Understanding Vehicle Loan Financing Basics

When considering financing a new vehicle purchase, it’s important to understand the basics about your options. At the credit union, our financing options are accompanied by features that give you flexibility, and put you in control of your money. Features like:

- Paying off your loan faster with weekly or bi-weekly payment options.
- Repaying your loan amount early with no penalties.
- Making extra payments any time, in any amount, as often as you want, with no penalties.

And flexibility is only the beginning. Next we’ll consider your unique financial situation, including your goals and realities, to help you determine the loan option that works best for your personal budget. We’ll help you determine whether a fixed rate or a variable rate is right for you. We’ll also help you determine the right payment options and whether fixed regular payments are best for you. The *FAQ Quick Reference* below lists common questions other members have asked, and will help you learn more about your financing options.

FAQ Quick Reference:

Fixed or Variable Interest Rate - What’s Right for Me?

- **Fixed Interest Rate Loan** Features & Benefits
    - Your interest rate is locked in for the term of the loan, and will not fluctuate.
    - A fixed payment amount means you’ll know how much interest will be paid over the term.
    - Terms available up to 5 years.
    - Amortization available up to 7 years.
- **Variable Interest Rate Loan** Features & Benefits

- Your interest rates change with market conditions.
- If interest rates fall, more of your payment will go toward the principal of your loan, so you can pay off your loan faster.
- If interest rates rise, more of you payments will go toward interest on your loan, so it may take you longer to pay off your loan.
- Amortization available up to 7 years.

What's the Difference between a Term and Amortization?

- Amortization refers to the length of time you choose to pay off your loan. For example, if you choose an 8-year amortization period, you will have fully paid off your loan after 8 years.
- Term refers to the period of time until your loan becomes due and payable, or must be renewed. Terms range from 1 year to 5 years. The rationale for having shorter terms is for the benefit of both the borrower and the lender. If you expect interest rates to fall, shorter terms may be a benefit.

Where Can I Find Your Interest Rates?

- If you're currently a member, visit your credit union's website to find today's current rates.
- If you're not currently a member, visit the credit union finder http://focusedonme.ca/find-a-branch.asp to find a credit union near you.

How Much Interest Will I Pay?

The amount of interest you pay over the life of your loan will depend on the interest rate, term, payment schedule, and amortization period chosen.

What Payment Schedule Options Do I Have?

Payments can be made weekly, bi-weekly, or monthly. Because interest is compounded each payment period, weekly or even bi-weekly payment schedules can result in a savings on total interest paid.

Can I Make Payments Anytime Without Penalties?

Absolutely. There is no penalty for extra payments or early repayment. Members can make extra payments any time, in any amount, and as often as they want.