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Seven Questions About Auto Loans Answered

By: Alex Fir

Q. What advantage is there to applying for a direct auto loan online?

A. The biggest advantage of applying through an online lender is that the online auto loan application and loan processing usually gives you the opportunity to get the best rate, and allows you to do it in the privacy of your own home. Online auto lenders will inform you in a matter of minutes whether or not you have been approved for a loan.

A. What are basic criteria to apply for auto financing?

Q. You must be at least 18 years old. Your monthly income from one source of employment and other income should be a minimum of \$2,000 for a direct auto loan, but can be significantly less when using indirect financing through an auto dealer. You need good residence and employment history showing of at least two years at the same location.

Q. What is the difference between direct and indirect auto financing?

A. Direct financing is a cash voucher or draft approval from financial institution for buying at a dealer of your choice. Indirect auto loan means you get financing from a dealer.

Q. What is the difference between prime lending and special finance?

A. People who have excellent credit, with no latest dings on their credit history, can apply for prime lending. Special finance, also called subprime auto loans, is for people who do not have perfect credit.

Q. Do I must choose my vehicle before I apply for an auto loan?

A. Do not choose your vehicle first! Your first task is to apply for direct auto loan financing. Once you are approved, you will receive a voucher for a maximum amount of money to spend, based on your current credit standing and your current debt-to-income ratio. You will simply complete the voucher by filling in the amount for the cost of the vehicle.

Q. What factors determine my auto loan interest rate?

A. The interest rate you will pay for your auto loan depends on several factors. First, it depends on your credit history - the better your credit score, the lower your interest rate. Additionally, your interest rate also depends on loan term and on whether you are buying a new car or a used car (the year of the vehicle).

Q. Is there a down payment for the purchase of my vehicle?

A. Down payments, if required, typically are 10% or \$1,000 whichever is lower. Your current credit standing will determine the need for a down payment.

About the author: Are you planning to buy a car? Visit Auto Loans Center for the latest news and information on auto loans.
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