Article published on March 27th 2012 | Auto

Buy Here Pay Here (BHPH) scheme is a method in which a car is financed directly from the car dealership instead of loaning money from a third party (i.e. insurance or banks). The method implies that prospective car owners visit a dealership and choose the car they want to purchase. After doing this, dealers give owners a form to sign and buyers make necessary arrangements to pay the dealer either on a weekly or monthly basis.

Buy Here Pay Here Facets

In BHPH case, the car dealer acts as a lender treats the ownerâ€™s car as collateral. This means that dealers can repossess the cars if buyers have missed a payment. Charges for the Buy Here Pay Here scheme can run as high as 20 percent annually. But the financial crisis back in 2007 to through 2009, made the government scrutinize at consumer protection laws. One of the areas targeted for this campaign is car dealerships and their operations.

There is also a catch when it comes to BHPH. For one, dealers can charge very high rates in case that owners default in their weekly or month payments. The high interest is already factored in to ensure that dealers still get the some sort of compensation even if owners fail to meet their payment regularly at some point.

The BHPHâ€™s operations draw car owners who have bad credit. In most cases, Buy Here Pay Here Indianapolis dealerships donâ€™t require credit check or loan approval to get car financing started. That is why a lot of people suffering from bad credit or bankruptcy opt to have car financing in these terms. To qualify for a BHPH though, buyers must have a stable job or a regular income that would make monthly payment possible.

Regulations for Buy Here Pay Here

As part of the reforms initiated after the financial crisis, the federal government created a Consumer Financial Protection Bureau in 2010. Although car dealerships are exempted as provided by Brownback Amendment, the CFPB has the scope of protecting consumer from unfair lending practices and could go after dealerships who engaged in lending malpractices. Buy Here Pay Here dealers Indianapolis residents trust ensure their clients that they do not fall short since dealers will communicate with their clients about payments that fit their budget.

Other regulations include â€œTruth in Lending Actâ€• that requires dealers as well as consumers to provid the right of amount of information disclosure with regards to their finances. The Federal Reserve continues to monitor car dealerships for Buy Here Pay Here Indianapolis in complying with this act even with different state regulations about BHPH.

Article Source:
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