

Car Finance Basics

There happens to be a lot of different things that people do not understand when it comes to getting yourself a new vehicle whether it is through leasing it or buying it, it still requires some information to know how it really does work. The thing that you should keep in mind the most is that a car dealership does not typically finance a car lease or a loan but in turn they will most definitely have some sort of impact on how much you will end up paying on your car financing.

One good thing to keep in mind is that a car dealership will always sell you a vehicle for cash in hand. These people are third party businesses that have purchased a franchise from one or multiple different car makers in order to sell the vehicles. They do not work for these car makers and always work for themselves. It is important to realize that the dealers buy these cars themselves usually through the use of a very large loan through a bank or another type of financial institution and as a result they are also charged rates of interest on these car loans. They then need to sell the cars off in order to pay off their initial loans as well as all of the other associated costs that come with running a car dealership.

Dealers will always get cash for a vehicle that they sell to someone, it could either come from the consumer himself, or some other financial institution that has loaned out the finances to a consumer in order to purchase the vehicle of their choice through an auto loan. People are usually under the misconception that they will be able to get a discount or a better deal if they pay for a vehicle in cash but this is not the case because they in fact will make more from raised interest rates and commissions if you go about financing the vehicle itself.

When a car dealership sells a vehicle to a consumer he will usually push onto them the typical bank or financial institution that they have working with them in order to get their financing settled. A lot of these dealerships will use some of the more well known and major financial institutions that have special deals with the car makers if you do not already have one and you would be paying an additional premium for that luxury. As a consumer however, you have the ability to bring on your own auto financing company if you would like to. The point of stating this is to make it perfectly clear to you that a car dealership does not finance a loan to a consumer at all. They will not process the loans or even take payments on the loans themselves, all they will do is take the application papers that you fill out and will try to arrange some sort of financing with companies that they usually work with for a small fee.

Now a dealer could go about checking your credit history, but this is not for the purposes of getting you the consumer a car or vehicle loan, but is done in order to figure out quickly whether or not the consumer would even be capable of getting a vehicle or if they have any serious credit issues that are currently outstanding. The dealer is not the financial institution and is unable to approve you the consumer for a loan. The financial institution that the dealership forwards your filled out application to will do their own set of credit history checks as well as check out your past payment history and your overall debt to income ratio. This check is a lot better done than what a dealer could possibly do so if you happen to have a dealer check out your credit and tell you that you are alright, they really may not have any idea at all so keep this in mind as well.

When the financial institution is done checking out your credit worthiness you will be classified in one of three types which are prime, near prime, and sub prime. Prime means that you have a great credit profile and have a higher score usually above six hundred and eighty, as a result of this you will be offered the best possible interest rates on your loan. Near prime usually will fall around the six hundred and twenty to the six hundred eighty mark and will usually mean that you could pay as much as four or so percent more than someone that has a prime score. If you happen to be below that and are considered to be sub prime then you are going to have some issues with finding a lending institution that will be willing to give you an auto loan and when you do end up finding a good one the rate of interest you will be paying is going to be very high.

You should also be aware that a car dealership has the ability to change the rate of interest that you would be paying on your car loan. One of the types of hidden fees that some shady car dealerships will try to include to consumers when they purchase or lease a vehicle is to mark it up so that your interest rate is increased regardless of your good credit score. This sort of markup can go up as much as two percent on your overall rate of interest and this particular markup of your interest rate will never be mentioned on any document that you would ever be signing. The car dealership will say that this increase can be considered justifiable because it helps them cover the cost of getting the consumer the financing they need but it is just additional profit or is used to make up for something they may have given to you somewhere else in the car deal. The most a car dealership is legally allowed to mark up your interest rate is by two and a half percent.

Something that a lot of people will ask when they go about getting a new car or vehicle is whether or not they are able to negotiate for their own rate of interest. In a lot of these situations you will not be able to negotiate the base rate of interest that a lending institution gives to you but you will be able to try and haggle down the markup that a car dealership tries to give to you. You should know that though some car dealerships practice this shady act not all of them take part in it. You should also realize that the better credit profile that you have the better rate of interest you will receive over all from the financial institution. So knowing what your credit profile looks like and shopping around on the internet is of the best things you can do for yourself before even walking into a car dealership.

Even if a car dealership does check your credit it really does not matter and this is a mistake that most people think occurs. Just because they said it looks good on their end it does not mean it is a done deal for you. When a consumer buys or leases a new vehicle with a car finance they will usually sign papers that state that they agree to purchase the vehicle using funds that are provided to them through a financing company and if they are not approved by the company the deal itself is considered nulled and voided unless they are able to secure another way of financing. Once this is done the car dealership is in no way again involved in the monthly repayment of the loan itself and is no longer responsible for it.

If you happen to have poor credit and come across problems trying to get approved for a vehicle because of your past payment history or debt to income ratio there are still a couple of things that you can do in order to get yourself that car of your dreams. Often times a co signer will allow you to get a vehicle without much of a problem. Other times a financial institution will ask for a large down payment to off set the high amount of risk that you have shown to them through your credit history. This will usually allow you to keep the same monthly payments while having the overall cost of the vehicle to go up. Even if a dealer lets you drive away with the car if the bank or financial company comes back to them denying the loan application the vehicle still will legally belong to them and they will require you to return it regardless of anything that you could have signed originally.

So when it comes down to it you should always know what your personal credit profile and score is before even walking into a car dealership just to make sure that you will not be startled when something goes down later on. The next thing you should do is to shop around for a good car finance that is flexible for all situations online before going into a car dealership so that you are prepared with money in hand in order to make sure that the car you are buying is yours and not the dealers. There are many different places to do this online and getting multiple quotes from different companies will allow you to find the best possible deal regardless of your credit history and situation.

If you have credit problems, repossession, bankruptcy, slow pays or are a first time buyer and in need of Car Lenders in USA. The car finance company offers the opportunity to buy a car on credit when you have been refused credit in the past. So, whatever the reasons - bad credit or no credit or bankruptcy, there is a good chance we can help you!

About the Author

It's Fast, Free and Pre-Approved car credit program will try to secure the best [auto loan](#) and [car finance](#) available for you depending upon your current situation. Regardless of your credit history, our network of thousands of bad credit car lenders can help.

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