

Title:

How to Avoid Car Financing Pitfalls

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Summary:

If you are considering the purchase of your first car or even your next vehicle if you're not a first time car buyer, you may be concerned about the prospect of financing your vehicle. This concern is not totally unfounded.

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Article Body:

If you are considering the purchase of your first car or even your next vehicle if you're not a first time car buyer, you may be concerned about the prospect of financing your vehicle. This concern is not totally unfounded. There are numerous pitfalls that can occur when financing a new vehicle, especially if you plan to use dealership financing. In order to avoid running into these problems, and possibly stalling your purchase read the tips below.

First, understand exactly how important your credit score is to your auto loan application. Even when working with a dealership loan department, be aware that your credit history will be run and your credit score will have a major impact on your ability to obtain an auto loan as well as the terms you are offered. Ideally, it is best to stay on top of things and get an idea of the condition of your credit history yourself before you even step foot into the dealership. Look to make sure there are no errors on there that could be dragging down your score. If your credit score is not in great condition and it is not due to errors, consider delaying the purchase of a vehicle until you can clean it up by paying down some other debts and improving your bill payment schedule; both of which will help to raise your credit score. Remember, a low credit score can prevent you from getting a better interest rate as well as the loan itself.

Many people make a list before they go shopping to ensure they won't spend more than they intended. A similar technique can help to ensure you won't spend more than you can afford while car shopping. Make a list of what you're looking for in a vehicle, the features that are important to you and set a price range you can afford to spend. Keep in mind that you should not plan to spend more than

20% of your monthly income.

Take the time to do your research and understand current interest rates as well as the price range for the features you have determined are important to you. This will help you to be better educated and less likely to be taken advantage of when it comes time to discuss terms of the loan.

Be aware of your options. Find out whether any rebates or special offers are available for the cars that interest you.

Never, ever sign anything unless you have gone over the purchase contract with a fine tooth comb. Far too often, extraneous charges will be tacked on that may not be really necessary. If you're not sure of the reason for a charge, ask before you agree to pay it.

Don't allow yourself to be pressured into anything. If you need more time to think, take it. Walk out of the dealership, think about it and make your decision on your own time. Salesmen are excellent at driving up the pressure and creating an inflated sense of 'time is of the essence' but that doesn't mean you have to fall for it.

By doing your research ahead of time, knowing what you want and what you can afford to pay for it while maintaining a cool head you will be in a better position to purchase the car you want without running into any pitfalls that could cost you big in the long run.