

# Negotiating a car loan deal



Negotiating a car loan is not that simple as the dealers tend to price in manufacturers and financiers' discount into the interest rate. Here is a step by step process to negotiate the best car loan deal

For most Indians, buying a car is a dream that comes second only to the dream of owning a house. This dream has become real for many Indians with the arrival of easy financing for car purchase.

The decision to buy a car is, very often, prodded by the promise of easy financing that car dealers advertise. " Do not compromise, you can now own a Toyota Corolla for as little as Rs 10, 000/ month" says an advertisement, egging on all with monthly spare money of Rs 10, 000 to own the dream Toyota. The mathematics of this foxes the prospective buyer. Is it real?

You decide to check with the dealer. You find the offer is real, but the initial lump sum payment would be large. OK, you say to yourself. I'll manage that. But what is the interest rate for the loan? The dealer tells you it is 11% and you wonder, how come it is cheaper than a home loan? You prod further and discover that this is really in lieu of the cash discount you could otherwise have got. You are no longer sure whether to believe him or not.

You are not to blame. Car finance can become complex because of the financing deal between the car dealer and the bank.

It will help you negotiate better if you follow the process below:

- 1) Finalise your decision on the car you want to buy. The interest rates vary from car to car; so, what is available on one car may not be available on another car

- 2) Fix the amount of vehicle loan you need. Suppose the car costs Rs 8 lakh on the road and if you are ready to make a down payment of Rs 2 lakh, then freeze your loan requirements at Rs 6 lakh. Interest rates that you get also depend on the loan amount.
- 3) Ask around for preliminary quotes for the given loan amount for the given car. Freeze on the lowest EMIs that are offered.
- 4) Now, negotiate on the processing fees. Most times, the processing fees can be waived.
- 5) Then, start negotiating for cash discounts that can be adjusted against your down payment. The DSAs/dealers will offer to reduce the EMIs, but resist the temptation and insist on a cash discount. Also, the dealer/DSA will offer accessories in lieu of cash discount; again, resist and insist on cash discount.
- 6) Once you find that the cash discount limit has been reached, you can try for a small freebie on car accessories such as car mats, boot mats etc.
- 7) Remember to claim your no-claim bonus on the insurance policy for the new car if you have a claim-free record on your existing old car.

Happy driving!

Insider secrets of Car Loans in India

Believe it or not, buying a car is still considered a status symbol in India.

Though the advent of the small car has created a huge dent in this reputation, but the fact still remains that a car is a cherished dream of every

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Indian. Owning a car is made simpler by the fabulous offers by various banks and car finance companies in India on almost every car model. Now, you don't need to book a car ( most of the models) in advance, there is no requirement that you pay entire cost of the car in cash, just have a part of the total cost, add some creditworthiness and rest is filled up by a decent car loan. Almost every car be it used or new is financed and accessible to all those who inspire confidence in banks and car finance companies.

With the car loan taking so much importance and lots and lots of information bombarded on the average consumer by different media, it is very easy to get lured into a trap. To know the intricacies of car loans is the only way one can avoid getting into an unwanted situation and later repent in leisure. Here we take a look at few such things, which can save a lot for every car loan customer.

**Borrow as little as possible:** Remember every paisa you borrow has to be paid back to the bank or finance company with interest. So, the less you borrow the better it will be. In addition, the interest payments will be lesser and loan can be paid off within a short period. This also means that you should pay a good sum as the down payment for your car loan. Of course, arranging this down payment can be a daunting task, but if you are able to do it without pushing too hard, go for it.

**Popular models have better interest rates and good tie-ups:** If you are looking for a model, which is rarely seen on road, be prepared to shell out more. Higher interest rates, processing fees, down payments and other charges greet those who are looking for an offbeat model. On the other hand

cheaper terms make the popular models better option to buy. Good reputation, great after sales service, and low maintenance make a car popular and backed by a good car loan they become simply irresistible.

An On-Road price car loan is definitely better than Ex-showroom one: Banks providing car loan at on road prices include the registration charges, insurance, road tax and other costs associated with the car purchase thus making it a comprehensive solution. On the other hand if you go for a car loan at ex-showroom price, you will have to shell out the road tax, insurance, registration charges and any other costs from your pocket and this will be in addition to the down payment you have made.

Compare and find the lowest interest rate and EMI: The car loan market is very competitive, and there are many players vying for your attention. By all means contact them and ask for quotes. Choose the one, which offers the best deal on your favourite mode.

Processing fees and other costs are negotiable: Do you have consistent credit card repayment record? Does the bank see you as a credit worthy individual? In that case, chances are good that with a little negotiation you can get the processing fees waived. Banks want customers who can take a loan and repay it completely with interest. A trouble free customer always has more worth than processing fees.

An offer which looks too lucrative can be deceptive: Dealers and small time companies, in order to lure in needy customers, come out with sugar coated offers which appear too unreal. By posing as agents of big lending companies and banks, they take guarantee to provide a car loan for persons

with all backgrounds and without any checks on income and other credentials. These offers can land you in big trouble, beware!

Remember, information is power and this applies to the car loans also. The more you know about them, the better equipped you will be to negotiate a good deal.