

VEHICLE LOANS

Like credit cards, vehicle loans vary depending on the institution offering them. When shopping for a loan, compare the following:

Annual Percentage Rate (APR) — the rate of interest you will pay annually.

Loan term (or length) — the amount of time you have to pay the loan in full. This affects the total amount of interest you will pay. Longer-term loans generally have higher interest rates and lower monthly payments, but you will pay more interest over time.

Prepayment penalties — a fee for paying the loan in full before the due date.

Lender's reputation — service reputation and financial strength of the lender.

VEHICLE LOAN DEBT MULTIPLIER

When deciding on a vehicle loan, it is easy to commit to a loan with a longer term when a low monthly payment looks advantageous. Before you decide, compare the total amount of interest over the entire life of the loan. Remember, you pay more total interest when you select a loan with a longer term. Be sure to ask questions and read the contract carefully before you sign. It's usually not a good idea to take out an auto loan longer than five years.



VEHICLE LOAN DEBT MULTIPLIER GRAPH

