



## **Auto Loan Deals are Not Always as Sweet as They Seem**

*Choosing the right auto loan is an important financial decision, and one fraught with potential risks for unwary credit consumers. Anyone planning to take out a loan to buy a new or used vehicle should shop around for the best deal, (see <http://www.finance-best.com/articles2>) read the fine print on any loan plan they are considering taking up, and most importantly of all, be very honest with themselves about how much car they can really afford to buy.*

([PRWEB](#)) December 4, 2004 -- An increasing number of lenders are offering car loan deals which encourage consumers to borrow more money than they can afford. Sometimes lenders will even include a bundle of cash thrown in, and make it sound like some sort of free gift or bonus, when it is in fact an additional loan. Often these types of deals will have very high interest rates hidden behind advertising material which emphasizes a low weekly or monthly repayment, rather than the overall cost of the loan.

What's more, low repayments can potentially cause another serious problem for consumers. Comfortable weekly or monthly payments may seem attractive on the surface, but borrowers run the risk of finding themselves in financial trouble if they are paying off too large a debt too slowly. Vehicles invariably depreciate in value at a very rapid rate. The danger with paying off a loan too slowly is that after a period of several years, the car owner will still owe more on the car than it is actually worth. This can become particularly difficult if the car is destroyed in an accident, and the insurance payout only amounts to the resale value of the car. If this happens, the borrower will have to continue to pay off the loan for some time after they no longer have the car.

The other side of the coin is that repayments may be too high, meaning consumers run the risk of falling behind in their repayments and having the vehicle repossessed. As with any financial management issue, the key is always to just do the math, and make a smart choice.

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