

The Ultimate Guide to Buy a Car and Improve Your Credit

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Adulting can come with its fair share of challenges, especially pertaining to your finances. Whether you're a first-time car buyer with limited credit history or someone who's experienced financial hardship (i.e., bankruptcy, repossession, foreclosure, etc.) that resulted in bad credit, we've created a comprehensive guide to help you along your credit and car buying journey.



Buying a Car with Bad Credit or No Credit

While buying a car should be an exciting time for car shoppers, it can come with its challenges if you have bad credit or no credit. When you apply for financing or a loan to buy a car, auto lenders and finance companies will review your credit history to determine whether you will be approved and, in some cases, what interest rate you will receive.



Typically, these companies consider borrowers with prime and super prime credit scores (661-850) to have high creditworthiness, meaning they're suitable to receive financial credit, often based on their reliability in paying money back in the past as reflected, in part, by their credit history. As a result, prime and super prime car buyers generally get approved for traditional car financing with lower interest rates.

On the other hand, borrowers with bad credit or no credit generally fall in the non-prime (600-660), subprime (550-600), and deep subprime (below 550) credit score range. Since auto lenders and finance companies

that offer non-prime to deep subprime financing are extending credit to borrowers with low creditworthiness, they will typically charge car buyers in these categories a higher interest rate.

If you have bad credit or no credit, here are a few key steps to take during the car buying process:

1

Check your credit.

Before you start visiting car dealerships, you can check your credit report and credit score. Your [credit report](#) is a document containing your personal information, credit account history, credit inquiries and information gathered from public records, which may include bankruptcies and open/closed accounts.

The information found in your credit report is used to calculate your credit score, which is a numeric value that informs potential auto lenders and finance companies about your creditworthiness. You can access your credit report for free once every 12 months through Equifax, Experian, and TransUnion.

2

Set a car budget.

Whether you plan on buying a new or used car, [setting a budget](#) is always wise. You can do this by reviewing your current expenses, calculating how much you need for a down payment, setting up a car savings fund, and managing your spending. If you currently own a car, selling or trading it in can help with purchasing a newer vehicle.

3

Do your research.

Once you have a better idea of your credit history and car financing options, you should research car options that best fit your needs. You can [start by narrowing down](#) which car type(s) is/are most suitable for your situation based on your usage, style preferences and the number of passengers you expect to accommodate (SUV? Truck? Van? Sedan?). After that, you can move on to determining your car vendor preferences and whether you plan on purchasing new or used based on your car budget.

4

Find a car dealership that can work with you.

If you have bad credit or no credit and are shopping for a new or used car, it's important to find a bank or car dealership that can offer you the right type of car loan or auto financing for your financial situation. There are many dealerships that offer subprime financing to credit-challenged car buyers in need of credit approval to buy a car. [Find a car dealership that can get you approved for financing today!](#)

5

Visit a car dealership.

After you've done all your research, you can visit a local car dealership to determine which car best suits your needs and budget. When you're ready to purchase, you want to make sure you [bring all the necessary documents](#) to the car dealership.

Deciding Whether to Buy a New or Used Car

If you're currently in the market to buy a car, you may be torn between whether to go the new or used route. Thankfully, there are advantages to both.

Advantages of Buying a Used Car

- **It's less costly**
As we mentioned earlier, buying a used car typically costs less than purchasing a new vehicle. With lower used car costs, you typically get lower monthly car payments, and you may be able to get shorter financing terms.
- **It depreciates less**
The second you drive a new car off the lot, its value depreciates. By purchasing used instead of new, the first owner absorbs most of the depreciation while you get a much lower-priced car that depreciates more slowly.
- **You can easily research the car's history**
Companies like Carfax.com or Autocheck.com make it much easier for used car buyers to check the car's history. A [vehicle history report](#) can show you a car's title history, its record of maintenance, how many owners it has had, and information about collision and repairs.

Advantages of Buying a New Car

- **You're the first owner**
One of the great things about buying a new car is that you don't have to worry about wear and tear, whether previous owners mistreated the vehicle, were involved in accidents, or failed to do routine maintenance.
- **Less investigative work**
Rather than researching the car's history (since there is none), you can spend your time researching the type of car you want.
- **The latest technology and features**
Another advantage of buying a new car is that it can come with the latest technology and features such as a heated steering wheel, push-button start, adaptive cruise control, and Apple Play/Android Auto.

Determining Your Car Budget

Shopping for the right vehicle involves determining the right budget. Since car payments are likely to be the next biggest item in your monthly expenses along with your mortgage or rent, it's important that you take time to calculate and determine a car budget that works for you. While the vehicle price is a major factor, there's a little more to it than that.

Here's a quick rundown of the total expenses to consider when determining your car budget:

Car payments

Before you visit the dealership, it's wise to decide what monthly car payments best fit your budget. You can do this by using a [car loan calculator](#).

Auto insurance

Since you'll need car insurance to drive your newly purchased vehicle off the lot, shopping around for insurance quotes prior to buying your car will help you determine the best rates for your car budget.

Gas

You can find out the average fuel cost of a specific make and model by doing a quick search online. Another way is to divide the number of miles you drive each month by your car's fuel economy rating, available on [FuelEconomy.gov](#). Multiply that number by the price of a gallon of gas in your area.

Maintenance and repairs

According to [Popularmechanics.com](#), the average car costs \$1,400 to maintain for the first 25,000 miles. The costs increase from there until the 100,000-mile mark, and then less intensely after 100,000 miles. Common maintenance costs include oil changes and tire rotations. The type of engine oil, the age and make of your vehicle and driving habits usually determine when to change engine oil, according to Angie's List.

Annual registration

This part is simple: Just divide your annual motor vehicle registration renewal amount by 12 and there's your monthly cost!

Determining a car budget will help focus your decision making during the car buying process. If you've already calculated a budget but need help getting approved for financing due to having bad credit or no credit, [Credit Acceptance can help!](#)

Narrowing Down Your Options When Car Shopping

Making the right decision while shopping for a car can be overwhelming, but it doesn't have to be. If you're in the market to buy a car and are in the research phase, here's how you can narrow down your options:

1

Determine your wants vs. needs

Do you have a lengthy commute to work and want to cut down on gas costs? A fuel-efficient car may be a good option. Or, perhaps you have a large family — a truck, SUV, or van with more passenger and/or cargo space may be something to consider. Whatever the case, prioritizing your needs to narrow down your car options will most likely help you in your decision-making process.

2

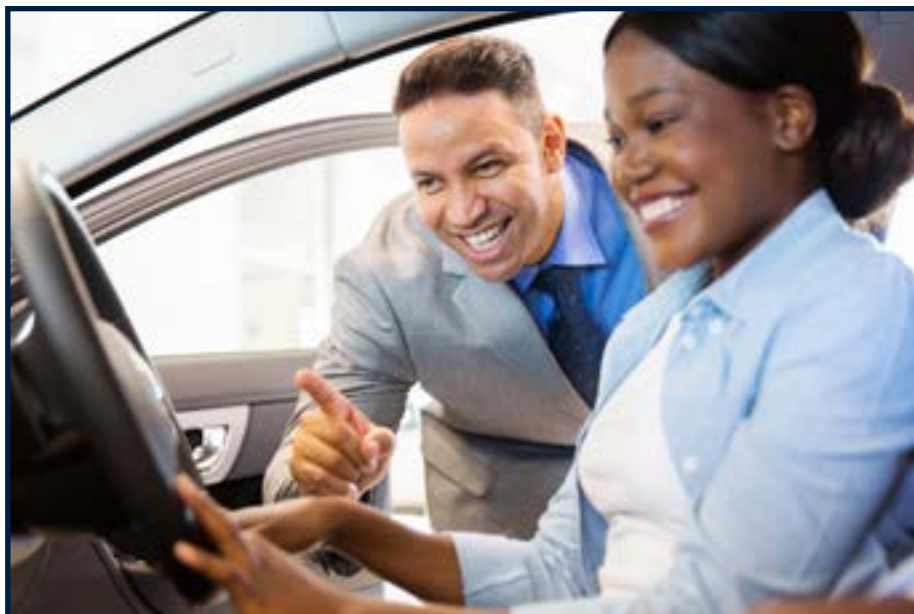
Identify your car financing options

As we mentioned earlier, there are car financing options for credit-challenged car buyers. Credit Acceptance works with more than 12,000 car dealerships across the nation enrolled in our auto finance program to approve bad credit and first-time car buyers for financing. [Learn more!](#)

3

Go for a test drive

Before you make any final decisions, it doesn't hurt to take your soon-to-be ride for a spin so you can get a feel for how it drives and know if it's the car for you.





Finding the Right Car Dealership

You've done hours of research online and narrowed down your car options. Now, you just need to find a car dealership that can help get you across the finish line and into a reliable car that meets your needs and budget.

Here are some ideas to help you find a dealership during your car buying journey:

Compare vehicles and pricing.

The right dealership will work with you to find the car that meets your needs and the budget you want. If you're looking at a specific model, it's wise to compare pricing and vehicles between dealerships to ensure you're making an informed decision.

Find a car dealership in your local area.

Since many dealers are open during normal business hours, finding one that's close to your home or job may be the most convenient. Credit Acceptance can help you find up to three car dealerships enrolled in its program near you by [filling out some information](#) on our website.

Consider your car financing options.

Knowing the type of car you want is one thing but knowing how you're going to pay for the vehicle is another. If you have bad credit or no credit, a car dealership enrolled in the Credit Acceptance program can help you get [approved for financing](#).

Getting Approved for Car Financing with Credit Acceptance

It's no secret that having a poor credit history can make getting approved for financing difficult. Credit Acceptance believes everyone deserves a second chance, which is why we enable dealers enrolled on our program to approve everyone, including customers with bad credit or no credit history at all. Here's how the program works:

1

Get connected with a dealer near you.

Finding a dealer enrolled with Credit Acceptance has never been easier. Simply enter basic contact information into a short form, and your information will be shared with up to three car dealers in your area who are able to offer you a credit approval, even if you have bad credit or no credit at all. [Click here to find a dealer on the Credit Acceptance program near you.](#)

2

Get credit approval for a new or used vehicle.

Once you get connected with an enrolled dealer, you can get started on your credit approval by applying for and securing your car financing at the dealership. Enrolled dealers have the flexibility to approve customers with bad credit or no credit, as well as those who have [open Chapter 7 and 13 bankruptcies](#) (subject to Credit Acceptance's funding standards). Contact your local dealer on the Credit Acceptance program to learn more.

3

Select your car.

Participating dealers can offer credit approval on new and used vehicles of all types. This gives credit-challenged car buyers the flexibility to obtain car financing on a reliable vehicle that best suits their needs and budget. The dealer will work with you to understand the type of vehicle you want, as well as work with your budget, to structure a contract that meets your needs.

4

Rebuild your credit with on-time payments.

Credit Acceptance reports to the three major credit bureaus — Equifax, Experian, and TransUnion — giving car buyers the opportunity to improve their credit scores and [reestablish their credit history](#) through on-time car payments.

Documents to Bring to the Car Dealership

So, you've set a budget, narrowed down your options, and now you're ready to head to the dealership to test drive and purchase your ride. Here are some documents to bring to the dealership:

A form of payment

Of course, you can't buy a car without most likely being required to make some form of payment. Payment can be a preapproved loan check from a bank or credit union. If you're getting vehicle financing through the dealership, the down payment can be in the form of a cashier's check or personal check.

Driver's license

The driver's license serves two purposes: to prove you are a legally registered driver (since you'll be driving the car off the lot, of course) and to serve as identification for your check or form of payment.

Proof of income

When you purchase a car with vehicle financing, providing proof of income is a must. Why? Because auto lenders want to verify that you have a steady income to pay back the car loan or auto financing over time. So, before you head to the dealership, make sure you bring a paystub or bank statement.

Proof of residence

You will also need to provide proof of residence to ensure that the monthly bills you receive will be sent to the address you provided in the paperwork. You can bring various forms of documentation, including a recent utility bill or your home's lease or mortgage agreement.

Proof of insurance

Before you can drive your new car off the dealership lot, you must have coverage. If you already have insurance set up, showing a valid proof of auto insurance card will suffice. If you did not set up insurance ahead of time, you can call from the dealership and give your insurance company the vehicle identification number (VIN) of the car you are purchasing, and your insurer will either email or fax over your proof of insurance to the dealership.

Title and current vehicle registration for trade-in

If you are trading in a vehicle, you will need to provide the car's title to show that you are the owner. If there is a co-signer or a lien against the title, you should get the required signature necessary to discharge the lien ahead of time. You will also need to provide a copy of your current vehicle registration, so make sure that it is up to date before you trade in your vehicle.

Steps to Improve Your Credit After Buying a Car

Now that you've purchased your car, you have a fresh start at building or rebuilding your credit, and the number one way to do this is by paying your bill on time, every time. Credit Acceptance reports to the three major credit bureaus (Equifax, TransUnion, and Experian), which gives you the opportunity to improve your credit through consistent, on-time monthly car payments.



Here are some other ways you can improve your credit after buying a car:

1

Paying your bills on time, every time.

Making on-time payments is a surefire way to improve your credit score and build good credit history. A good way to ensure your payments are on time — every time — is to set up automatic payments and/or electronic reminders.

2

Keep balances low on your credit cards.

Some credit scoring models look at how close you are to being “maxed out,” so try to keep your balances low in proportion to your overall credit limit. Experts advise keeping your use of credit at no more than 30 percent of your total credit limit.

3

Apply for and open new credit accounts only as needed.

Credit scores may consider your recent credit activity, which is an indicator of your need for credit. If you apply for a lot of credit over a short period of time, it may appear that your economic circumstances have changed for the worse.

4

Be careful closing accounts.

If you close some credit card accounts and transfer most or all of your credit card balances onto one card, it could hurt your credit score if you are using a high percentage of your total credit limit. Frequently opening accounts and transferring balances can hurt your score as well.

If you're in the market to buy a car, your credit history is one of the first things auto lenders and finance companies review to determine whether you're qualified for car financing.

Credit Acceptance is an indirect auto finance company that works with more than 12,000 car dealers across the nation to help credit-challenged car buyers get approved for financing. Once you fill out the [form on our website](#), we will connect you with three enrolled dealers in your local area that can help you start your credit approval to purchase a vehicle.

[Start Your Credit Approval Today!](#)

