

Auto loans: control the deal before the dealership

Shop the car's total price, the financing and the trade-in as separate decisions. A salesperson can lower a payment by extending the loan while leaving you with a more expensive purchase.

Start with the whole transportation budget

Include payment, insurance, registration, fuel or charging, maintenance, repairs, parking and tolls. Obtain an insurance quote for the actual model before buying. Leave a repair reserve, especially for a used vehicle. Use the DollarsWithDad budget planner to test the cost against other goals.

Set a maximum **out-the-door price**, a maximum amount financed and a preferred loan term. Out-the-door means vehicle price plus applicable taxes and required fees, with optional products identified separately. If a deal needs an unusually long loan to fit your budget, reconsider the vehicle price.

Prepare before a credit application

Review free credit reports, gather income/identity records and check the payoff on your existing vehicle. Find comparable vehicle listings. Decide how much cash you can use without emptying reserves. Ask lenders what constitutes prequalification versus a full application and when a hard inquiry occurs.

A loan-term example

For a hypothetical $25,000 loan at 7% with no fees, a 60-month payment is about $495 with roughly $4,702 total interest. An 84-month payment is about $377 with roughly $6,695 interest. The smaller payment adds almost $2,000 interest and two more years of debt. Actual APR and contracts may differ.

New versus used

New cars may offer a warranty and promotional financing, but compare depreciation and the cash price. Used cars may cost less upfront but need more inspection and repair planning. A certified label is not a substitute for independent evaluation. Choose a dependable vehicle that meets actual needs rather than using the approved loan limit as a shopping target.

Reviewed October 3, 2026. Rates and eligibility vary by borrower, term and vehicle. The lenders listed are comparison candidates, not guaranteed cheapest offers. Local contract and consumer-protection rules vary.



Where to shop the financing

Credit-union comparisons

PenFed: new and used auto loans. Compare purchase/refinance rates, vehicle age/mileage restrictions and membership requirements. The minimum advertised rate typically assumes a qualifying borrower and particular term.

Navy Federal: auto financing. Worth comparing if eligible for membership through qualifying military, veteran, Department of Defense or family/household relationships. Verify membership eligibility directly; it is not open to everyone on identical terms.

Your local credit union: use NCUA's consumer resources to find and understand credit unions. Compare membership, APR, loan fees, prepayment rules and permitted sellers. Credit-union status alone does not guarantee the lowest rate.

Bank and dealer alternatives

Bank of America: auto loans. Compare eligible vehicles, dealer requirements, available terms and any relationship discount you actually qualify for.

Manufacturer financing: ask the dealer for the manufacturer's promotional APR and separate cash-rebate price. A low promotional rate may require giving up a rebate or meeting strict credit terms. Compare total cost under both choices.

Dealer-arranged financing can be competitive, but the dealer may earn compensation on it. Bring an outside quote and ask for a better APR at the same amount and term without add-ons.

How to get usable quotes

Provide the same expected amount, down payment, term and vehicle details to each lender. Ask how long approval lasts, whether a specific VIN is needed and how the seller gets paid. Read the loan agreement, not just the approval email.

Quote record: lender ___; APR ___; term ___; amount financed ___; payment ___; fees ___; total payments ___; restrictions ___; quote expiry ___. Do not compare a 36-month new-car promotional rate with an 84-month used-car quote as though they are equivalent.

Rate shopping and credit

Lenders may use soft inquiries during some preliminary checks and hard inquiries during applications. Scoring models can group qualifying auto-loan inquiries differently, while individual inquiries may still appear in a report. Model rules and lender procedures vary.



Buying a new vehicle: a repeatable process

Request written out-the-door quotes

Contact several dealers with the same make, model, trim and equipment. Ask for the VIN and a line-item quote with selling price, taxes, registration, document fees and every add-on. Confirm incentives and their eligibility. Keep financing and trade-in negotiations separate initially.

Useful script: “Please email the out-the-door price for this VIN, with all taxes, fees and optional products itemized. I will compare financing separately. I am not negotiating by monthly payment.”

Compare rebates with promotional APR

Get two written versions if needed: promotional financing without the rebate and outside financing with the rebate. Compare cash down plus total loan payments and any remaining costs. A rebate can be more valuable than a rate promotion depending on price, term and your outside quote.

Negotiate the trade separately

Obtain more than one trade/purchase offer and a current payoff statement. If payoff is $18,000 and trade value is $14,000, the $4,000 gap is negative equity. Rolling it into the next loan increases the debt; it does not disappear because the dealer says they will “pay off your car.”

Ask how any state trade-in tax treatment changes the numbers. If selling privately, follow your state's title and lien-release process and use secure payment arrangements.

In the finance office

Read the final amount financed, APR, finance charge, number of payments and total of payments. Compare the contract with the written quote. Ask for optional warranties, GAP products, protection packages and credit insurance to be priced separately. Financing an add-on means paying interest on it too.

GAP protection may help in some high loan-to-value situations, but compare insurer/lender options, exclusions and cancellation terms. Do not accept an optional product merely because someone says the bank requires it; verify directly with the lender.

Do not sign under time pressure

Do not sign blank forms, inaccurate income statements or a changed contract you have not reviewed. Ask whether financing is final before taking delivery. Conditional delivery can lead to a later demand for different terms. Keep every signed document and any promises to repair or provide equipment.



Buying used: verify the vehicle and the seller

Inspect before committing

Obtain the VIN early. Review a vehicle-history report and title status, but remember that missing history is not proof of no damage. Arrange an independent pre-purchase mechanical inspection, even for a certified vehicle. Ask for a written estimate of urgent and upcoming repairs.

A seller refusing an independent inspection is a reason to reconsider. Ask about flood exposure, salvage/rebuilt branding, prior commercial/rental use, major accidents, service records, tires and expensive scheduled maintenance.

Use official checks

Check open safety recalls through NHTSA's VIN lookup. Use NMVTIS consumer resources to find approved vehicle-history providers; reports may have a fee. The FTC used-car guide explains dealer Buyers Guides and warranty issues.

Read “as is” carefully

Review the dealer's Buyers Guide and written warranty terms. “As is” can place substantial repair responsibility on you, subject to state law. A service contract is not the same as a manufacturer's warranty. Do not assume there is a universal three-day right to return a vehicle.

Write all negotiated repairs and promises into the agreement. Inspect the vehicle in daylight and test drive it safely. Check that the VIN matches the title, documents and vehicle.

Private-party purchases

Verify the seller's identity matches the title and resolve any lien using a documented process with the lienholder. Avoid title jumping, pressure to pay deposits before seeing the car, and sellers who refuse basic verification. Confirm your lender finances private sales before agreeing to the purchase.

Meet safely, verify funds and complete your state's title/registration steps. Do not send money based on a shipping story or a purported escrow link supplied by an unknown seller.

Budget the first year

Add immediate repairs, tires, registration and insurance to the purchase price. A cheaper used car with $4,000 of urgent repairs may cost more than another option. Ask the mechanic which repairs affect safety now and which can be scheduled later.



Close the deal and manage the loan

Before taking the keys

- Confirm exact VIN, price, taxes, fees and optional products.
- Match the amount financed to the purchase worksheet and trade payoff.
- Verify financing status and insurance effective time.
- Obtain copies of the contract, warranty, Buyers Guide if applicable, and repair promises.
- Record who handles title, registration and any existing lien payoff.

First month

Confirm the new lender received the loan and identify the first due date. If a trade was financed, verify the old lender received payoff; do not assume it happened. Check your credit and account statements for unexpected accounts or balances. Set payment alerts and verify autopay.

Extra payments and refinancing

Ask how additional payments are applied to principal and whether they merely advance the due date. Compare refinancing fees and the remaining repayment term. Resetting to a long term can reduce the payment while increasing total cost. At payoff, obtain lien-release/title confirmation.

If payment becomes difficult

Contact the lender early and ask about written hardship arrangements. Understand interest, fees, term extensions and repossession risks. Do not ignore notices or assume voluntarily returning the car erases the debt; a remaining balance may still be owed under applicable rules.

Your walk-away checklist

Walk away if the VIN or contract changes without explanation, financing is misrepresented, optional products are made to seem unavoidable, the seller refuses inspection, or the deal only fits after stretching the term beyond your comfort.

CFPB auto-loan tools explain shopping, borrowing and servicing issues. For unresolved problems, keep records and contact the lender, state regulator or relevant consumer agency.

My maximum out-the-door price: _____ Term: _____

Insurance + maintenance monthly: _____ Repair reserve: _____

Next action / deadline: _____