

1. Pre-approved dealer loans may not be your best option

Pre-approved loans offered at dealers are meant for the convenience of the car buyers but don't come with the best rates.

The dealer may throw in some discounts on car accessories if you opt for the car loan, but remember, a costly car loan taken at higher interest rate can virtually dent your pocket throughout the loan tenure.

So avoid saying 'yes' to any car loan offered by your car dealer and spend some time looking through the various options to find the best one for you.

2. Choose your car model wisely

The car model you choose matters when it comes to your car loan interest rate. Not many people are aware that the interest rates for car loans differ for different car models with the same bank. The loan tenure and the segment of the vehicle also play a significant role in deciding the rate of interest.

For example, interest rates for less popular or outdated models are higher than those in the popular and premium category. Also, second hand cars come with higher rates compared to first hand models.

3. Choose a bank with an existing relationship

Considering the bank where you already have your salary account is a good way to get the best rates. If you default the loan, they always have an option to block the money from your account, thus making you a safer candidate.

If the bank has a tie-up with your company, it may help you get better rates based on the employer-bank relationship. You can also consider the bank where you have a good FD or the one where you took a home loan, as long as your track record is clean.

4. Time the loan application right

The growing competitive loan market has means that banks have monthly targets to achieve. So approaching the bank near the month end, during festive time, close to the half year mark or the year end, is always a good idea.

To meet their disbursement targets, they would rather offer a better deal to a customer rather than letting him go to their competitor.

Loan melas conducted by banks are also a good opportunity for applications as these melas are conducted for expressly meeting targets with maximum possible deal closure.

5. Bargain using your credit score

Do you know that your credit score is a good tool to bargain for a better rate? Many people do not pull out their credit scores before placing a loan application, and are not even aware of their scores.

Bank Rates and Monetary Policy Tips

People with good credit scores can expect a slight relaxation in terms of norms and interest rates, but unless you ask, the bank may not offer it.