

Beginners Guide to Apply for Car Loans:

As soon as one gets financial independence he or she seeks to buy a car to ease out the daily commute and also to assert their economic freedom. Whatever be the reason for buying a car, a car loan is there to help you. Car loans are secured loans; since they are backed by an asset which in this case is the car for which the loan is being taken. Choosing the brand and the color of your dream car is important but getting your loan basics right can also not be ignored.

How Much To Borrow?

This will depend both on the financial institution's (FI) policy and how much you have saved for the down payment. Each FI can have a different rule about how much (as a percentage) they are willing to extend as a loan with respect to the car value. Some may offer maximum 85% of the car value as loan while some may offer 95%. How much you borrow will also depend both on the amount you have saved as a down payment and the lender's policy.

The lender will decide whether accept your application and how much to lend you based on their **car loan eligibility** criteria. The eligibility criterion is based on factors like age of the applicant, net income type/value/model of car, residential status, credit score etc.

How Much EMI Can You Pay?

While the bank has upper limit fixed as a percentage for the amount of loan they will sanction you can pay only what you have saved as down payment. However apart from this, one needs to keep in mind their EMI bearing capacity too before taking a loan. All lenders have **car loan calculators** available online that can be used to check how much finance is available at what percentage and for what duration. Do use a **car EMI calculator** to check if you can afford to pay the monthly installment. Any default can cause fines being imposed on you, a negative impact on credit score and the vehicle being repossessed in extreme cases. Make sure you get your calculation in place before actually applying for a loan. In case the EMI is not affordable one may look at the option of increasing the loan term provided it is less than or up to the maximum term specified by the lender.

How to Apply for a Car Loan?

FIs have tried to make applying for car loans quite simple for customers; most provide the option of applying online or offline or they could also send a representative to complete the required formalities.

Apart from the application the documentation needs to be in order to get a car loan sanctioned. Generally documents required for a loan include: KYC documents, latest salary slip, IT return of last two years etc. These may vary slightly in case of self employed.

Before applying check about the processing fees, interest rate at which loan is offered for various categories of cars (new and pre owned) and any other clause or condition that a FI may have.

There are online tools that allow you to compare **car loan interest rate in India**, processing fee charged by the various FIs, loan duration for which loans are available so that you can make an informed decision. Make sure you use the available tools to make the right decision. Checking all conditions before signing and comparing between various lenders is important.