

WHAT IS CAR LOAN CALCULATOR? HOW TO CALCULATE CAR LOAN? THE ULTIMATE GUIDE TO CAR LOAN CALCULATOR

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Description: Purchasing a car to achieve a better standard of living seems quite overwhelming. To solve this issue, people can now purchase their own cars through monthly installments. Car loan calculator calculates the amount required by the buyers to be paid over a fixed period of time. It provides a platform for the buyers to purchase their dream car on a fixed mark-up rate. Buyers have the opportunity to choose the new, used, local and imported vehicles to meet their desires. Car loan calculator service is provided by the banks or a direct dealing with the car dealer can be made to purchase the car.



CAR LOAN CALCULATOR:

Car loan calculator is a tool used by the buyers to calculate the amount required to purchase a car on monthly installments. It basically helps buyers to know the affordability of a certain car. Through car loan calculator, buyers can calculate the monthly pay by inserting loan term, interest rate and the sales tax. If the loans are not paid timely, the dealer can repossess the car or can file litigation on the buyer. Therefore, timely payment of installments must be assured by the buyer.

CAR LOAN FINANCING OPTIONS:

Basically, there are two options available for financing car loans. One is direct lending and the other is dealership financing.

1. **Direct Lending:** In direct lending, a contract is made with the car dealer and the loan is paid by the car lender via a bank or a financial institution. Direct lending often stresses the car dealers to put forward a better cost for the car and the buyer can simply opt for a new dealer if the rate doesn't satisfy the buyer.
2. **Dealership Financing:** The dealership is responsible to go through all the processes of car loan and paperwork. The car loan contract is processed by the dealer but is sometimes sold to a bank or financial institutions. Through dealership financing, the buyers have limited options with interest rate shopping.

HOW TO USE CAR LOAN CALCULATOR:

To calculate car loan calculator, few details are required about the loan.

1. **Vehicle cost:** This is the amount required to borrow for purchasing a car. It is achieved by subtracting the down payment or trade-in amount to calculate the loan amount.
2. **Period:** This is the time required by the buyer to pay back the loan. Generally, the longer the time period taken by the buyer to pay the monthly installments, the higher will the interest paid. And the shorter the time period, the higher the monthly payment with less interest rates.
3. **Condition of the car:** The condition of the car i.e. whether it is a new or used car, helps determining the interest rate of the car. Car loan calculator usually suggests high interest rates for new cars.
4. **Interest rate:** This is expressed as a percentage of the loan. It is basically the amount to borrow the money.
5. **Total monthly payment:** This is the amount that the buyer pays each month for the duration of loan.
6. **Total principal paid:** This is the total amount borrowed by the buyer to buy the car.
7. **Total interest paid:** This is the total amount of interest that the buyer pays along with the principal amount. Generally, the longer the time the buyer takes to pay the loan, the greater will be the interest rates.

HOW TO CALCULATE CAR LOAN PAYMENT:

Car loan calculator helps determining the loan plan along with the interest to be paid overall. It is useful in different scenarios where it suggests the amount that best suits your monthly budget as well as the amount of interest. The best way to calculate the interest rate through car loan calculator is by simply improving the credit score.



HOW TO CALCULATE INTEREST ON CAR LOAN:

To calculate interest, you can use car loan calculator to determine the interest to be paid each month. It is based on the loan's current balance. The car loan calculator helps find the total amount of interest to be paid over the loan's payment time period. It offers the amortization schedule to see the interest to be paid each month. With the total loan amount, a part of it is the principal amount and the remaining part is the interest.

Below is the standard formula to calculate the car loan interest.

$$\text{Monthly interest} = (\text{interest rate}/12) \times \text{loan}$$

For example:

Considering an example of \$20,000 balance with a 5% interest rate:

$$\text{Monthly interest} = (0.05/12) \times \$20,000$$

Monthly interest= $0.004 \times \$20,000$

Monthly interest= \$83

CONCLUSION:

The car loan calculator helps the potential buyers to plan and decide purchasing a car with the budget hands-on. The accomplishment of paying off the loan may seem to be bigger task but the interest can be reduced by opting for credit scores management and scheduling down payment.