The impact that auto financing has on other parts of consumers’ lives is immense, particularly if the consumer is put into a bad financing deal. A bad financing deal means that the consumer may not be able to pay other bills, such as a mortgage or other essential expenses like utilities. Further, bad financing deals often lead to a repossession of the vehicle, and for most consumers this is a major life-changing event. For the consumer there are serious consequences to a repossession that is predicated upon bad financing.

First, the consumer is often left penniless. Consumers routinely put down all of their cash reserves to make a large down payment. Oftentimes this money comes from tax refunds or any other cash that the consumer can come up with, or has saved. If the car is repossessed after a bad financing deal, that money is rarely if ever returned after repossession, even if the customer has had the car for only a few weeks.

Second, a repossession caused by bad financing usually leaves the consumer wholly without transportation. Most consumers have only one car, or have more than one when other family members need to use them regularly. At the time of purchase, and in addition to making a large cash down payment, many if not most deals involve a trade in of the consumer’s prior car. That trade-in is swiftly sold by the dealer, so if the new car is repossessed, the old car cannot be recovered.

So if a buyer enters into a bad financing deal, in the end they are generally left completely penniless and without a prospect for necessary transportation. What this means is that in addition to losing cash and credit, the consumer could lose their job, and/or their semester in college. Under either of those scenarios, the customer stands to lose thousands upon thousands more dollars in lost wages and non-refundable student loans. That’s on top of the thousands in down payment and vehicle value that was already lost due to repossession predicated upon bad financing.

Public transportation is most likely not an option. Here in Indianapolis there is a public transportation system but it’s reach is very limited and it cannot be used for all of a person’s needs. Repossession predicated upon bad financing can impact a person’s ability to regularly see their doctor, affecting health and earning capacity. The ability to have child visitation, go to the store, it just affects every aspect of a consumer’s financial life.

Consumers are aware that their vehicle is critical to their well-being, so if they’re in a bad financing deal, be it overpriced or on other bad terms, they are choosing to put off mortgage payments and other essential payments to make sure that they can still maintain their earning capacity. By doing so they risk foreclosure, bankruptcy, utility shut-offs, and other negative financial consequences.

Finally, dealer-arranged financing puts a major hit on a person’s credit. When a consumer consents to have his credit pulled for dealer arranged financing, they’re not aware of the number of companies that
will see their credit, and for each company that does see the credit report, it lowers the credit score of that person. If after that, poor financing leads to a repossession, their credit may not be good enough to secure another car loan.

So in conclusion, auto financing is a critical part of most Americans’ lives. Poor financing and repossession are major life disrupters. Anything that can be done to increase transparency and fairness in the market is a hugely positive development.