

**Secrets to  
Getting an Auto  
Loan If You Have**

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**BAD  
CREDIT**

**Don't let your bad credit  
hold you back anymore.**

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*The Nationwide Auto Finance Connection*

## Introduction

Welcome to *Secrets to Getting an Auto Loan if You Have Bad Credit*. This manual was created to help consumers understand their options and get information on how to get a car loan even if they have credit problems. We're excited to provide you with this guide and hope that it helps with ideas and strategies to improve your chances of getting a car loan even if your credit isn't where you'd like it to be.

**Please Note: The material presented in this guide is for informational purposes only. While the authors have done their best to present this information accurately and completely, no warranty is made as to the completeness or accuracy of the information presented. No source can provide for all situations and circumstances. The consumer is urged to do research on their own, and to consult their individual tax and financial advisors, as part of their car buying decision process and to help avoid becoming a victim of scams and dishonest activity.**

Shopping for a new or used car can often be a daunting task. And trying to get a car loan with bad credit can be even more frustrating, and often times even an embarrassing experience. A bad credit auto loan is for people that cannot get pre-approved for an auto loan through traditional lending sources such as local banks, credit unions, or the lending arms of car manufacturers like Ford Credit and GMAC.

Unfortunately, these lending sources typically do not lend to people with low credit scores, a recent bankruptcy, no down payment, low income, or a history of vehicle repossession. Bad credit car loans are often initially funded by the automobile dealer and later assigned or sold to a financing company. In the case of "buy here pay here" car lots, a third party payment processor may service the car loan for the dealer, or the dealer may carry the loan entirely on their own.

For most credit-challenged consumers, the inability to locate a dealer that offers car loans for people with bad credit takes them down the unfortunate path of local "buy here pay here" car dealers. Working with "buy here pay here" car dealerships can be a problem because, in most cases, they do not report loans or car payments to the credit bureaus. This means your credit will not benefit from the responsibility you've displayed by making payments on time. In addition, these types of dealers do not always have the best reputation and may charge very high interest rates and finance charges. This is not to say that all of these type of dealers are bad but you need to be careful.

Taking on a bad credit auto loan, in a responsible fashion, leaves an opportunity for bad credit consumers to improve their credit score. Unfortunately, the results of most car loans for bad credit end in the credit scores and history of poor credit consumers either degrading further or remaining unchanged. This situation handcuffs many people into a destructive financial cycle of high down payments and loan defaults. Further, these people are left constantly wondering when and if their car will be repossessed and what they will do if their vehicle is repossessed.

That's a cloud no one wants hanging over their head.

So the question is... what do you do if you really want to start rebuilding your credit? How do you go about finding a lender or lender-dealer that offers auto loans for bad credit?

## Section 1: A little information about car credit options

First and foremost, if you have good credit – that is, if your FICO score is around 640 and up – you can shop around for a car loan through banks, credit unions, and a variety of other lending institutions in order to get the best possible interest rate on your auto loan. However, if you have poor credit – below a 640 FICO score – or if you have a limited credit history and no co-signer available, finding a lender that will consider you for a car loan becomes considerably more difficult.

It is important to know that there are a number of regional and national lenders available to you that offer subprime car loan financing. And while some of their lending requirements may be similar, most will probably vary greatly from lender to lender. The major issue for buyers looking for bad credit car loans, however, is that the majority of lenders do not offer direct lending to poor credit customers. Because of this, most bad credit customers are forced to visit a car dealership that has signed with a lending institution in order to qualify for one of their bad credit auto loan programs. Fortunately, there are a number of solutions:

One solution available to you is to call around and contact a number of different dealers. If you do, however, chances are that they'll just tell you to come in and fill out an application. While you might get lucky and get approved with bad credit, the whole effort could end up being a waste of your time and embarrassing if they don't approve you, which is likely to happen if you have poor credit. The reason is that many dealerships do not specialize in sub-prime lending.

That being said, there is another option and it happens to be one of the easier ways to find a dealer or lender to get the bad credit car loan you need: quality online sources like Federal Auto Loan. In addition to offering a bad credit auto loan application, many of these sites also feature a resource section that includes informative videos and content, as well as a number of auto loan calculators that will walk you through the auto finance and application process.

The top web sites in the industry specialize in connecting customers who have bad credit with lenders and/or dealers that can truly help them. These dealers are not only knowledgeable in the area of bad credit auto financing, they also work with a wide variety of poor credit lenders that can offer you the very best chances of getting approved for a bad credit auto loan.

## Section 2: Qualifying for a bad credit auto loan

So the first question you may be asking yourself is, "What do I need to have in order to qualify for a bad credit car loan?" and that's a good question. While most situations are unique and no individual is alike, as a general rule, the following are basic qualifications that will, at least, give you a good chance of getting a bad credit car loan:

- 1) **Monthly income of between \$1,500 and \$1,600 per month.** This is about the lowest income level you can have if you want to get a loan. While you still have options if your income is lower, they will be few and far between. So if your income is too low, you'll need a cosigner or, perhaps to take a second job to increase your monthly income.
- 2) **Full time employment (not seasonal).** People who are not employed full time can

have difficulty getting a vehicle loan. And even if you're working full time, but that work is seasonal (such as working in a retail store during Christmas time), you may have difficulty getting a car loan.

- 3) **Legal residency.** In most cases, you'll need to be a legal resident of the United States. If you are not a legal resident, you will probably have trouble getting a loan for a vehicle.
- 4) **Currently reside in the United States.** In most cases, you'll also need to reside (have a home) in the United States for you to be considered for a loan. In most cases, you'll need to provide proof of residency to get your financing. You will probably need a working phone number as well.
- 5) **Currently having, or able to obtain, auto insurance.** If you do not have car insurance, a lender is unlikely to loan you money on a vehicle. There's just too much risk for the lender if the vehicle is totaled in an accident. Note that it is also illegal to not carry certain types of auto insurance.

You may also want to know things that may prevent you from qualifying for a bad credit car loan. Some of these are noted below:

- 1) **Seasonal/temporary employment.** As noted above, this type of employment may prevent you from getting a bad credit auto loan. The way to fix it is to get a job with full time... and make sure it's a job that you can work year-round.
- 2) **Being paid "under the table".** This is where a person is paid cash (by an employer) in order to avoid paying taxes. Besides being illegal, you won't be able to provide proof of income with this type of compensation. So don't do it. It isn't worth it in the long run.
- 3) **People with a recent repossession.** In general, this will make it more difficult to obtain an auto loan. If the repossession was included in a bankruptcy, that will actually improve your chances of getting a loan.
- 4) **Military personnel stationed outside of North America.** If you are in the military and you are stationed outside of North America, it will be very difficult to obtain an car loan.

### Section 3: Bad credit car loans are on the rise

The Internet has become a commonly used tool by the average consumer. While online shopping hasn't replaced the need for brick and mortar stores, it has created a marketplace where consumers can shop from the comfort of their own homes at a leisurely pace without the need to navigate traffic, search for parking places, deal with crowds, or stand in lines. Because of its seemingly infinite nature, the Internet can provide consumer access to almost any product – including car loans. With a search string such as "car loan with bad credit" anyone can get a return of thousands of results for lenders, loan quotes, loan calculators, auto brokers, and dealerships.

Web searches are conducted by the billions... and that's no exaggeration. Multiply the millions

of computer users searching for answers on a daily, even hourly, basis and the numbers pile up very fast. Picking out the number of searches conducted for “car loans with bad credit” returns numbers in the millions, giving an interesting picture on auto financing trends. These statistics are studied by lending institutions to determine how the car loan market is moving and adjust their sales accordingly. In the early part of 2012, for example, there was a surge in Google searches for “bad credit car loans” which tapered off as the tax season was starting to peak. This would indicate to the car loan market that the population of people who have poor credit is increasing and tapping that market would be a good investment.

Not many people understand how lenders market their product regarding the business of financing as some sort of alien experiment rather than a simple vendor and buyer relationship. In some case, potential borrowers see the lender as nothing more than a legitimized loan shark who hands out money and spends the rest of the relationship shaking down the borrower. This just isn't true. Even in the case of someone with poor credit trying to obtain a car loan, the lender will only extend credit to someone who it sees as able and willing to pay the loan back. Interest is charged as a matter of doing business and is adjusted based on current national trends in interest rates, and the amount of risk posed by the borrower's financial situation. Since the lender is selling a product, it must market it in such a way to beat the competition. And, in lending to someone with bad credit, specials and discounts play an integral part of the sales process. Quite often, while extending a car loan to someone with bad credit, a lender is more than willing to bend – but, don't expect him to break.

Interest is calculated on any loan through a standardized process, modified only by the borrower's credit score and history of repaying loans. This helps maintain consistency in interest across the country giving most borrowers the ability to predict, with some degree of accuracy, how much he, or she, will have to pay in interest over a given term on a car loan. To find this out, many potential car buyers will access auto loan calculators online. These calculators are available for open use to anyone curious about how much they can expect to pay for a car loan. However, they will only return information as accurate as the information entered into it. If the user has poor credit, yet enters the information that only someone with perfect would enter, an auto loan calculator will give answers that fit the user's fantasies and nothing more – garbage in, garbage out. Lenders follow methods of calculating the costs of a car loan using those similar to online car loan calculators. However, the human factor will cause variances in their final cost determinations. A car loan calculator is not a final answer, but it will get close enough to allow a potential car buyer to plan a budget.

In addition to forecasting loan market trends and calculating interest rates, Internet access allows a future car owner to find lenders in any given location based on many sorts of criteria. Even a user searching for a car loan with bad credit can find lenders within any ZIP code out to whatever radius that user might find convenient. Websites that offer car loan quotes allow the user to get lender contacts or, at the user's discretion, lets lenders contact the user. This puts shopping for a car loan right in the lap of the consumer allowing him, or her, to shop for the right car loan without any pressure and at a leisurely pace. Lending institutions with an online presence will always display information on how they do business, the conditions of their loan packages and the qualifications of the people they lend money to. This gives visitors to their websites the opportunity to eliminate any surprises when it comes time to signing the loan papers. Many will even have download-able applications with disclaimers that give the



potential borrower the ability to study, in detail, how the loan will work. With free access to such information, there's no reason someone with bad credit can't find a car loan to suit them.

The Internet has revolutionized consumerism by putting more businesses in touch with more customers than ever before. And there isn't a more convenient way to shop for anything than in the comfort of one's own home, at one's own pace. Taking all the time in the world to make the important decisions for something like a bad credit car loan means that a potential car buyer can get the best auto financing deal possible. From car loan marketing trends to car loan quotes, all the figures are available at the touch of a mouse button.

## **Section 4: The bad credit car loan process.**

The bad credit car loan process can be a tricky and confusing process if you don't approach it properly. First and foremost, you'll need to have a couple personal items available to you when applying for a bad credit auto loan: your credit history and your credit score (sometimes called a Beacon Score or a FICO Score). Your payment history and credit score are two critically important elements in determining the type of loan you qualify for; whether you qualify for a prime, near-prime, or subprime loan (also known as a bad credit car loan).

The next step in the bad credit auto financing process is to get some sort of idea as to what kind of vehicle you would like to purchase. You'll want to have a general idea as to what size of vehicle you want, the performance of that vehicle, and how that vehicle (and the payments associated with it) will fit into your overall budget. It is generally a good idea to choose at least two different car models and test-drive them both. A new car is no small purchase decision... and you want to be sure that you are making a car choice that you'll be happy with and won't put you into financial difficulties.

Once you've determined that type of car(s) you want to test-drive, you'll need to determine what "options" you want to be included with your vehicle. You'll want to figure out the suggested retail price, or MSRP, as well as the dealer invoice price associated with the car(s) you have interest in. It is a good idea to check and see if there are any consumer or cash rebate programs available. These options can further reduce the selling price of your vehicle and the amount you have to borrow with a bad credit car loan. Also, if you are considering trading in your current vehicle... you'll want to research its current market value to ensure you get a fair trade-in price for it.

When the time comes to negotiate, it is always a good idea to keep the vehicle and trade-in negotiations separate. The "difference amount" is key in any transaction involving a trade-in. The lower the "difference amount," the lower your monthly payment will be. Because of this, you'll want to research what your trade-in is worth so you can make sure you get a good deal on your trade. Keep in mind that the dealer isn't interested in paying full retail on your trade because he or she won't be able to make any money on it when they sell it later. So if you want to get full value for your trade you will probably have to sell the vehicle yourself.

Finally, and most importantly, don't take your "eye off the ball" until you've completed the last stage of the car loan process – which is the paperwork. And keep in mind that you are not always signing a contract with the dealer when taking on a bad credit auto loan... the dealer

is often acting as an “agent” for the lender. Double check on all negotiated items. If something that you negotiated for during the car-buying process is not included in the contract, then it simply does not exist! And since there is no “cooling off period” for a bad credit car loan, this means that once the final papers have been signed, the deal is final. It is for this very reason that it is always a good idea to take some time and read over all of the paperwork before you sign on the dotted line of an auto loan agreement. Make sure that everything contained in the loan paperwork matches the terms, and deals, that you agreed to. Lastly, make sure that you get a copy of everything that you signed BEFORE you leave the dealership. It is always a good idea to keep records of any financial transaction. But because of how much money a car costs, it’s especially important to keep your paperwork on a car deal.

## **Section 5: Car loans with bad credit**

Take a step back for a moment and recall when you were younger. Do you remember the time when your parents took you to look for your first car? It was probably one of the more exciting moments of your life. And you can probably recall the shiny chrome rims and new car smell still today!

The fact of the matter is... those were really the “good old days.” Because unfortunately, once you get older everything seems a little more complicated and not nearly as much fun. And to make matters worse, if your credit isn’t all that great, you really don’t feel like pouring out your life story, as well as your personal information, to someone who is going to turn around and tell you that you can’t get a car loan with bad credit. Simply put, the entire car-buying process should be an enjoyable experience, not an unpleasant one.

Fortunately, there is good news! The Internet has revolutionized the car-buying process and how you can apply for a bad credit car loan! Not only has the internet made life a lot easier, it has also opened up a gateway that makes researching vehicles and applying for car credit a lot simpler and less intimidating.

As a car-buyer, you need to know that even if you have bad credit, you can get the auto loan you need for the car you need. Further, thanks to the Internet, you are in far more control of the entire car-buying process than ever before. If you are really on your game and do your homework and research, chances are you will know more about the car you are interested in than the salesperson! This puts you in a great negotiating position. Further, by knowing the “ins-and-outs” of the car you are interested in and the pricing, it will be far less likely that a dealership will be able to take advantage of you.

The Internet has also made it far easier for poor credit car-buyers to find a dealer that can get them bad credit car financing. The best web sites in the industry will not only try and help you get the bad credit auto loan you need, they will also educate you about the special finance processes available and help take the intimidation factor out of buying a car. Further, these sites will also use SSL-encryption technology to keep your information safe, secure, and private when you fill out an online application from the comfort of your own home or office. Once this application is submitted, it will be directed to a dealer nearest you that specializes in financing car loans for people with bad credit.

It is also important to keep in mind that not all bad credit car loan web sites are created equal. Many try to hide who they are and where they are located. Many more will offer you very little information about the car loan and car-buying process. It is important that you only use quality web sites that provide you with all the information you will need on how to be contacted, and how to get the car loan you need. Lastly, the web site should belong to the Better Business Bureau. For the most part, businesses registered with the BBB follow strict guidelines for customer satisfaction and do their best to resolve any customer complaints that they receive in a timely fashion.

Federal Auto Loan can help you get the bad credit car loan you need!

## Section 6: Five requirements for bad credit car loans

There are a number of things you should consider if you are looking for a car loan with bad credit. First of all, unlike a traditional car loan, bad credit car loans have a number of basic requirements that must be met in order for you to qualify. There are always minimum requirements that are required by lenders for bad credit car loans. These requirements include income, age and citizenship, employment status, status of bankruptcy filings, and vehicle repossessions.

- 1) Income.** The first bad credit car loan requirement has to do with income. For most auto loans with bad credit, the lender will require a minimum monthly W-2 (regular employee) income of at least \$1,500 to \$1,600 per month if your credit score is below 640. And \$2,000 is better. The reason for this requirement is that it addresses your gross income... meaning that the amount you are paid before withholding, Medicare, and social security taxes are taken out. Lenders generally require this standard minimum income so that they can be sure you can afford a car payment and full coverage car insurance in addition to your other bills.

For the most part, the bad credit car loan income requirements are for W-2 employees. This means that your employer supplies you with a W-2 income statement at the end of each year that reflects the wages you were paid. If you receive a 1099 form, meaning that you are an independent contractor or self-employed, the situation becomes much more complicated. Unfortunately, due to current economic conditions, most bad credit lenders will not accept anything other than W-2 employees for bad credit car loans. Lenders that may consider self-employment income will generally only do so with three previous years of income tax statements that have been prepared in a professional fashion. In fact, you may even be required to supply the lender with bank statements in order to support your stated income.

- 2) Employment Status.** The next requirement for bad credit auto loans is your employment status. As a general rule of thumb, most bad credit lenders will require at least one full year with your current employer. This is in addition to an additional two years of verifiable employment history. The reason for this is that a stable employment history means that a person is more likely to repay the loan. So if you are new to a job, and you can hold out for a while, get at least six months under your belt on that job before you apply for a car loan.



- 3) **Citizenship and age.** A third requirement for auto loans with bad credit is your age and citizenship status. All bad credit car loan applicants must be at least 18 years old and U.S. citizens. There are virtually no exceptions to these two rules. If you are under 18, typically a cosigner will be required.
- 4) **Bankruptcy status.** The fourth requirement has to do with the current status of any bankruptcy filings that you may have on your record. As a general rule, most lenders will require that all Chapter 7 bankruptcies be discharged before a bad credit car loan will be considered. There are exceptions to this case, however. If you are currently in a Chapter 13, you must be able to obtain an order to incur additional debt through the court that is overseeing the bankruptcy. This is accomplished through a trustee. But you should also be aware of the fact that in the current economic state, most lenders have very little interest in applicants that are in a current, open Chapter 13.
- 5) **Vehicle repossessions.** The last requirement of car loans for people with bad credit has to do with how many, if any, vehicle repossessions the person has had. For obvious reasons, lenders care about their “investment” in you as a borrower. Because of this, they will look at any and all repossessions in your credit history. If you have any within the past year, it must be included in a bankruptcy. Note that this includes both voluntary and involuntary repossessions. If you have a repossession that has occurred before or after your bankruptcy, you will rarely qualify for any kind of car loan unless it’s a “buy here pay here” car lot or “tote the note” dealership.

These are five of the usual basic requirements you will typically need to meet in order to qualify for a bad credit car loan. If you have any more questions, go to [FederalAutoLoan.com](http://FederalAutoLoan.com) where we have an entire Car Loan Resource and Auto Loan Learning Center devoted to providing you with information on bad credit auto loans. Further, we also have an SSL-encrypted car loan form application that you can fill out from the privacy and security of your own home. We have helped thousands of qualified and bad credit applicants obtain reliable transportation and a quality car loan. Further, by making regular payments and paying your auto loan off in a timely fashion, you can help to reestablish your credit at the same time!

## Section 7: Tips that can help you get approved for a bad credit auto loan

The following are a number of tips that can help you get approved for a bad credit auto loan. While these tips aren’t infallible, they really can assist you with your credit and with getting a loan:

**Step 1. Check your credit reports.** Checking your credit is the first step towards getting approved for an auto loan if you don’t have good credit. To do this, first request your credit report from one of the three credit bureaus. Once per year you can request copies of your credit report at no charge. When you have gotten your copy of your credit report, be certain to check each of the entries on the report.

**Step 2. Fix errors on your credit report.** Should you discover any errors or problems with your credit report, be sure to follow the instructions provided to you by each credit bureau to

get the errors removed or change the report appropriately.

**Step 3. Talk to a finance expert.** When you've made any appropriate and necessary corrections to your credit report, you then should consider reviewing your credit situation with a finance expert or money tutor. This is especially important if you are in a bad credit situation.

**Step 4. Consider reputable credit repair assistance.** In a bad credit situation, you may want to consider working with a reputable credit repair company. Make sure you do your research to find out which ones are good and will do a good job for you.

**Step 5. Save money for your down payment.** Note that in a bad credit situation, lenders will typically want you to provide a larger down payment. Given this, the size of your down payment could make the difference between getting approved for your vehicle loan or being denied. So make sure that you save money for a large down payment on the vehicle you are looking to purchase. Lenders will look at your application in a more favorable light if you have money or "real trade equity" available for a down payment when you are borrowing to pay for a car. As a general rule, the goal should be to have at least 10% of the car's total price set aside for your down payment.

**Step 6. Get a cosigner.** A cosigner can help a lot if you are in a bad credit situation. A cosigner agrees to, effectively, borrow the money along with you when you are borrowing money for your car loan. Cosigners can make a big difference in helping you to qualify for your vehicle loan.

Note that when applying for bad credit auto loans at one of your local dealerships, it is important for you to keep in mind that the majority of subprime lenders will only work through franchised car dealers. Which means that, by and large, they do not lend directly to customers. Unfortunately, this can make finding bad credit auto financing quite challenging. Fortunately, here at Federal Auto Loan, we specialize in helping you locate these types of dealers. It only takes a few minutes to apply online for an auto loan with bad credit.

## Section 8: Check (and know) your credit profile

In many cases, no matter what your credit profile is, Federal Auto Loan can probably help you get the auto loan or bad credit car loan you need! Our program connects you with a lender or auto dealer who specializes in helping people with bad credit get a loan for the car they need. Use the following examples to determine (generally) your credit profile and the type of auto loan you may need as a result!

### Good Credit

In general, consumers with a "good" credit history will have at least a three-year history of having "paid as agreed" in their credit profile on their borrowing. Note that items such as "Unapplied for" derogatory items on the credit report (including such things as civil judgments from non-creditors, as well as medical bills) are often ignored in evaluating your credit profile. If you have a bankruptcy or repossession on your record, it will show up for a number of years. This is why keeping a solid credit history is so important.

## **Fair Credit**

Generally speaking, consumers with “fair” credit history will have shown a “paid as agreed” credit history for at least the past two years. Fair credit consumers may have an occasional late payment showing on their record. Note that if you don’t have a “paid as agreed” installment credit showing on your record (a mortgage or auto loan) within the last two years, you should have a good revolving credit facility. As noted above, a repossession or bankruptcy on your record will show and affect you. They should be at least 18 months to two years in the past, however, for you to get a fair credit rating.

## **Situational Bad Credit**

In general, some bad credit rankings appear to be not as bad to a lender as other bad credit rankings. This includes consumers with a situational credit problem. In this case, you can usually identify a significant personal event or economic disaster that was the cause of the bad credit situation. Some examples of this include:

- Illness or physical injury.
- Divorce or marital separation.
- Unemployment from a job.
- Medical problems resulting in credit issues or bankruptcy

These items tend to give you a more favorable lender evaluation (assuming that before the event you had good credit). In this scenario, the lender may assume that you really are a decent credit risk given your good credit history before the event.

## **Bad Credit or No Credit**

In this case, we are talking about consumers with little or no applied for credit, or consumers that have a large number of charge-off accounts including bad checks, unpaid charge accounts, unresolved repossessions, unpaid utility bills or medical bills, and other items that indicate the consumer is a bad credit risk. If you are in this situation, you really need to change your habits or you will remain trapped in the “bad credit cycle” and never improve your credit situation. In a no credit situation, a vehicle loan can help you establish credit but you may need a cosigner to get a loan.

## **Really Bad Credit**

Generally, these are consumers with significant credit problems that cannot be tracked to a single event. In other words, these consumers have a long-term history of bad credit behaviors. For example:

- Multiple charge accounts with charge-offs.
- Multiple Bankruptcies.
- Multiple repossessions outside of bankruptcy at different times.
- Significant bad credit showing following a bankruptcy.
- Current, substantial delinquencies on all (or almost all) existing obligations.

- Recent repossessions (typically less than a year old).
- History of writing bad checks.

These behaviors will, ultimately, lead to the consumer having virtually no chance of obtaining credit except with huge down-payments and very high interest rates. As was noted above, these habits will need to change if one wishes to get back to a more stable credit situation.

Knowing your credit profile can help you in understanding what the lender is seeing when evaluating you for an auto loan. Where you can make changes and improve your credit situation, this should be done. That's the best way to get the loan you want at an interest rate you can afford.

## **Section 9: Bad Credit Car Loan FAQ's**

The following are some of the frequently asked questions with regard to bad credit car loans:

### **How much of a loan can I get pre-approved for?**

Unfortunately, this number is as variable as the number of people in the US. Each person's situation is unique and the bad credit car loan amount that you will get pre-approved for is based off a number of factors including your FICO score, your overall credit report, what type of issues are on your report, how recent they are, and much, much more..

### **How large of a down-payment money will I need (if I qualify for a loan)?**

Again, the down payment amount is variable based on your situation and credit history. Generally speaking, the worse your credit, the greater the down payment will be required. In any case, you should consider at least 10% down whenever you are purchasing a vehicle.

### **Will inquiries into my credit history further impact my credit rating?**

The answer is, "Yes they can." Whenever you're shopping around for an auto loan (or more credit in general), you should know that when creditors look up your credit report records, this causes an inquiry to show on your credit report. And inquiries can add up... which is often looked at in a negative fashion by lenders. For this reason, too many inquiries on your credit report can actually make getting a vehicle loan tougher.

### **Can I use my trade-in as money down for my vehicle loan?**

You absolutely can! Please note, however, that additional down payment money may be required depending on your credit situation, how much "equity" is in the car you are trading in, what condition your trade is in, and if there is a loan on the trade in vehicle.

### **Will a cosigner help with getting a vehicle loan?**

Having a cosigner can provide a lot of help to you when applying for an auto loan. This is especially true in a bad credit or no credit situation. But even if you have a cosigner you'll still

be required to meet the income requirements for the loan you are applying for.

### **Less than a year ago, I had a vehicle repossession, can I still pre-qualify for a loan?**

The answer is maybe. If the repossession was NOT included in a bankruptcy, and there is still a balance on the account, you can probably still pre-qualify for a bad credit auto loan. Note that greater down payment requirements will most likely apply and your vehicle selection will probably be limited to newer cars that are still under factory warranty.

### **Is it possible to get pre-approved with a bankruptcy in my past?**

Probably. As long as the bankruptcy has been fully discharged, or the bankruptcy trustee has given you an “Authorization to Incur Debt” you can probably get pre-approval from an appropriate lender.

### **I’m currently in a Chapter 13 Bankruptcy... Will I still qualify?**

In many cases, the answer is yes. Note however, it may take longer to process your bad credit car loan because of the bankruptcy. In addition, you will have to obtain an “Authorization to Incur Debt” from the trustee of your bankruptcy which will typically take a week or two to get. Always consult your bankruptcy attorney on matters such as these, however.

### **If I have no credit at all... can I still get approved for a car loan?**

Most likely you can! You will probably need either a large down-payment or a cosigner on your loan, but there are a significant number of lenders and dealers out there who will help you if you have no credit.

### **How can I figure out my monthly payments?**

Like any other loan, the monthly payment on a bad credit car loan is based on your credit profile (and, of course, the vehicle you end up buying). Note that newer, lower mileage cars are better because they usually qualify for extended terms. These are what most bad credit buyers will need. In general, the best payment options come from a newer model, less expensive vehicle, that has under 40,000 to 50,000 miles. To understand your monthly payment, you should consult a payment calculator available on many web sites on the Internet. FederalAutoLoan.com has such a calculator that can help you to figure your payment.

### **What kind of interest rate can I expect on my bad credit car loan?**

While being a good question, the problem is that there really isn’t a simple and direct answer. Car loan interest rates are based off a wider variety of factors. These include your general credit profile and how much equity is associated with the loan. Generally, the higher your credit rating, and larger the down payment is, the lower the rates you will receive on your vehicle loan. Additionally, the make and model year of the vehicle you want to purchase also plays an important role in the interest rate you will receive on your loan. As an aside, interest rates typically increase by approximately one point per year of age on the vehicle. So the older it is,



the higher the rate you'll pay.

## Section 10: Tips on getting a car loan after a bankruptcy

If you've been through a bankruptcy, then you know that one of the major concerns for many people is how to re-establish their credit once they've done so. The truth is that bankruptcy will impact your credit, and how you are viewed by lenders, for many years after you've had your bankruptcy discharged. But even so, you can still qualify for an auto loan if you have had a bankruptcy. This section will give you some tips on what to do to get a loan after you've gone through a bankruptcy proceeding.

The first question to ask is "Where do debtors stand as far as being able to get an auto loan once a person has emerged from bankruptcy?" The answer is generally... "yes, they can get a loan."

While auto lenders and other financial institutions pulled back on their lending during the financial crisis that began in 2008, more recently, it appears that lenders and finance companies are being more aggressive in their lending as of late. This includes lending to poor and bad credit customers who are in the "sub prime" market. As a result, virtually all borrowers, including those with poor credit histories, are finding it much easier to get a car loan than it was a couple of years ago or so.

Along with being more aggressive with lending in general, lenders are also relaxing their standards for extending credit to people who are emerging from a bankruptcy situation. So if this is you, your chances are improving daily that you will qualify for an auto loan.

Note that auto loans are often easier to obtain than credit card accounts once you have emerged from a bankruptcy. The reason for this is that auto loans are "secured" debts. With a secured debt, should you default on the loan, the lender has the legal right to take back the vehicle from you. This reduces their risk.

The following are a number of important tips about bankruptcy car loans:

1. **Down payments and interest rates.** The truth is that most people who are looking for car financing after a bankruptcy are able to get that financing. The problem is that the rate of interest will typically be very high, and the amount of the down payment will as well. Note, however, that recently, lenders appear to want to make more auto loans. This means that consumers who have a bankruptcy on their record will likely be able to get financing at lower rates and with a lower down payment than may have been required in the past.

But even if you only qualify for a high interest rate auto loan, the loan is not something that has to remain in effect for years. Once you've shown a good pattern of making your payments, you may be able to refinance at a lower rate. This could help you get a lower rate and a much more affordable payment.

2. **Discharge will usually be required by the lender.** Generally speaking, for a consumer

who is emerging from bankruptcy to receive any type of loan, the court must have issued an order of discharge. In this case, the bankruptcy may not be over, but the order of discharge will need to be in place.

3. **Cosigners can help you get a loan.** A cosigner can help dramatically in obtaining a better financing deal after a bankruptcy. What that means is that you should find a friend or family member who would be willing to co-sign on the loan along with you. This will almost always help with obtaining financing and keeping your interest rate down. Note that you will still need to meet income requirements in any case.
4. **Loan qualifications must still be met or you won't get financed.** When a consumer applies for a loan, the lender is evaluating whether or not the person will repay that loan. This is even more important after a bankruptcy... so having a stable job with the amount of income required to make the payment (after personal obligations) is pivotal if you are to receive financing after a bankruptcy.
5. **Time helps lessen the impact of a bankruptcy.** Lenders view a bankruptcy with less and less skepticism over time. That means that if you do a good job of keeping your credit up after a bankruptcy, then your creditors are more likely to look at your more recent behavior to evaluate your credit worthiness. In general, the first year after filing for bankruptcy is the most important to a lender, and the bankruptcy will have the most negative weight during that period of time. After that first year, your current behavior becomes more important and the bankruptcy less so. But in any case, compared to a person without a bankruptcy, all other things being equal, your credit will not be rated as highly as the person without the bankruptcy.
6. **Rebuild your credit before buying a car if you can.** Generally speaking, if you aren't in desperate need of a vehicle after getting out of your bankruptcy, you should start rebuilding your credit with less costly financing options first. Vehicles are both expensive and long-term propositions. So it may make sense to rebuild your credit with less expensive facilities before going after a car loan.
7. **Used vehicles may represent a better overall deal (and help you more).** In general, a later-model, used vehicle with relatively low mileage may make for the best car deal. In many cases, they may still be under warranty, they have most of the "drive-off" depreciation already factored into the price, and they cost less than a new car or truck. Because of all these factors, a used car probably makes more sense than a new one when you have emerged from bankruptcy.
8. **Work with a lender who knows you.** If you have a lender who knows you and knows about your bankruptcy situation, it may make sense to approach them with your financing requirements. This is especially true with a situational bankruptcy where you had a good credit history before the event that created your financial distress. In addition, if this lender has a history with you of you making payments prior to the bankruptcy they may be more willing to work with you.
9. **Do your homework and make a good deal.** There is never a reason to "buy fast"... and

that is especially true with cars. Since a vehicle purchase is one of the biggest purchases a household ever makes, you need to do your homework and make sure you're getting a good deal. Don't be so desperate to re-establish credit that you put yourself in a bad position or end up paying much more than you should. Remember, you are the one who makes the decision to buy... no one else. So do your research and make a smart purchase.

## **Section 11: Bounce back from bankruptcy with a vehicle loan**

So, you have filed for bankruptcy. You think your life is on hold. You're worried that you will not be able to get any form of credit ever again. Your car has just died and you're concerned that no dealership will even think of giving you a car loan. Fear not. You can get a car loan after bankruptcy. It will just take some time and research.

Believe it or not, getting a car loan is one of the best steps in rebuilding your credit after bankruptcy. Once you are able to prove that you can pay your loan on time, your credit can slowly improve. However, you will have a hard time finding a car dealership that will give you a car loan. Most auto finance companies will hesitate to loan money to those who have recently filed for bankruptcy. They consider it a risk and will not likely approve a car loan. Instead, seek out a sub prime lender. Sub prime lenders are lenders who specialize in loaning money to those with bad credit. Sub prime lenders are a lifesaver for those who have filed for bankruptcy, had a mortgage foreclosure, or have had a car repossessed.

You can expect a high percentage rate on sub prime loans. This is the downside to having to go this route. Percentage rates on sub prime loans are generally more expensive, but they pay off in the long run. You need a way to rebuild your credit, and this is one way to do it. When you are ready to search for a car loan, look no further than the internet. The easiest way to get the best rate possible is to compare rates among different reputable sub prime lenders.

When you find a suitable rate, apply for a pre-approved loan. Once you are approved for that loan, take your loan paperwork into the car dealership and purchase the vehicle you can best afford. The dealership should give you no problems when it comes time to talk about payment.

If you have a credit score below 500, you may find it difficult to get even a sub prime loan. One of the best ways to remedy this problem is to apply for a secured credit card. This type of credit card is secured by a certain amount of money in which you have deposited in the bank of the card you choose to cover the card limit. For example, if you need a \$500 credit limit, you will need to deposit the amount into the bank that is servicing your card. Once you prove that you can handle paying the monthly bills, your credit score will go up. This is one way you can get your credit into better shape.

Don't fear if you have to file bankruptcy. It seems scary, but you will come out better in the end. You will be able to obtain a car loan post-bankruptcy. Just plan and research the offers available to you.

## Section 12: Avoiding bad credit auto loan scams

Car buyers who suffer from credit challenges can potentially save hundreds of dollars by simply following some basic advice. The simple truth is that people who are credit-challenged need to do their research and make smart choices when financing a vehicle with bad credit auto loans.

Here at Federal Auto Loan, we are intimately familiar with this situation. We specialize in helping applicants with less-than-perfect credit find dealers that offer bad credit auto financing. And since our inception, we have helped thousands of people a month. We also have extensive content that is designed to keep you informed about bankruptcy issues, hot car topics, the bad credit car loan process, and quality auto financing advice.

Often times people get into trouble by signing for a car loan that they simply cannot afford. But by following these guidelines, they might not be in the situation that they presently find themselves in:

**Know your credit score.** Before you ever set foot in a dealership, you should know at least one of your FICO scores and what is detailed in your credit reports. If you have a credit score above 640, you might be able to get a conventional car loan with a finance company, bank, or credit union. If you have a score that is below 640, you will typically be required to finance your vehicle with a bad credit car loan. Since the conventional auto financing and bad credit auto financing processes differ from each other, knowing both your credit score and credit report is important.

**Set a budget.** The next step to avoiding bad credit auto loan scams is to determine your car budget. In addition to car payments, this figure should include the cost of gas and full coverage car insurance. By comparing this number to your income after expenses – Federal Auto Loan offers an auto loan calculator that can help you with this – it will help you determine your payment to income (PTI) and debt to income (DTI) ratios. If all things work out well, these ratios should meet the requirements of typical subprime auto loan lenders.

**Research the price.** Go online and look at the makes and models that you are considering. If you have a good idea of the price that you should be charged for a vehicle, it will be more difficult for a dealer to take advantage of you. Resources like Kelly Blue Book ([www.kbb.com](http://www.kbb.com)) and others can help you to know the amount you should pay for the car or truck you are considering.

**Research interest rates.** You can also research interest rates online to understand what you may be paying in terms of your rate. Remember that bad credit will significantly increase the interest rate you will have to pay. But by researching first, you will have a good idea of the interest rate range you will be in. This way, if a dealer quotes you a much higher rate than the range you were expecting, you'll know that something may be amiss.

**Know the true value of your trade in.** If you don't know what your trade in is really worth, you can be taken advantage of. Make sure to research your trade online so you know what its value really is.

**Have a vehicle inspection.** You may not want to pay the extra amount for a vehicle inspection, but if you are buying a used car without a warranty it may be the best money you've ever spent. Unscrupulous dealers may hide problems that you can't discover in a test drive. So do yourself a favor and make sure the car you're thinking about buying doesn't have a hidden problem that will cost you money later on.

**Check vehicle history reports.** Services like CarFax, InstaVin, and others allow you to get a history check of accidents and other information to make sure that the vehicle you're considering doesn't have hidden issues or problems that might affect the value.

**Work with reputable dealers.** It's a good idea to research the dealership you are considering as well. Check with the BBB and other sources to make sure they aren't conducting business in an unscrupulous manner. You can also check with your friends, family, co-workers, and others you trust before setting foot in a dealership. Not all dealerships are known for their good reputation and fairness when dealing with new and used car customers. Consumers with bad credit are more easily taken advantage of by unscrupulous dealers. So be sure to determine the reputation of a particular dealership before giving them your business.

**Read your documents carefully.** If you sign a document and something you negotiated wasn't in the document, then you are the loser. So make sure you review the fine print and all the details. Don't assume that the dealership will get everything right. People make mistakes... and dealers are people too. Beyond this, unscrupulous dealers often use the documents to take advantage of unwary consumers.

**Don't buy back end products.** These are options that are offered (in most cases) by dealership finance managers as part of the finance process. They include window etching, tinting, rust proofing, paint protection, extended warranties, and gap insurance (and more). Of all the backend products, gap insurance is probably a good idea if you have a long-term (60- to 72-month or longer) loan and/or you have less than 20% to 25% to put down. Gap insurance protects you by covering the amount owed on the car versus its actual value after it's been "totaled" in an accident. In addition, you may want to consider an extended warranty (assuming that it isn't overly expensive) to help protect you from repair issues. On the other side, offers like window etching and tinting, under body rust proofing, paint protection and the like are typically not good deals.

## **Federal Auto Loan**

The best way to avoid bad credit auto loan scams is to know your credit scores and be familiar with your credit reports. It is also a good idea to check up on your income and expenses to ensure that you meet the basic lender requirements before submitting a loan application. You should also know that if you have bad credit, you have more options available to you than you may realize. And before you visit a dealer, you should give us a look first. Here at Federal Auto Loan we specialize in helping people with bad credit find dealers that can help them get approved for bad credit auto loans. If you're serious about rebuilding your credit and getting bad credit auto financing, you can start now by filling out our online car loan application at [www.federalautoloan.com](http://www.federalautoloan.com).



## Section 13: Car values to consider for bad credit auto loans

Whenever you are considering purchasing a vehicle, you should also consider how well that vehicle holds its value. The reason is that someday you are going to want to sell or trade that vehicle. And the better a vehicle is at holding value, the higher the price you'll get when you sell it or trade it in. The Kelly Blue Book annual list of best vehicle resale values is a good resource to check before purchasing a car and obtaining a bad credit car loan.

There's a difference between the price and the cost of a car even when financing with poor credit car loans. We know this because for the last few years at Federal Auto Loan, we've been helping applicants find quality lender or dealer partners that support bad credit car loan programs. Our website also provides information on good and bad credit auto loans, repossession, bankruptcy, and today's topics and tips on choosing the right car.

### **More than just the price.**

If you are only considering the price in what a vehicle is going to cost you, you are making a mistake. There is far more to a vehicle's cost than just the price on the sticker in the window. A better thing to consider is the idea of "Total Cost of Ownership"... which takes into account a number of other things that "cost you" including: fuel efficiency, reliability, maintenance costs and, especially, depreciation.

Depreciation is the declining value of a vehicle over time. According to those in the know at Kelley Blue Book ([www.kbb.com](http://www.kbb.com)), during the typical five-year ownership period of a car, its loss in value (called depreciation) is usually the biggest expense of all. Depreciation is also one area where car buyers can save money simply by choosing a model that loses less of its value than other vehicles in the same category.

### **Kelley Blue Book Projections**

The staff at Kelly Blue Book has created categories of vehicles that project how well a car or truck will do in terms of overall resale value. They award "honor vehicles expected to maintain the greatest proportion of their original retail price after five years of ownership." These are good vehicles for consideration if you are looking into purchasing a vehicle.

So when you are researching your vehicle, take some time to review the projections of resale value on the Kelly Blue Book web site. You may find that the car or truck you want isn't nearly as good of a deal over time as you thought.

### **Watch the repairs**

In addition to depreciation, some vehicles are just better made than others. Those vehicles will cost less over time to repair. And that will save you money over the long run. On the other hand, vehicles with bad reputations in terms of repair problems will cost you more. So research the car you are considering to make sure it isn't going to hammer you with repair bills. You'll be glad you did.

## **How much is the maintenance?**

Beyond repairs, some vehicles simply cost more to maintain. This may be due to the way they are engineered or because they require special products (such as more expensive oil) as part of their maintenance, or both. For example, there are some vehicles that require considerably more work than others just to change the spark plugs. So unless you can afford to pay a lot for maintenance, don't buy the vehicle that costs a lot to maintain.

## **Gas mileage**

With the cost of fuel these days, fuel-efficiency is very important to most vehicle buyers. For example, Lets say you can afford a monthly payment of around \$200 and your current car takes about \$400 a month to fuel up. Under this scenario, you are spending \$600 a month to drive that vehicle (excluding repairs and maintenance). On the other hand, if dump that vehicle and you buy a car that costs \$250 a month to fuel up you could actually afford a higher payment (and perhaps get a better vehicle). So when you are looking at a car, make sure you check how fuel-efficient it is as well. Doing so could save you a lot over the time you own the car.

## **The Bottom Line**

Never confuse cost with price. The price is what you pay for the car, while the cost is what you'll end up paying over the lifetime of the vehicle ownership.

You should also know that at Federal Auto Loan, we place bad auto credit applicants with dealers that can offer them their best chance at getting approved for no credit auto loans.

So if you're ready to begin rebuilding your car credit, you can begin now by filling out our online bad credit car loan application.

## **Section 14: Making bad credit car loans more affordable**

### **How to save money on your next car loan even if you have poor credit.**

Although interest rates charged by subprime auto lenders for bad credit car loans are usually higher than those associated with typical auto loans, there are probably ways that you can cut down on the interest charges you'll end up paying for that loan.

Here at Federal Auto Loan, we know this to be true. We've spent years helping out car buyers with credit challenges. And it is the reason FederalAutoLoan.com is designed so that individuals with less than perfect credit can read up on subjects that can help them through the car buying and auto loan processes: such as how to reduce the total interest charges you'll pay on a car loan.

### **Reducing the cost associated with interest**

People with low credit scores usually have some issues shopping for, and comparing, interest

rates. This is because lenders typically only loan indirectly through new car dealers. That being said, regardless of the interest rate, there is a way to cut back on the interest charges associated with a car loan.

For example:

If you finance a \$20,000 vehicle at a 7% tax rate with non-taxable fees of \$150 and a down payment of \$3,000, the total amount you need to finance on the vehicle comes out to \$18,550.

Financing that amount over a course of 60-months at an interest rate of 17% means your monthly payment comes out to around \$461. In this example, the total interest that would be paid over the term of the car loan comes out to around \$9,110. That's a pretty hefty chunk of change!

By simply reducing the loan term to 48-months, the monthly payment increases to \$536. And while that number is a little bigger than the previous payment number, it's not an enormous difference. With this strategy, you also pay off the loan 12 months sooner. And by taking on a shorter-term loan, your total interest paid drops to \$7,178.

### **Other benefits of reducing interest expense**

In addition to reducing interest expenses, another advantage to reducing the loan term is the fact that it substantially reduces the period in which your car is worth less than the amount you need to pay off on the loan. In other words, you are reducing the amount of time that you are "underwater" on your auto loan.

Further, if you make your loan payments on time, you will likely be able to qualify for a lower interest rate loan (refinance) one to two years down the road.

Lastly, by paying a little more, you'll either have less negative equity – or possibly even positive equity – in your current vehicle when it comes time to trade it in for a new vehicle.

### **The bottom line**

When financing a car, especially one with a high interest rate loan, do it for the shortest loan term that you can afford. Doing so will save you a significant amount of money. Further, by making timely payments on your car loan, you should be able to re-establish (or establish) your car credit faster.

One thing you should know is that here at Federal Auto Loan, we place applicants with lender-dealer partners that understand and have experience with a broad range of credit issues. They constantly work with poor credit consumers and can offer some of the best chances for approved bad credit auto loans.

So if you need an auto loan with bad credit, and are ready to reestablish your credit, you can begin now by filling out our simple online car loan form.

## Section 15: Other tips on getting a bad credit auto loan

Even if you have poor credit, there are a number of steps that you can take to increase your chances of getting approved for a bad credit auto loan. The fact of the matter is, applying for a car loan can be stressful even if you have good credit! And if you have credit problems, the stressfulness associated with getting a bad credit car loan can be overwhelming.

Here at Federal Auto Loan we understand the bad credit plight. We've spent the last couple years helping people with credit-challenges find lender-dealer partners that can help them. But more than this, we have developed an extensive website that contains information on a wide range of finance- and car-related topics.

Many car-buyers with poor credit find it difficult to locate the right kind of lender-dealer partner on their own. Here at Federal Auto Loan, we assist you in the process. We can help you find a quality auto loan with bad credit.

### Locating the right dealer or lender partner

One of the bigger obstacles people with bad credit face in the car-buying process is locating a dealer that can get them financed in the right way. Although many car lots cater to buyers with poor credit, most of them are “tote the note” dealers – also known as “buy here-pay here” dealers.

But there are issues with these types of dealerships. First, although these dealers can get you into a car, they typically don't report your car loan or the payments to the credit bureaus. This means that while you may get the transportation you need, your FICO scores won't improve – even if you're doing a good job of making your payments on time. As a result, you'll find yourself in the same credit situation the next time you need to purchase a vehicle.

Another reason that you should think twice about auto loans from buy here pay here car lots is that they are not affiliated with a new car franchise. What this means is that their lots are often filled with older, high-mileage cars that may be unreliable.

This is not to say that all buy here-pay here dealers are bad. You just need to be careful and do your homework about any dealership you are considering.

In all likelihood, you will be able to find a number of dealers in your area that specialize in sub-prime financing. All you need to do is a little bit of research to find out which dealers are interested in working with folks who don't have great credit.

### The web has changed car buying

In this modern day, the Internet has altered the way consumers purchase vehicles. Web sites such as [www.FederalAutoLoan.com](http://www.FederalAutoLoan.com) help to match credit challenged consumers with dealers that specialize in a wide range of credit options. Many of these are not “buy here-pay here” companies. Unlike them, these dealers work with a variety of lenders that offer some advantages over “tote the note” dealers. These advantages may include:

1. The ability for the consumer to select a car or truck from a much larger inventory with greater options.
2. Requirements from lenders that make certain that the vehicles are either new cars or newer used cars with lower miles.
3. A significant number of vehicles in the inventory that are eligible for service contracts. These can often cover the vehicle for the entire loan term, helping to avoid potentially devastating repair bills should there be a problem with the vehicle after its been purchased.
4. Reporting of loan and payment history to the credit bureaus so you can raise your credit scores and help to re-establish your credit.

### **Apply for a car loan online**

Federal Auto Loan places applicants with lender-dealer partners that can offer them some of the best chances of getting approved for auto loans or bad credit car loans. So if you're ready to take the first step towards rebuilding your car credit, fill out our secure online auto loan application.

## **Section 16: Conclusion**

Having bad credit is a difficult thing... and unfortunately, more and more people are finding themselves in a challenging credit situation given the state of the economy in recent years. But having bad credit doesn't mean the end of the world. There are ways to get a bad credit auto loan. And there are ways to improve your situation. At Federal Auto Loan, we want to help consumers to understand their options when facing a bad credit situation. We hope you found this guide to be a good resource and helpful to you in your circumstance.

And remember, if you need to locate vehicle financing through a lender or a dealer to help you get the car you need, [www.FederalAutoLoan.com](http://www.FederalAutoLoan.com) is here to help.