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After much thought, youâ€™ve finally chosen the car for you. Youâ€™ve also decided to finance your purchase with a car loan. Hereâ€™s what you need to know about car loans and the requirements for them.

You can get car loans from two different sources: the bank and the dealer. The bank gives you the loan directly. The dealer, on the other hand, mediates between you and the bank. In some cases, the car loan requires you to secure your car as collateral; that is, in the event you cannot fully pay the loan by the time specified in the contract, the bank or dealer has the right to seize the car.

The five most frequent car loan requirements are the following, not necessarily in order of importance: (1) proof of income; (2) proof of identity; (3) proof of residence; (4) proof of insurance; and (5) trade-in documentation, if applicable. Your bank or dealer may want to see your credit score and/or ask you to make a down payment. You can say patience is a virtue with car loans.

The proof of income is a good indicator of your financial capacity to pay for the car. If your income is high, chances are the car loan granted will be proportionately high. You may also indicate assets that you can use as collateral for your car.

Naturally, lenders like Indianapolis car dealerships wonâ€™t give car loans to people whose identities and residences cannot be verified. This is the reason you need to present your proof of identity and residence. Acceptable identification cards include government issued cards, stock certificates, titles to your house or other vehicles, etc. A good proof of residence would be your utility bills.

Itâ€™s highly recommended that you take out car insurance before you buy from car dealerships in Indianapolis. Trade-in documentation is a must if you are trading in a vehicle while youâ€™re applying for your car loan. Trade-in documentation includes proof of ownership of the vehicle you intend to trade, such as registration papers and the title, as well as proof of the value of the vehicle.

If you want to strengthen your value in the eyes of the lender, it helps if you have a good credit rating and a down payment. Your income determines your capacity to pay, while your credit score gives insight into your attitude as a debtor. Lenders tend to give lower interest rates for people who are able to make down payments, which translates to lower monthly payments for you. If you live in Indianapolis, you can save more by buying from used car dealerships in Indianapolis, and reading this article: edmunds.com/car-buying/how-to-get-a-used-car-bargain-part-one.html.

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