—which includes tips on how to choose a car, information on negotiating the price, and the considerations when financing a car, and • Buying a Used Car—which includes information explaining different payment options, dealer sales, private sales, and warranties. <p>➤ You can also call the FTC at the phone number listed on page 9 of your Take-Home Guide to request a copy of their brochures.”</p>

Instructor Cue	Instructions
Slide 6	<ul style="list-style-type: none"> ➤ Show Slide 6 (Car Loans versus Leases). ➤ Explain: “Now, we will discuss the basic differences between car loans and leases. You should evaluate both the costs and the benefits before deciding whether to buy or lease a car. Follow along on page 6 of your Take-Home Guide. <ul style="list-style-type: none"> • One of the main differences is ownership. When you lease a car, you do not own the car. Leases are basically long-term rental agreements. You make monthly payments to the dealership. These agreements might last 2-5 years. If you obtained a car purchase loan, you would own the car at the end of the loan. • The second difference is in wear and tear. Most leases charge for exceeding “normal” wear and tear. If you buy, you would not have any additional costs for wear and tear in your purchase agreement.”



Instructor Cue	Instructions
<p style="text-align: center; font-size: 2em;">?</p>	<ul style="list-style-type: none"> ➤ Ask: “The third difference is the monthly payment. Which monthly payments do you think are lower: lease or loan?” ➤ Answer: You will have lower monthly payments if you lease a car rather than if you finance a car. ➤ Explain: “The reason monthly lease payments would be lower than monthly loan payments is because you are not purchasing the car. The dealership owns the car. Once the lease agreement is over, you turn in the car. Although you have the option of purchasing the car at the end of the lease, the total cost would be more than if you had initially bought the car. ➤ On the other hand, with a car loan you actually pay for the vehicle. Once you finish making the payments, you own the car.”
<p style="text-align: center; font-size: 2em;">?</p>	<ul style="list-style-type: none"> ➤ Ask: “The fourth difference is mileage. What is the difference between a car loan and lease regarding mileage limitations?” ➤ Answer: Leases usually restrict the number of miles you drive each year. You must pay the dealer for each additional mile driven as stated in your lease contract. ➤ Explain: “An example of this is having a two-year lease that has a 24,000-mile restriction. Each mile driven over 24,000 will cost you \$0.15. This can add up if you drive a lot. You might be surprised how quickly miles can add up. Driving 2,000 miles over the limit would cost you \$300 (2,000 x \$0.15 = \$300). ➤ Of course, if you buy a car, there are no mileage restrictions.”

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “Lastly, there is also a difference in auto insurance rates when you lease. Auto insurance usually costs more if you lease than if you purchase a car. ➤ Most car leases require you to purchase higher levels of insurance coverage. Make sure you find out what the requirements are and get an estimate from your insurance company before you decide on leasing.”
	<ul style="list-style-type: none"> ➤ Transition: “Understand the differences and carefully consider all the costs and benefits before deciding whether to buy or lease. To help you evaluate the cost of buying a car, let’s talk about getting a car loan.
	<ul style="list-style-type: none"> ➤ Explain: “Getting a car loan is also referred to as financing your car. A car loan can be used to purchase a new or used car. Your car becomes your collateral for the loan, which means the lender will hold the car title until the loan is paid off. ➤ The title indicates who owns the car. If you do not pay the loan off, the lender can repossess, and then sell the car, to get the remaining loan amount or proceeds back. ➤ New car loans typically last 3-7 years, while used car loans last 2-4 years.”
	<ul style="list-style-type: none"> ➤ Explain: “If you decide to purchase a car, you should know exactly how much you are paying for the car and the exact amount you need to borrow. ➤ A car loan might be one of the biggest expenses you have.”

Instructor Cue	Instructions
?	<ul style="list-style-type: none"> ➤ Explain: “When considering a car loan, be sure to shop around for the best deal before you make a commitment.” ➤ Ask: “As we discussed in the beginning of this course, what rate is used to compare loans for the best buy?” ➤ Answer: The annual percentage rates (APR).
?	<ul style="list-style-type: none"> ➤ Ask: “Can anyone name some places you can obtain a car loan?” ➤ Answer: You can obtain a car loan from the following: <ul style="list-style-type: none"> • Credit Unions • Banks • Thrifts • Finance companies • Dealerships
Slide 7	<ul style="list-style-type: none"> ➤ Show Slide 7 (Obtaining a Car Loan) after the participants have responded.
	<ul style="list-style-type: none"> ➤ Explain: “Most lenders can pre-approve your car loan. This means the financial institution calculates how much money you can borrow to buy your car. ➤ This is typically a free service and does not obligate you to accept a loan offer from the institution.”


Instructor Cue	Instructions
	<p>➤ Explain: “Dealers sometimes offer low loan rates for specific cars. To get the lowest advertised rate, you might have to:</p> <ul style="list-style-type: none"> • Make a larger downpayment • Agree to a short loan term, usually three years or less • Have an excellent credit history, and • Pay a participation fee.”
	<p>➤ Ask: “Can anyone explain a participation fee?”</p> <p>➤ Answer: A participation fee is a fee that some dealer finance companies might charge for a loan.</p> <p>➤ Explain: “For example, although a 2% APR rate might be advertised, the company might charge you a participation fee of \$200 up front to get the low rate.”</p>
	<p>➤ Transition: “Let’s talk about why it’s important to shop around for the best financing.”</p>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “Sometimes, dealers try to make extra profit through the loan process. A dealer might have business relationships with many different lenders, so when you ask for dealer financing, the dealer might call several lenders. ➤ Instead of picking the lender with the best rate for you, some dealers might pick the lender that makes the most profit for the dealership. For referring you and other borrowers, the lender might split part of the profit with the dealership. ➤ Here’s an example: <ul style="list-style-type: none"> • Sam assumed the dealer would give him the best deal and did not shop around for a car loan. After all, he was able to negotiate the best price for his car at this dealership-- \$6,000 for a used pick-up truck. • The dealer told Sam that if he put \$1,000 as a downpayment, he could get a car loan for 16%. Sam accepted the agreement without researching other possibilities. ➤ This is what really happened: <ul style="list-style-type: none"> • The car dealer had called several lenders in the area for Sam. Lender A told the dealer that Sam qualifies for a \$5,000 car loan for as low as 10%. • However, Lender A had an agreement with the dealer stating that for any rate over 10%, the dealer would split the profit. This gives the dealer an incentive to work with Lender A and an incentive to charge Sam a high interest rate.”

Instructor Cue	Instructions
	<p>➤ Remember the APR Chart? The difference between a 16% loan and 10% loan was \$921. That means Sam paid \$921 more than he had to. The dealer and Lender A split the \$921.</p>
	<p>➤ Ask: “What should Sam have done differently?”</p> <p>➤ Acknowledge participants’ responses.</p>
	<p>➤ Explain: “Turn to the <i>Auto Financing Tips</i> on page 7 of your Take-Home Guide. You can follow along as I read them:</p> <ul style="list-style-type: none"> • Shop around for auto financing before going to the dealer. Get pre-approved for the loan. • Compare APRs from credit unions, banks, websites and newspapers. • Order a copy of your credit report and correct any errors a few months before shopping for a car. • Make the largest downpayment you can. Beware of a low downpayment or long repayment plans. The more you borrow and the longer you take to pay the loan, the more interest you pay and the more your car will cost you in the end. Additionally, if you have to sell your car in the first few years, you could owe the lender more than the car is worth. • Consider paying for the tags, title search, and taxes separately rather than financing them. This can reduce the amount of interest you will pay.”




Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “If you are going to apply for a loan at the dealership, make sure you first negotiate the best price on the car. Beware of dealers who insist on asking you how much you can afford every month. These dealers might be interested in making you stretch out the term of the loan to make the loan sound more affordable. However, by extending the length of the loan, your total cost will increase. ➤ Be aware of penalties. Some lenders might charge you for paying off your loan early. Remember, credit unions will not charge you a prepayment penalty. ➤ If you need to give the dealer a deposit, make sure you know whether you will get the money back if you change your mind. It is best to get this in writing. ➤ Remember service contracts, credit insurance, extended warranties, and other options are not required and can be costly over the term of the loan. ➤ Be aware of ads that promise loans for people with bad credit. These deals often require a higher downpayment or have a very high APR.”
<p style="font-size: 2em; font-weight: bold;">?</p>	<ul style="list-style-type: none"> ➤ Explain: “Once you own a car, be careful of title loans.” ➤ Ask: “Can anyone explain a title loan?” ➤ Answer: Title loans are short-term (usually one month) loans where you use your car as collateral. ➤ Explain: “It may sound like a good way to get quick cash, but it can be very costly.”

Instructor Cue	Instructions
Slide 8	<ul style="list-style-type: none"> ➤ Show Slide 8 (Title Loans). ➤ Explain: “Here is a title loan example: Michael wanted to get a one-month \$500 loan to pay for an unexpected medical expense. He saw a television commercial that mentioned, ‘If you have a car, you can get a loan.’ Michael had a car worth about \$2,500, so he decided to apply for the loan. ➤ He went to the finance company he saw on the commercial. They loaned him \$500 with a 20% monthly interest rate. Note that the finance company did not advertise the APR. The finance company took his car title as collateral and Michael kept the car. ➤ With a 20% monthly interest rate on the \$500 loan, Michael owed \$600 at the end of the month—the \$500 loan plus \$100 in interest. Michael could not repay the \$600 at the end of the month. The lender could have repossessed the car. However, the lender gave Michael the option of just paying the \$100 of interest and gave him until next month to pay the loan. ➤ At the end of every month, Michael could not come up with the \$600, so every month the lender accepted his \$100 interest payment. ➤ By the end of one year, Michael had paid \$1,200 in interest for his \$500 loan — \$100 every month = \$1,200! This equates to a loan with a 240% APR. Finally, Michael received a bonus from work and was able to pay off the \$600. This is an expensive way to borrow money.”



Instructor Cue	Instructions
	➤ Transition: “Now that we discussed the basics of the consumer installment loans and car loans, we’ll talk about other secured installment loans.”



Other Secured Installment Loans

Instructor Cue	Instructions
	<p>➤ Explain: “Examples of other secured installment loans include:</p> <ul style="list-style-type: none"> • Loans secured by the purchased item – similar to a car loan, your purchase is the collateral, and • Loans secured by an asset that is not being purchased, such as home equity loans, loans secured by savings accounts, etc. <p>➤ Let’s go over some details about home equity loans.”</p>
	<p>➤ Explain: “If you own your home, you have the option of borrowing against the value of your home. This is called a home equity loan.</p> <p>➤ Home equity loans can be used for almost any purpose. Many homeowners use home equity loans to consolidate higher interest loans or to make home improvements.</p> <p>➤ In addition to installment loans, many lenders offer home equity loans in the form of lines of credit. Lines of credit are open-end loans, like credit cards, that allow you to make multiple withdrawals up to a certain limit.</p> <p>➤ For this section, we will focus on closed-end home equity loans.”</p>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Ask: “There are some advantages of borrowing against your home. Can anyone tell me an advantage of taking out a home equity loan?” ➤ Answer: The following are advantages of borrowing against your home: <ul style="list-style-type: none"> • Lower interest rates • Interest might be tax deductible ➤ Explain: “Check with a tax preparer to clarify whether the interest will be deductible.”
	<ul style="list-style-type: none"> ➤ Ask: “What is the danger of borrowing against your home?” ➤ Answer: If you cannot make your monthly payments, you could lose your home. ➤ Explain: “Because of this danger, there is a law that gives borrowers three days to reconsider a signed home equity loan agreement and cancel the loan without a penalty. This is called ‘right to rescind’ or ‘right to cancel’ and this applies when you use your primary home as collateral.”
	<ul style="list-style-type: none"> ➤ Check for understanding ➤ Ask: “Are there any questions?” ➤ Answer questions.
	<ul style="list-style-type: none"> ➤ Explain: “Many home equity loans are used to make home improvements. If you decide to use a home equity loan to make improvements or repairs, be careful.”

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “Let me give you an example of why you need to be careful. ➤ Shady Contractor came by Jim’s house and offered to install a new roof. Shady Contractor’s price sounded fair. Jim said he was interested but could not afford Shady Contractor’s services at that time. ➤ Shady Contractor said Jim should not worry. Shady Contractor said he could arrange for financing through a lender he knows. Shady Contractor sounded honest and sincere, and Jim really wanted his roof fixed, so he agreed. ➤ Shady Contractor started work on the roof. A few days later, Jim was asked to sign documents. Jim was alarmed that the lender rushed him through, without letting him read the documents. Shady Contractor threatened to walk off the job if Jim didn’t sign the loan papers. ➤ Later, Jim realized he signed a home equity loan. The interest rates, points, and fees were very high. Jim felt cheated, but took comfort in the thought that at least his roof would be fixed. However, soon after the loan closed, Shady Contractor stopped coming to fix the roof. The roof work was not completed. ➤ Jim found out the lender paid the Shady Contractor directly—it was part of the contract agreement that Jim did not read. Now that Shady Contractor had his money, he did not care whether he did a good job. Jim had a difficult time paying his loan and had to find someone else to finish fixing his roof.”

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Ask: “Where did Jim go wrong? What should he do now?” ➤ Acknowledge participants’ answers.
	<ul style="list-style-type: none"> ➤ Explain: “If you think you are a victim of a scam, contact local law enforcement and an attorney. Most communities have programs that provide free legal services to individuals with little or no income. Look in the community services pages of your phone book, or look in the white pages under ‘Legal Services of...’ for the phone number of the local program.” ➤ Explain: “The American Bar Association has a directory of pro bono programs or volunteer lawyer programs. The programs use local lawyers who have agreed to provide free legal services. To find a program in your area, visit the website located on page 10 of your Take-Home Guide.”




Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Ask: “What tips would you give a friend who is considering a home equity loan?” ➤ Answer: <ul style="list-style-type: none"> • Don’t agree to a home equity loan if you don’t have enough income to make the monthly payments. • Don’t let anyone pressure you into signing any documents; read and understand all closing papers carefully. Don’t be afraid to ask questions. • Remember to shop around for the best rates. • Remember, all home equity loans that are secured by your primary home have a three-day cancellation period. This means you have three days to change your mind. ➤ Explain: “These tips are listed on page 8 of your Take-Home Guide.” ➤ To get more information on home improvement, including how to hire contractors, how to understand your payment options, and how to protect yourself from home improvement scams, read the FTC brochure, <i>Home Sweet Home...Improvement</i>. ➤ The brochure can be found at the FTC website. You can also call the FTC to request the brochure. The phone number is listed on page 9 of your Take-Home Guide.”
	<ul style="list-style-type: none"> ➤ Transition: “We just discussed some secured installment loans. Now let’s briefly discuss unsecured installment loans.”

Unsecured Installment Loans



Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “Unsecured installment loans, sometimes called personal or signature loans, can be used for a variety of personal expenses, such as bill consolidation, education expenses, or medical expenses. ➤ There is no collateral requirement for an unsecured loan. The terms of the loan might range from 1-5 years. ➤ Since credit card use has become popular, the use of unsecured consumer installment loans has declined. However, some financial institutions still offer unsecured installment loans.”
Slide 9	<ul style="list-style-type: none"> ➤ Show Slide 9 (Unsecured Installment Loan Benefits). ➤ Explain: “Some benefits of unsecured installment loans include: <ul style="list-style-type: none"> • Fast approval rate • Interest rates might be lower than credit card rates”
?	<ul style="list-style-type: none"> ➤ Ask: “Can you think of any drawback to unsecured loans?” ➤ Answer: The following are some drawbacks to unsecured loans. <ul style="list-style-type: none"> • Interest rates are generally higher than on secured loans • Lenders might have stricter credit requirements since there is no collateral to collect if the borrower does not pay.

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “If you plan to use an unsecured installment loan to consolidate your other loans, make sure the new APR is lower than your current APR. ➤ Don’t be tricked into signing up to consolidate bills at a higher rate. You will end up paying more in interest and loan fees.”
	<ul style="list-style-type: none"> ➤ Explain: “As with any other loans, you could become overwhelmed and unable to make the payments. If you have trouble paying your bills, you might consider getting credit counseling. ➤ Good credit counseling agencies can help you budget and negotiate with your lenders to make loan payments more manageable.”
	<ul style="list-style-type: none"> ➤ Explain: “More information on how to choose a credit counselor can be found by taking the <i>Charge It Right</i> course. Also, the <i>Money Matters</i> course has helpful budgeting tips.”

Course Summary

Instructor Cue	Instructions
	<p>➤ Summarize the course: “Congratulations! You’ve completed the <i>Loan To Own</i> course. We’ve covered a lot of information about consumer installment loans including:</p> <ul style="list-style-type: none"> • Installment loan basics • Car loans • Other secured installment loans, and • Unsecured installment loans <p>➤ You should now be able to describe the characteristics of consumer installment loans.”</p>
	<p>➤ Ask: “Are there any questions?”</p> <p>➤ Answer questions as time permits.</p>
	<p>➤ Transition: “To improve the course, we will need your feedback. The After-the-Course column and Course Evaluation will identify changes that can make this course better.”</p>

End of Course Evaluation

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ➤ Explain: “Please complete the After-the-Course column and the Course Evaluation. These forms are the last two pages of your Take-Home Guide.”
	<ul style="list-style-type: none"> ➤ Allow time for participants to complete it.
	<ul style="list-style-type: none"> ➤ Collect the What Do You Know and Course Evaluation forms.
	<ul style="list-style-type: none"> ➤ Conclusion: “Great job on completing the <i>Loan To Own</i> course! Thank you for participating.”