

Delinquencies on Auto Loans Increase

According to TransUnion, delinquencies on auto loans in the U.S. in 2008 increased almost 18 percent in the last quarter of the year. Historically, there is usually an increase in delinquencies on auto loans the third quarter, but the rate has increased when compared with the same quarter in past years. A report from Edmunds.com predicted that about 1.6 million cars would be repossessed in 2008, due to unpaid auto loans. The delinquency rates on auto loans are not surprising, given the recent increase in delinquency rates for credit cards and mortgage loan payments. Given the downturn in the economy, consumers in some situations are having to decide which payments they should make and which ones will have to wait. For many, auto loans are paid after bills for heating, electric and mortgages. So many consumers rely on automobiles on a daily basis, that waiting to pay auto loans is not an easy decision. Mass transportation is not an option for most people, unless they live in a larger metropolitan areas. Cars are an expensive purchase, which is why many people have to take on auto loans to pay for them.

Not so long ago, people often saved up and bought a car with cash. Auto loans have since become quite common, as lending standards were fairly loose the past ten years. In many cases, someone could purchase a car with no down payment. In the wake of the credit crisis, though, lenders are tightening lending standards, requiring bigger down payments and offering fewer loans. The struggling car makers are offering some unprecedented discounts and financing offers to entice potential car buyers right now. The big question for consumers will be whether to purchase with cash or consider taking on auto loans.

The path of least resistance when purchasing a new car is to purchase it with cash. This allows you to be debt free. You also do not have to be concerned with owing more on a loan the car is worth. You do not have to send in monthly payments. The car is yours. Preferably, you would not buy a car until you had the money to do it. But if you need a car now and are shopping for auto loans, make sure you have a handle on what the loan will cost you in the long run. Examine your budget and do not buy a car that puts a strain on your finances. Keep in mind that you will also have to pay for licensing, registration, insurance, maintenance and repairs on the car. If the car you really want is a financial stretch for you, choose something less expensive. Regardless of the amount in auto loans you can obtain, do not buy something that will put a strain on your finances. The loan and payments will be in your name. You know what you can handle financially, so do not spend a penny more.

About the Author

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