Auto Loan Tips to Avoid an Impulsive Car Purchase by Alan Hendricks

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Cars have changed our lives ever since the first car was launched. The entire America is head over heels for automobiles. But, cars are so expensive that you need a reasonable auto loan to buy it.

Buying a car is easy; getting the best loan rates is very difficult. The most awful scams occur when car buyers donâ€™t take an informed decision. So, it is essential that you understand all about car loans.

For getting a car loan, there are several options with you. You can consider traditional options like banks and financial institutions. If you want to get loans without leaving the comfort of your home, online lending companies is your best choice. All you have to do is fill a simple application form. The company will do the work of searching the most qualified lender for you.

Whatever lending option you choose, it is essential that you take a well-informed and well-thought decision. There is nothing worse than an impulsive purchase. Here are some car loan â€“ doâ€™s and donâ€™ts to help you get the best auto financing deal.

THE DONâ€™TS

Donâ€™t Leave Your Home Unprepared

Not everyone will con you. But, why take the chance?

Never, I mean never go to a lender/dealer unprepared for getting finance. It is smart to have some basic information before leaving your home. You must have a basic idea of what kind of auto loan you want. You must have answer to questions like, is there any major expense coming in the next few months? Can you really afford a car loan? Do you need a three year or a five year term? How much monthly payment can you afford?

When you have clear answers to such questions, you will be able to negotiate with the lender in a better way.

Most people get so excited for buying their dream car that they consider finance unimportant. But, you shouldnâ€™t make the same mistake. First of all, prepare a budget. It will help you practically narrow down your search. Do remember to factor in registration and title fees, insurance costs, fuel and maintenance expenses, etc.

Also, know your accurate and current credit score. Lenders and dealers can fraud you by telling that you have a very bad credit score. There are several websites that just charge a nominal fee for your credit score. If you want to check your credit report, then freecreditreport.com is your answer. It will give your report for free, but not your score.

Don't Settle Without Shopping Around

Convenience is the buzz word today. We are ready to spend more if we are offered convenience and comfort. But, it is doesnâ€™t mean lenders can rip us off in the name of ease. It seems very comfortable to get car and finance from one place. All work can be done in a single day itself. But, you must know that dealers often sell your credit application to other lenders and charge commission for it. This commission is added to your interest rate. So, it is essential that you shop around and get loan quotes from several companies.

If you wonâ€™t shop, how will you know about the best deal? Buying a car is not like buying your Chinese take-out. It is much more important expense than that.

Make the most of your computer and apply on several online websites. You will be able to generate free quotes. These companies have online loan calculators which mean you will be able to compare the loan rates also.

Donâ€™t Sign Anything Unless You Are Sure

Your car will stay with you for next 3-5 years. You will be paying off your car loan for almost the same amount. So, you just cannot sign the contract without reading it thoroughly. Every word, every clause in the agreement should be very clear to you. If you donâ€™t understand something, ask your lender. Donâ€™t just sign the document because your lender said he is giving you the best deal. Read and make sure he is offering you the best.

DOâ€™S

Lower Your Loan Amount

A car is an expensive purchase. When your LTV is hundred percent or may be more than that, you are risking your investment. How? It is so because the chances of an up-side down increase to a greater extent. A car depreciates quickly and there is a possibility that over the span of time your carâ€™s value will be lesser than your loan amount.

You can decrease your loan amount by increasing the down payment amount. Also, a trade-in will help you. A lower amount will also give you the chance of getting a better interest rate.

Do the Calculations

You cannot believe everything the lender tells you. So, you must calculate monthly payments on your own. It is easy because online calculators are always there to help you.

Also, calculate the APR. The Annual Percentage Ratio gives you interest rate for a whole year, than just the monthly fee/rate. It will help you calculate loans with different terms on the same parameter.

Big Picture

Is a penny now better than a hundred tomorrow?

Many people consider present minuscule savings more important than a future treasure. They opt for a low down payment because it is easy very easy to manage. But, they donâ€™t consider that a huge down payment can help them save on interest rates.

Donâ€™t think low payments mean great loan rates. The lender may lower your monthly payments but extend your loan term. This wonâ€™t do any good for you. There are several options with you. You can go for high payments, pay-off your loan early and lower the risk of up-side. If you are predicting a huge income source in future, you can go for balloon payments also.

Do Negotiate

It is a general misconception that loan rates are non-negotiable. People think lenders are doing favor by offering them loan. But, it is not so. You have the right to get the best possible deal. So, donâ€™t settle for what the lender offers you.

Donâ€™t only discuss the interest rates. But, let the lender know that you wonâ€™t pay any pre-payment penalty. This will help you to refinance your loan, if you need to.

All these tips will make you better buyer. So, go ahead with this handy car loan guide get the best auto loan deal.

Say good-bye to impulsive buying. Welcome, conscious car buying!!!

All the best!

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