

Getting an Auto Loan with Poor Credit

There are plenty of people who buy cars and have a high debt-to-asset ratio and low credit score - particularly since the recession of 2008. So, many auto and finance companies are more understanding that people who have lost jobs, homes and other worldly possessions were victims of the countries unstable economic conditions.

We are here to tell you - don't let a little bad credit stop you from getting a new or used car - a loan is not out of reach. Even though you may get socked with higher interest rates, it will pay to review the following tips. There are better-high rates available than you may think.

How to Get the Best Auto Loan Interest Rate

- 1. Check your credit history** - It is going to get checked anyway, isn't it better if you know what you are dealing with in advance? It will give you leverage and confidence to see if and where you might have bargaining power. Plus, if there are errors, it gives you a chance to clean it up prior to being exposed to scrutiny.

Loan sharks and finance companies will do their best to diminish your self-respect and make you feel lucky to pay their ultra-high rates. So be prepared for that by knowing the same information they will bring up.

- 2. Have Confidence** - Bad credit and trying to buy a home is not the same as having poor credit and buying a car. Cars are portable and can be more easily repossessed than a home, plus the term of the loan is much shorter.

So even if your credit score looks low, it may actually put you in the near-prime loan category versus a sub-prime level - since it is a car and not a home. Have the confidence to shoot high.

- 3. Shop For the Perfect Combination** - Just like you shop for the best price on the car you want to buy, you need to shop for the best rate. Don't be lazy about this - you could save hundreds to thousands just for doing your homework.
- 4. Start with Existing Financial Relationships** - If you belong to a credit union or have been a loyal bank customer, check into financing there first. Relationship accounts are attractive to financial institutions. The more types of accounts you have within one, the more likely they will offer more personalized service.

5. **Follow-up with Auto Loan Finance Companies** - People with poor credit often make the mistake of going straight to the "bad-credit loan companies". It should be the last-last resort, as they are likely to charge the highest interest with the least favorable terms. Instead go to reputable auto loan companies.
6. **Shop Terms - Not Payments** - This is another common mistake those with poor credit tend to make. They only concern themselves with the monthly payment, not the additional money they will pay in interest over the term of the loan.
7. **Beware of Extras** - Loan officers and car dealers will always try to sell customers the add-ons that no one needs. Most will try to encourage extended warranties, among other extras. Beware - all extra costs will be added to the life of the loan, which means paying more than the price you are quoted.
8. **The Yo-Yo Loan** - This is an industry term meant to describe deals that are made with terms that are changed later "due to bad credit". It's not really an acceptable or ethical practice, so don't get caught or stick with one of these deals should this situation come up.

If you agree to the amount, interest and the terms, there is no real reason anything should change. You are providing all of your vital financial information at the beginning and the credit report is reviewed in advance. Walk away from any deals that attempt to take advantage of your financial situation.

Clearly you are at a disadvantage compared to those who have excellent credit, but that does not mean you should accept a deal that is unfairly skewed. Be a savvy car loan buyer and don't be hasty. An auto is one of the most expensive items you will ever purchase.

