

# Monday Rant #5 - Lesson Learned Co-Signing for a Car Loan

If you're thinking about co-signing on a loan for a friend or family member, maybe you should reconsider.

I know we all want to help out our friends and family. But, I am going to share a story with you about my experience with co-signing. **It cost me about \$3,000...ouch!**

Before we get started there is one thing you need to internalize: **no one cares about your money as much as you do!**

## The 1st and last time I ever co-signed a loan

It was 2006 and my dad had just been released from prison on parole for good behavior...**AGAIN**. Anybody that has read [my story](#) knows that it is a scene out of the movies, but it was real life for me.

I had just finished my 1st semester of college as a freshman. Back in my more naive days I actually believed that my dad would get his act together this time and that things would be different. I deeply yearned to have a relationship with the man that helped give me life. Although he had made some really bad decisions that not only affected his own life, but the lives of my brothers and I, I still wanted a connection.

During the winter break between the fall and spring semester I drove to the middle of nowhere (somewhere in Central California) to pick him up on his release date. Before I ever picked him up I decided that I would take an active role in helping him get back on his feet.

He was going to need a car to get around right?

Let's just say that you don't make very much money in prison. Actually, I was

surprised that you could make any money in prison. What about credit score? Yeah, that wasn't very pretty either.

It really only left two options for me in order to help him get a car:

1. Pay cash for a car
2. **OR help him get financing**

As you could imagine, as a college student, I didn't have the fat bank account I do now. I wasn't broke, but there was no way I was going to drain my savings account and risk not being able to pay for school, books, and the dorms I was staying in.

This really only left financing on the table. I was committed to help my dad get off on the right foot and never imagined I would end up getting screwed.

## **We found a certified used car at the Nissan Dealership**

After driving my dad around for the first few weeks of his release, I realized that I was going to be heading back to school, and that he was still going to need to get around – especially to get around and find work. It is worth pointing out that he did indeed have some construction jobs lined up through the family.

Over the course of several days we visited about a dozen car dealerships to view the inventory and test drive a few cars. We were not looking for anything fancy. Instead we were looking for the best deal. A car that had low mileage, was in good physical condition, and a great price.

We eventually settled on a car. Unfortunately I don't remember the year, make, or model.

It was time to start the sales process. You know the one I am talking about. The salesman takes 4 hours going back and forth between you and the boss man in the glass room. We finally settle on \$7,000 out the door for the car. It has been so long now that I don't even remember if we put any money down or not. I do know that in order to drive the car off the lot my dad was going to need insurance, so I pre-paid the insurance up front at like \$1,200 for the year.

## **Everything was GREAT until...it all went to HELL!**

The deal was that my dad would make the payments on the car and would pay me back as he earned money. This should have been a relatively easy task for him and here is why:

1. He was living with my grandparents rent free (even the food was free). They wanted to see him succeed this time as well.
2. He was able to start up his disability from breaking his back in the late 80's.
3. AND he was getting paid good money from the family to do different jobs like painting, flooring, and trim.

About two years into the loan I get a call from the loan company and was told that the car payment had not been made in months. Not only this, my dad still owed me something like \$800 from the pre-paid insurance when we first purchased the car.

Come to find out, he had gone and bought a new car, and somehow convinced my aunt to co-sign this time.

He told me that he was a little behind, but would be catching it up "this week."

To make a very long story short...he never made those payments. I ended up going to Western Union and wired \$3,200 to settle the loan so that my credit was not hurt. After paying it off I told my dad that I was going to come and pick up the car and try to sell it to recoup my money.

### **It had been destroyed!**

The bumper was secured with duct tape. The inside of the doors were missing the panels. The leather seats had been cut open and then covered with duct tape. The rear view mirror and the stereo was completely missing. All the knobs that control the air were also gone.

But wait...there's more!

Luckily the damn thing at least started up...**with a FREAKIN screw driver.**

Then I went to put the shifter into drive and as you would expect...the **shifter handle came right off**. Like any proud car owner I began the 20 minute drive to my grandparents where I was headed to park the car. The axles shook back and

forth like a dog so excited wagging its tail that their entire back end wiggles.

I am no mechanic but I don't think that is normal **OR safe at all.**

I forgot to mention that my father's tweaker friend did offer to buy the car for \$900, which I turned down, before I started driving the piece of crap. But I did take down his number just in case.

It's a miracle I even got that thing home. I realized after making it to my grandparents that there was no way I was going to be able to sell this to anyone in their right mind.

Remember that "just in case?"

In order to avoid seeming desperate I waiting until the end of the week to call the only person in the world I was going to be able to recoup any of the money I had sunk into this car. I told him that I couldn't sell it for \$900, but if he could come up with \$1,200 cash I would drive it too him right then and there.

Luckily I had already received the pink slip in the mail.

I can't remember what the guy's name was, but we will call him "Gums?" Mostly because in all honesty I think he had more fingers then he had teeth. Okay, so I made that part up, but now you have a visualization of the kind of person I was dealing with.

He agreed to \$1,100 (he was in a position of strength, especially since the car was worth ZERO). Not wanting to push my luck, since I had already squeezed an additional \$200 from his initial offer I accepted and told him I would meet him at his house in 30 minutes.

My girlfriend at the time (now wife) followed me out there so that I would have a ride back after selling this hunk of junk.

The deal was done and after everything was said and done I had lost about \$2,900. That doesn't even count the additional \$1,600 that I lent my father during that same time period...but that is a story for another day.

## The Big Fat Conclusion

I would strongly advise that you don't ever co-sign for anyone outside of your spouse. More often than not it is probably going to end badly. Most people need a co-signer for a reason, remember that they are the rule not the exception.

If you really want to help them out then you have to be okay with the possibility that you are fully responsible for the entire loan. In the event that they don't pay you are on the hook.

Look at it like this; if the loan you were co-signing was \$10,000, would you be okay handing over \$10,000? If the answer is no, then don't co-sign. If the answer is yes, then ask yourself one more question before co-signing. If you had to hand over the \$10,000 after your friend or family member defaulted on the loan, would that change the relationship?

If the answer is yes, then don't co-sign.

*Does anyone else have a story of co-signing? Good or bad? Share your experiences in the comments below.*

- Gen Y Finance Guy



### Gen Y Finance Guy

**Hey, I'm Dom** - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but

instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)