

15 AUTO REFINANCING

MYTHS THAT ARE COSTING YOU BIG





There are endless myths surrounding auto refinancing. If you've been thinking about refinancing your auto loan but are unsure, our experts at WEOKIE Federal Credit Union might be able to clear up some of the most common misconceptions.

The goal of refinancing is to lower your interest rate and monthly payments in order to save money in the long-term. But, being unfamiliar with the process can leave you paralyzed in making that decision. In this free guide, we'll debunk 15 auto refinancing rumors that could help you save money.

MYTH 1: YOU WON'T BE APPROVED IF YOU HAVE A LOW CREDIT SCORE.

FALSE: Yes, your credit score is usually one of the main factors lenders take into consideration when reviewing your application. However, it's not the only one. Lenders also check job stability, verifiable income, payment histories and financial obligations. And, if you already have a car loan and have been making payments on time with your other obligations up-to-current, you're showing proof that you'll pay back your loan.

MYTH 2: A GOOD CREDIT SCORE GUARANTEES APPROVAL.

FALSE: Good credit helps but it's only one factor in the application process. Auto refinancing companies have other requirements that must be met. Some lenders won't refinance a vehicle that's more than seven years old. Or, some only refinance current loans of a certain dollar amount. Always check the loan's terms and conditions before applying.

MYTH 3: SHOPPING FOR A CAR LOAN WILL HURT YOUR CREDIT.

FALSE: A myth we see all too often is that shopping around for a new auto loan will hurt your credit score. It's true that when you apply, a lender will have to look at your credit. However, for most people, an inquiry will deduct five or fewer points off your score.

MYTH 4: LENDERS WON'T REFINANCE MY CAR IF I HAVE NEGATIVE EQUITY.

FALSE: Most people have negative equity on their current car. This is because the vehicle value depreciates at a much faster rate than you're able to pay down the principle. Dealerships are known for advertising and encouraging buyers to put down the bare minimum. Most lenders understand this situation which is why they provide refinance loans up to 120% to 130% loan-to-value.

MYTH 5: I CAN'T REFINANCE BECAUSE I HAVE A PRIOR BANKRUPTCY.

PART FALSE: Some lenders will consider approving you for a loan as long as you've been proving your financial responsibility. If your Chapter 7 or 13 bankruptcy has been discharged, a lender will likely consider approving you.

MYTH 6: I CAN'T REFINANCE MY CAR BECAUSE I'M SELF-EMPLOYED.

FALSE: As long as applicants have 1099 income, two years of federal tax returns and professional references, they experience little to no problems.

MYTH 7: I JUST PURCHASED MY VEHICLE AND THE DEALER SAID I CAN'T REFINANCE IT FOR 6 MONTHS.

FALSE: Once you drive the vehicle off the lot, what you do with your auto loan is up to you. If you enjoy the car but are unhappy with the interest rate, you can always go and apply to refinance at a better rate.

MYTH 8: UNDERWATER LOANS CAN NEVER BE REFINANCED.

FALSE: On average, vehicles lose 10 percent of the value after they leave the lot. If the car is worth less than the outstanding loan, the loan is considered underwater or “upside down.” However, refinancing is a possibility if you can make extra payments and pay down the original loan. This will bring the balance in line with the vehicle’s current value.

MYTH 9: REFINANCING MY CAR LOAN IS A HASSLE.

FALSE: Unlike your home, when you apply to refinance an auto loan, your vehicle doesn’t have to be appraised. Most people think the process of refinancing takes too much time and effort. However, you don’t have to worry about paying an appraiser or dealing with a car dealership. Most lenders will use NADA, KBB or other books to value your vehicle based on year, make, mileage, features and the identification number.

MYTH 10: IT COSTS TOO MUCH TO REFINANCE MY VEHICLE.

FALSE: Unlike a mortgage, refinancing a car doesn’t cost anything. Submit your information online to receive a free, no-obligation quote. Lien holders make their money on the interest you pay and refinancing is treated the same way. At most, a lender may ask a few dollars to join in order to refinance for a lower rate.

MYTH 11: FINANCING A CAR IS THE SAME AS CASH.

FALSE: When you don’t have the funds to pay for a car with cash upfront, a dealership special may be awfully enticing. Dealerships will offer incentives where you don’t pay any interest for a certain period of time before the APR comes into play. In reality, you’ll end up paying interest on the balance after the promotional period — so your total payment for the car will be significantly higher.

Use WEOKIE’s auto loan calculator to determine whether paying cash will cost you less than financing a vehicle over a loan. Or, if you’re set on using an auto loan, this calculator is a fantastic tool for comparison shopping.

MYTH 12: REFINANCING AN AUTO LOAN WON'T SAVE YOU A LOT

OF MONEY.

FALSE: The amount you save will largely depend on your situation. With refinancing, not only will you save on the total interest charges, but you could save on your overall monthly payments as well. For example, lowering a rate by 2% from 7% on a \$25,000 loan could save you more than \$1,000 over the life of a 6-month loan.

MYTH 13: IT'S NOT WORTH SHOPPING AROUND WHEN REFINANCING

AUTO LOANS.

FALSE: Interest rates can vary widely from one lender to another so it's always a smart choice to shop around for the best terms. When comparing lenders, look at the interest rates they offer, potential fees and their customer reviews. Banks and credit unions have different formulas for determining credit risk, so do your homework and apply for a free quote ahead of time.

MYTH 14: IT'S NOT A GOOD TIME TO REFINANCE MY CAR.

FALSE: Financial institutions are cautious with who they approve. However, the cost of capital is fairly cheap right now and lenders can borrow short-term money at low loan rates and still profit by offering long-term loans with attractive rates. Because the market fluctuates, refinancing your car now will lock in a lower interest rate before they start to rise again.

MYTH 15: THERE'S NO EXTRA INCENTIVE TO REFINANCE.

FALSE: While that might be true at other banks or credit unions, when you refinance your auto loan with WEOKIE, you get so much more than a loan. If you refinance with us, you may be eligible for lower interest rates, lower payments, more flexible terms and other perks.

AUTO LOAN REFINANCING IS THE PERFECT WAY TO SAVE YOUR HOUSEHOLD MONEY IN THE LONG-TERM

Your credit score is one factor lenders consider when evaluating your application. But, regardless whether or not it has changed since you took out the original loan, you may be able to get a better interest rate by shopping around and refinancing with a new lender. To learn more about refinancing and WEOKIE's auto loans, give us a call today at **(405) 235-3030** or **1(800) 678-5363**.

