

ECONOMICS WEEK THREE ONLINE INSTRUCTION  
*A LOOK AT CONSUMER LAW*  
*"CARS AND THE CONSUMER"*



Mr. Sapia

Week Three: Monday May 11, 2020 through Sunday May 17, 2020

Name/Class:

Economics 11

Date:

Mr. Sapia

### **WEEK THREE ONLINE INSTRUCTION ECONOMICS TASK**

An automobile might be one of the most important purchases you will ever make. Buying, leasing, maintaining, and selling an automobile involves many legal issues. When you shop for new or used car, you should consider at least five general characteristics: safety, price, quality, warranty, and fuel economy. Unfortunately, many consumers failed to compare safety features when shopping for car. Safety features are important because, in an average year, one out of every three motorists is involved in an automobile accident. Federal law requires car dealers to provide a pamphlet that details safety aspects of all new cars. This pamphlet includes information on acceleration and passing ability, stopping distance, and tire load. As well as obtaining this information, you should always check visibility from the driver's seat-- check for blind spots, windshield glare, and strong sunlight, and positioning of inside and outside mirrors. In addition, you should check whether you could reach all controls while sitting in the driver's seat with the seatbelt fastened. And consider what protection is afforded by bumpers, safety belts, and airbags. If you have child safety seats, be sure they fit the car.

In considering price, remember that virtually no one pays the sticker price for new or used car. Discounts are common. The size of the discount depends on the time of year, your negotiating ability, special sales, manufacturers' bonuses, rebates, and other factors.

You should compare fuel economy, warranties, and the dealer's capability to make repairs the same way you compare safety features and price. Many new cars have bumper to bumper warranties covering most part-- except batteries and tires-- against defects with 36,000 miles or 36 months, whichever comes first. Some manufacturers warrant the engine and drivetrain for longer. Other manufacturers offer a warranty as part of the purchase price, but also make available an extended warranty (actually a service contract) for an additional cost. Warranties vary, so be certain that you read and fully understand exactly what protection the warranty provides.

In some instances, used cars come with warranties. The Federal Trade Commission now requires used car dealers to place large stickers--a "buyer's guide" in the window of every vehicle offered for sale. The sticker must tell you whether the vehicle comes with the express warranty. If it does, the sticker must detail what the warranty includes. If the sticker says the car comes "as is," this means no warranty is provided. In some places, however, state law prohibits a car for being sold "as is." Finally, the sticker will advise you to get all promises in writing and to have the car inspected by a mechanic before you buy it. Keep in mind that a car's new- car warranty might still apply when you purchase it used.

Although call warranties are now easier to read and protections have been expanded, there are still time all mileage limits (or both) on warranties. Also, a warranty may become ineffective if you fail to perform scheduled maintenance or if you misuse the car. Always be sure to warranty and any additional promises are in writing. Keep these papers in a safe place.

Most new car buyers and many use car buyers make their purchases on credit. Buyers may select the length of the repayment period, which may be as long as five years. The longer the repayment period, the lower the monthly payments will be. However, loan repayments that are longer also means that the customer is paying more money and interest. Actual interest rates for car loans will vary depending upon a number of factors, including whether the call you are purchasing is new or used. Interest rates are generally lower on the new cars because of the higher price of the vehicle. Interest rates are vary based on your lender, your credit worthiness, and general economic conditions.

Automobile financing is usually available from the following sources: car dealers, banks, credit unions, and finance companies. When comparing finance charges among lenders, make certain that the same down payment and repayment period are used for each loan. In comparing terms, you will mostly be concerned with the annual percentage rate (APR). However, you should also read all the terms carefully so that you can answer the following questions:

- 1. Will there be a refund of finance charges if the loan is repaid ahead of schedule?*
- 2. Will there be fair warning in the event of a repossession?*
- 3. Is there a penalty for late payments? If so, how much?*
- 4. Will all payments immediately become due if a payment is missed?*

If you cannot answer all of these questions by reading the loan terms, have someone help you read and understand the agreement.

### CASE STUDY--- "The Used-Car Purchase"

Having saved \$1000 from his summer job, Moshe responded to an ad for "like new! One-owner Used Cars." A salesperson for Sapia's Used Cars Dealership watched Moshe wander around the car lot until he was attracted to a bright red compact car. Moshe told a salesperson that this car

look just right for him. The salesperson replied, "you made a great choice." This is an excellent car. It will give you many years of good service."

Although the sticker price was \$3600, the salesperson thought he might be able to get Moshe a \$50 discount because he was a "a nice hard-working student getting his first car." After conferring with the sales manager, he told Moshe that he could have the car for \$3500 and that the dealer can arrange to finance the car and sell him all necessary insurance.

Moshe knew that he would need a loan, and his parents had warned him that insurance was required by law. His excitement increased as it appeared that all his car-needs could be met in one-stop.

Moshe saw a sticker on the car's window indicating that this car came with a warranty. The salesperson told him that Mr. Sapia Used Cars Dealership would make any repairs to the engine for damage not caused by his misuse for 30 days or 10,000 miles, whichever came first. Now he felt confident, about using all of his savings as a down payment. After all, what repair bills could he have with such a nice car company by a terrific warranty?

Name/Class:

Economics 11\_\_

Date:

Mr. Sapia

**WEEK THREE-- ANSWER SHEET-- ECONOMICS ONLINE INSTRUCTION**

Directions: Please record your answers in the space that is provided for you after each question. As always, please write neatly. Any answers that I cannot read or understand will unfortunately be given a score of zero. A friendly reminder to email me back only the answer sheet for this particular assignment. Thank you.

1. In addition to the purchase price, what other costs should you consider when you are deciding to purchase a car?

2. Where can you find information about each of these costs?

Interest on a \$6000 loan

Amount borrowed	APR (annual percentage rate)	Term of loan(in months)	Monthly payment	Total finance charge
\$6000	10%	24	\$276.87	?
\$6000	10%	36	\$193.60	?
\$6000	10%	48	\$ 152.18	?

*Mr. Sapia is buying a used car for \$7000. He can make a down payment of \$1000 and needs to borrow the remaining \$6000. Assume that credit is available only from the source listed above.*

3. What is the total cost of the car at the term of the loan is 24 months?

4. What is the total cost of the car at the term of the loan is 48 months?

5. Identify two things Moshe (in the case study "The Used Car Purchase" ) should have done at the dealership before agreeing to buy the car?