

Choose Auto Loans Wisely

A report released recently by TransUnion, one of the major credit reporting agencies in the U.S., showed that the delinquency rates for auto loans went up more than 17 percent in the 3rd quarter of 2008. That rate is up when compared to delinquencies on auto loans for the same time period of previous years. Edmunds.com estimated that delinquencies in auto loans would lead to over a million and a half car repossessions in 2008. The unmade payments on auto loans are part of a similar trend in unpaid credit card and mortgage bills. In the current economic environment, some consumers must choose which bills are their priorities. Auto loans will usually rank below mortgage payments, utility bills and groceries. It is not an easy choice, since most people in this country depend upon their cars to get to work and take care of everyday necessities. Mass transportation is not an option for most people, unless they live in a larger metropolitan areas. Cars are an expensive purchase, which is why many people have to take on auto loans to pay for them.

Not so long ago, people often saved up and bought a car with cash. The trend in easy financing and available credit of the past decade has made auto loans more acceptable and accessible. In many cases, someone could purchase a car with no down payment. As a result of the upheaval in the credit sector, banks have now become more risk averse and loans are more difficult to obtain. The struggling car makers are offering some unprecedented discounts and financing offers to entice potential car buyers right now. Car buyers will need to determine if obtaining auto loans makes sense for their budgets, or if they should buy discounted models with cash.

Paying for a car with cash is the simplest option. This allows you to be debt free. If you need to sell your car at some point, you do not have to worry that you may owe more on it than you would make selling it. You do not have to send in monthly payments. The car is yours. Ideally, if you cannot pay for it in cash, you should save up until you can. But if you need a car now and are shopping for auto loans, make sure you have a handle on what the loan will cost you in the long run. Examine your budget and do not buy a car that puts a strain on your finances. Keep in mind that you will also have to pay for licensing, registration, insurance, maintenance and repairs on the car. If the car you really want is a financial stretch for you, choose something less expensive. Regardless of the amount in auto loans you can obtain, do not buy something that will put a strain on your finances. You are the only one responsible for your bills. You know what you can handle financially, so do not spend a penny more.

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