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New Car Loans – How Much Can You Afford To Borrow?

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Before you start car shopping, first figure out what you can afford for a car payment. Look at your budget, research auto loans, and investigate lenders. Once armed with this information, you can choose a car that you can both enjoy and afford.

Expense Of A Car

According to the FCIC, a car payment should be less than 20% of your after living expenses budget. While this is a good number to start with, you will want to look at your own budget numbers. Be sure to include other miscellaneous car costs, including fuel, insurance, and licensing fees.

You will also want to plan on a down payment and enough cash for the initial license, registration, and sales tax.

Terms Of Auto Loans

Auto loans vary with their terms rather than financing options. With a down payment of at least 10%, you can expect to find reasonable rates. While you can find auto loans with zero down, rates will be much higher. In fact if you can put down more than 10%, you will save more money in interest charges than if you get a lower rate.

Another way to pay less for your auto loan is to opt for a shorter term. You can get a seven year loan, but you are adding hundreds of dollars for those lower monthly payments. However, base your decision on what you can afford with your budget.

Auto Loan Lenders

Auto loans aren't simply limited to your dealership or local bank. You can find hundreds of online financing companies who can offer you a great deal. Take a couple of hours to request quotes. Compare the rates and terms to select the best deal.

Even if you have poor credit, still check with conventional lenders. More and more are offering sub-prime lending. You may be surprised at the low rates offered to those with damaged credit.

You can also opt to be pre-approved, which will give additional leverage when negotiating your car deal. The application process is handled online, and you walk into the dealership with a blank check. The loan is finished when you fill in the amount and sign final paperwork.

About the author: See my recommended <http://www.abcloanguide.com/autoloans.shtml> online for the lowest interest rates possible. Carrie Reeder is the owner of ABC Loan Guide, which offers help with getting the <http://www.abcloanguide.com>

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