



Steer Clear of Dealership Financing: Why It's Often Better to Look Elsewhere

Buying a car is a major financial decision, and the excitement of finding the perfect vehicle can sometimes overshadow the crucial details of financing. Dealerships often present themselves as a one-stop shop, offering financing on the spot. While convenient, this option isn't always the best choice. In fact, there are several compelling reasons why avoiding dealership financing is often the smarter move.

Higher Interest Rates = The Dealership's Profit Margin. Dealerships are businesses, and financing is a profit center. They often mark up interest rates well above what you could receive from other lenders. This markup, even a seemingly small percentage, can translate to thousands of dollars in extra interest over the life of your loan. Dealerships work with various lenders and receive a commission for each new loan, which incentivizes them to push higher rates. You suffer by paying more for the same vehicle when compared with securing a lower rate elsewhere.

Less Negotiation Power. When you finance through a dealership, you're essentially negotiating the entire purchase – car price, trade-in value, and financing – in one place. This weakens your bargaining position. The dealer can bundle everything together, making it difficult to isolate and negotiate the individual components separately. You might accept a higher interest rate to secure a lower car price, or vice versa, without truly understanding the overall cost.

Limited Lending Options. Dealerships typically work with a select group of lenders. This limits your options and prevents you from comparing rates with a wider range of financial institutions. They have established relationships with specific lenders, streamlining their processes. This may cause you to miss out on potentially lower rates offered by other financial institutions, and [especially us](#).

Hidden Fees and Add-ons, AKA The Fine Print. Dealership financing often comes with hidden fees and add-ons, such as documentation fees, prepayment penalties, extended warranties, or service contracts, which can inflate the total cost of your loan. They aim to maximize profits, and these add-ons contribute to their bottom line. So, you end up paying for products or services you may not need or want.

Pre-Approval Power = Knowing Your Budget. Getting pre-approved for an auto loan before visiting a dealership offers significant advantages. You know your interest rate and loan terms, and approximate monthly payment upfront, giving you a clear picture of your budget and stronger negotiating power. You can then focus on negotiating the car's price, and your trade-in value knowing you have secured favorable financing elsewhere.

Come See Us for Better Financing. We always offer competitive interest rates and personalized service. Our [auto loans](#) put you in control with value-added options that protect your investment and may lower the cost of your loan overall. Pre-approvals, electronic signature capability, payment protection, and deducting payments right from your paycheck are just a start.

The Bottom Line. While dealership financing might seem convenient, it's crucial to explore alternative options. Taking the time to shop around for financing can save you thousands of dollars and provide a more transparent and empowering car-buying experience. Do your research, get pre-approved, and remember that you have the power to choose the financing option that best suits your needs.