

## Car Loan (Consumer Loan)

A Car Loan is a personal finance product where the financier lends the customer funds for the purchase of a vehicle, and secures the loan against that vehicle.

A Car Loan is can also be known as a **Consumer Loan** or a **Secured Car Loan**.

### How does a Car Loan work?

Under a Car Loan the financier advances funds to the customer to purchase a car.

The customer takes ownership of the vehicle at the time of purchase, and the financier takes an interest in the vehicle as security for the loan.

Once the contract is completed, the financier lifts their interest in the vehicle, giving the customer clear title.

### Benefits of a Car Loan

- Flexible contract terms ranging from 24 to 84 months (two to seven years)
- A balloon value can be applied to the contract enabling the monthly repayments to be tailored to a budget
- Choice of fixed or variable interest rates
- Deposit (either cash or trade-in) may be used
- A tax deduction is available when the vehicle is used for business purposes
- The loan is secured against the vehicle, allowing lower interest rates

### Who does a Car Loan Suit?

A Car Loan is suitable for individuals who wish to purchase a car and do not have significant business use of their vehicle or the option of Novated leasing (salary packaging).

### Tax Implications of a Car Loan

As a Car Loan is a personal finance product, only normal tax deductions for depreciation and running costs can be claimed (on a pro-rata basis according to the percentage of business use).