

FOR IMMEDIATE RELEASE

Think Twice Before Resorting to Repossession of Your Automobile

Although owning a vehicle is not considered a luxury, the cost of transportation can be excessive for the typical middle-class American's budget. Car and lease payments, insurance, gasoline, repairs and maintenance costs can really add up. In fact, these costs can consume up to 20 percent of the driver's take-home pay. As a result, many consumers are forced to consider "voluntary repossession," in order to lessen their monthly financial burden. If you are struggling to make your loan or lease payment, there are a few facts you should know before having to resort to repossession.

- **Repossession is repossession- voluntary or not.** Both voluntary and involuntary repossession impact your credit in the same way. The only difference is that you voluntarily return the vehicle, meaning you could save on some fees associated with its collection. Either way, the negative notation will remain on your credit bureau file for seven years.
- **Your obligations may not end after the vehicle is repossessed.** Once a vehicle is repossessed, the lender will most likely sell it to the highest bidder and apply the proceeds of the sale to the balance owed on the car. If the sale price is not sufficient to pay the balance due, there will be a "deficiency balance" remaining. You will be legally obligated to pay this deficiency balance. If you do not pay this balance, the creditor can possibly sue you to try and collect.
- **Preventing repossession is easier than disputing it afterward.** If you are unable to make a timely payment, contact your creditor or lessor immediately. Many creditors or lessors have programs in place to help people experiencing temporary setbacks. If you are able to negotiate a revised schedule of payments, get the details in writing to avoid future problems.
- **Co-signers are equally responsible.** If you have a co-borrower, and your vehicle is repossessed, not only will the repossession appear on the co-signer's credit report, but they are also legally responsible for any deficiency balance.

Since the cost of having a vehicle repossessed is substantial, it makes sense to exhaust all options before allowing repossession to occur. Some alternatives to repossession might be to sell the vehicle, to find someone to "assume" your lease, or to take out a different type of loan (i.e. home equity loan) to satisfy the debt.

"The easiest way to prevent repossession is to plan ahead by budgeting," said Rudy Cavazos, director of corporate and media relations for Money Management International (MMI). "That may mean driving a less expensive car, buying used instead of new, or waiting to make a new car purchase until you can pay for it with cash."

For more information about your rights and responsibilities, visit www.ftc.gov or www.moneymanagement.org.