

## Auto Loan Refinancing Possibilities

It's a nightmare that people face all too often. You're offered a great car with "low monthly payments", only to find that your car loan payments are driving you to the poorhouse. If this scenario sounds familiar, you may want to consider an auto refinance loan.

"Refinancing" is a financial situation wherein a borrower finds a new source of financing to pay off a current loan. Many homeowners use this practice to pay off their current mortgages at more affordable rates. In fact, refinancing is one of the most popular methods for people to arrange home loan financing.

The same rules and practices apply to auto loan refinancing. This is simply the act of taking out one loan to pay off another. The goal is to allow the borrower to save some money on monthly loan obligations. Yet, it largely remains secret within the financing industry. People have been refinancing homes and saving thousands of dollars for years. And yet, the practice of auto loan refinancing is largely unknown. This could be because auto loans and mortgages are different, and people are naturally skeptical to take new risks. Despite their hesitation, many people would find auto loan refinancing to be a good choice, provided the situation is right.

When is the best time to arrange auto loan financing?

The only way that this arrangement is going to save money is if the loan is refinanced while interest rates are low. Mortgage rates tend to move with overall market fluctuations. Therefore, if bank rates are low, then mortgage rates will tend to be low as well. Naturally, lower rates mean lower monthly payments. This is the situation you should be aiming for.

Not everyone understands that money also holds a "time value". It's important to remember that the longer you spend paying off a loan, the more money you will actually spend. So, your "low monthly payment" of \$400 is not such a bargain if you're paying over five years # or sixty months. By the end of the loan period, you can end up paying more money on interest than you did on the principle amount. Auto loan refinancing can help you to minimize those exorbitant loan costs, and maximize your savings.

Who benefits from an auto refinance loan?

Almost anyone who is trying to pay off a current car loan can benefit from this plan. Even those car owners with poor credit are able to obtain auto loan refinancing as a means to lower their APRs (annual percentage rates). For instance, you take buy a Honda Accord for \$16,500 on a new Honda Accord. You agree to pay off the amount at 21% APR at the end of six months. Your payment is \$446 monthly, giving you a total interest charge of \$10,283 at the end of your loan period. For the next few months, this will be your monthly loan obligation.

Then, you decide to take an auto refinance loan. This time, your loan rate is only 6% APR # a difference of 15%. Your auto refinance loan requires a monthly payment of \$319 with total interest charges of \$2,639. You'll save up to \$7,600 in interest, as well as over \$100 per month in payments.

Of course, your scenario will be different. However, you will save money with an auto refinancing loan at a lower rate. In fact, you can potentially save a great deal of money and get on the road to financial recovery.