

1

## You want to lower your interest rate.

Auto loan interest rates tend to be all over the map. Perhaps you financed through the dealer where you bought your car at a higher rate than those you're seeing advertised today.

**Keep in mind:** If you refinance to lower your interest rate, the longer you wait, the less sense it makes. Most car loans are amortizing loans, meaning you pay most of your interest costs at the beginning of the loan.

2

## You want to lower your monthly payment.

If the COVID-19 pandemic has impacted your income, you may be trying to find ways to cut expenses. Or, maybe you're simply looking to create room in your budget and improve monthly cash flow.

**Keep in mind:** If lowering your payment means extending your loan too far, it may not make sense for you (see reason #4).

3

## Your credit score has improved.

If your credit score wasn't too great when you initially financed your car, it's possible that the rate and terms on your loan weren't too great either. If you've improved your credit rating since then, that can translate into a lower rate or more favorable terms today.

**Keep in mind:** An increase of just 50 or 60 points in your credit score can move you to the next highest credit score grade.

4

## You want to change the term (length) of your loan.

If your goal is to pay off your car loan sooner rather than later, reducing the loan term is a great way to do it. Doing so will increase your payment, but makes sense as long as it's still within your budget. Extending the term of your loan, on the other hand, is one way you can lower your monthly payment, which may be another reason to refinance.

**Keep in mind:** It doesn't make sense to extend the term of your loan so far that down the road your car isn't worth what you owe on it. This is known as being upside down in your loan, which isn't an ideal situation.

5

## You're ready to get serious about balancing your budget.

If your recent spending has gone beyond the bounds of your budget, then balancing your budget could be the solution. Or, perhaps your cash flow is fine but you want to become a better steward of the income you receive. An auto loan refinance could be the catalyst for helping you consider ways you can free up funds to give to other people or organizations that need help.

**Keep in mind:** If you do decide to refinance, make sure there's not a prepayment penalty on your current loan.

## WHAT'S YOUR SCORE?

Should you refinance? Add up your reasons to find out.

1

2

3

4

5

### 1 REASON:

This might not be the best time to refinance.

### 2 REASONS:

Possibly consider looking into refinancing.

### 3 REASONS:

It's probably a good option for you.

### 4 REASONS:

You should seriously consider it.

### 5 REASONS:

**Yes, you should refinance!**