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Auto Loan Buying Tips

By Duane Lipham

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Have you ever felt like you bought an auto and financed it and don't really know if you got the right price or financing arrangements after it was all over? Well, don't feel alone. This is a common experience for many people who make auto purchases.

Guidelines for negotiating the car price can be found elsewhere, but we want to share some helpful tips on getting that vehicle financed at the best rates and terms for you.

The first step is to make sure that you negotiate the car's price separate from the vehicle financing arrangements. Most dealers want to lump it all together because they can hide quite a bit of the actual price of the vehicle in the loan contract, and they will usually just try to meet a monthly payment figure that you can live with rather than disclose all the details about the loan.

So your work actually should begin before you ever visit the dealer lot. Try to determine beforehand what vehicle(s) you are interested in buying and become familiar with the average cost for that vehicle, either online or locally. Then make sure that it will fit your budget. Most financial experts recommend that you shouldn't spend more than 10% of your monthly income on vehicle costs, including the loan, gas, repairs, insurance, etc.

Since you now know the price that you want to pay, you need to find out what the loan will cost, so visit some auto loan websites and/or local banks, and apply for an auto loan. See what rates and terms they offer you. Much of that will be determined by your credit history. If you can get pre-approved for a loan, all the better.

Experts also recommend that you try to put at least 20% of the car price on the loan as a down payment toward the purchase of the vehicle, either in cash or in the trade equity of your current vehicle. Why? Well, so many people are being put into loans these days with longer and longer payback periods and little down payment and the net result is that if they want to trade that car in within

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the first year or so they find that they actually may owe more on the car than it is even worth. So using sound financial decisions beforehand can prevent this from happening.

Now, using all of this information, the price you are willing to pay for the vehicle you want, the average loan you can get, and the best terms that you can get that will fit within your budget, you are now ready to visit the dealer, find the vehicle you have been thinking about and get the deal that will fit your needs. Remember to negotiate the price of the vehicle without financing first. After you settle on the sales price you can then reveal what finance terms you already have found and see if they can beat it.

Get the particulars in writing too. What is the price for the new vehicle? What is the trade amount for your old vehicle if you have one? If you finance through the dealer, what is the APR, the total amount financed, the total amount paid at the end of the loan, the total number of payments and the monthly payment figure itself? If the dealer will not give this clear, concise information, leave and go somewhere else to buy. If they can compete with your prearranged loan terms, then great. If not, get

your auto loan elsewhere.

A word of caution. Keep it to business. It's exciting to buy a new car and it's also easy to get carried away and buy more vehicle than you need or previously wanted just because it looks so good or has so many features that the dealer will try to convince you that you can't live without. Having predetermined what car you want and the price you are willing to pay will keep you safe in these negotiations but only if you stick to your guns and don't give in to being upsold.

Using these strategies keeps you in control of the negotiation process and keeps you informed all along the way so that you can be confident that the vehicle and the auto loan you purchase is indeed the deal that you wanted.

Duane Lipham is a senior editor for

which provides free information and

resources for auto, personal, mortgage, home equity, and refinance loans.

Getting That Car Loan: Simple Interest Is The Best

By Pete Lance

So here's the situation: you are buying a car but you don't know what type of auto loan offers you should go for. What should you go for?

The answer is simple enough: get a simple interest loan.

What is a simple interest loan anyway?

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A simple interest loan is a loan where you pay interest only on the original principal of the loan.

The good thing is, 90% of all auto loan offers are simple interest loans, although there are some lenders who are pushing loans that are not. You should never agree to an auto loan that is not a simple interest loan.

The second thing you DO NOT want on your auto loan is pre-payment penalties. A loan without pre-payment penalties means that the lender will not charge you an extra fee if you pay the loan off early either through refinancing or other means.

Remember that it is always easiest, and refinancing will save you the most money, when a simple interest auto loan with no prepayment penalties is refinanced with another simple interest auto loan at a lower interest rate.

Some lenders offer auto loans that are known as pre-computer loans. Sub prime lenders will often target high risk borrowers with pre-computed auto loans, and some used car dealers might push this type of auto loan financing.

If you sign up for this type of loan, you are legally committed to paying for the full principal balance of the loan as well as the total amount of all interest that would accrue over the life of the loan.

Furthermore, if you pay off your pre-computed auto loan early, the lender often uses an outdated and expensive formula known as the rule of 78s to make you pay a large sum of money for paying off the loan early.

Never go for this type of loans.

Sometimes, the best advice is to hold out for the best offer. If the first lender does not offer a simple interest auto loan with no pre-payment penalties at a reasonable and competitive interest, find another lender who will give you a better price. There are many lenders who are eager to compete for your auto loan financing.

The world has become so small it's a buyer's market. Check out local banks, auto dealers and online resources for the best interest rates with the fewest fees. By thoroughly investigating all of your options, you will definitely get a loan that is perfect for you!

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