Buying a car? Hereâ??s the best deals on car loans in Singapore for you

Description

With public transport in Singapore being a letdown in recent years (whoâ??s tired of hearing SMRT announce a â??track faultâ?• by now? I sure am!), I take back my words from 2015 when I wrote about how ditching the car could make you a multi-millionaire (assuming you took your monthly vehicle expenses and invested it instead).

As we progress in life and start a family, the benefits offered by a car cannot always be measured in monetary terms. Although I would disagree with the need to get a car just to keep up with the Joneses, it is hard to argue against the convenience and reliability it offers (in contrast to the frustration we commuters face from train breakdowns today).

But before you choose your car, it is vital to consider if you have the financial resources to pay for it. Obviously getting a car will be akin to taking up another â??financial bombâ?• (the others being a wedding, a house, a child, etc) and most of us commonfolks will find it difficult to afford a car on simply our savings and salary alone. Hence, weâ??ll need to get a car loan, and youâ??d want to find the best deal while youâ??re at it.

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Important things to know about car loans

Since May 2016, MAS regulationsnow allow banks to give 70% financing for cars with an Open Market Value (OMV) of less than or equal to S$20,000, and 60% for vehicles with OMV more than S$20,000. Assuming your carâ??s OMV is less than S$20,000 and your car costs S$75,000, then a bank will give you a maximum of S$52,500 as loan. The remaining amount â?? S$22,500 will then have to be paid from your own pocket.

Do also note that the **maximum tenure of a car loan is 7 years** with any bank. So before you decide to take a loan, make sure that you can afford to make repayments on the loan, without any late payments or defaults.

Related: [Infographic] Essential Considerations Before Buying a Car in Singapore

My husband and I will be getting a car this year, and these were some of the best car loans we looked at:

The best car loan deals

1. DBS Car Loan

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DBS is offering a special interest rate of 2.28% (flat rate) and 4.29% (EIR) for online applications of new car loans up to 31 January 2018. For offline applications, the interest rate is pegged at 2.78% p.a. (flat rate). You can buy both new and used cars through DBS fundings, and donâ??t forget to get your free credit report while youâ??re at it!

2. OCBC Car Loan

OCBC offers new car loans at a flat interest rate of 2.78% (EIR of 5.09% to 5.27% p.a.). For used car loans, the rate is 2.98% (EIR of 5.46% to 5.64% p.a.).

If you are thinking of refinancing your existing car loan, OCBC will give you 100% loan transfer and a flat interest rate of 2.08% (EIR of 4.03% to 4.52% p.a.). Find out more here.

3. UOB Car Loan

UOB has a unique loan plan called the UOB HP50 Car Loanwith a five-year tenure. This product allows you to pay just half of your monthly instalment amount for a limited period in case you need greater cashflow at the moment. Youâ??ll now be able to enjoy this half-payment for 59 months, and in the 60th month (the end of the tenure), you can either pay the remaining amount and claim your vehicle for your own, or sell your car in the market or to the dealer.

For new cars, the flat interest rate is 2.78% (EIR 5.32% to 6.03% p.a.) whereas for second-hand cars, the rate is 2.98% (EIR 5.68% â?? 6.46%).

If youâ??re applying for this loan before 31 January 2018, UOB has an existing promotion where you could stand a chance to win SPC vouchers or even an entire year worth of petrol.

Related: Car Loan Refinancing â?? Is It a Good Idea?

4. Hong Leong Finance Car Loan

HLF also has both new car loans and used car loans. The interest rates are similar to those offered by UOB at flat 2.78% p.a. and 2.98% p.a., respectively. Find out more here.

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5. Maybank Car Loan

Maybank also offers both new and used car loans. The interest rate starts from 3.25% p.a.

Related:5 Things You Should Keep in Mind Before Getting a Used Car in Singapore

Car loan	Flat rate	EIR
DBS Car Loan (New)	2.28% (limited period only)	4.29% (limited period only)
OCBC Car Loan (New)	2.78%	5.09% to 5.27%
OCBC Car Loan (Used)	2.98%	5.46% to 5.64%

UOB Car Loan (HP50)	2.78%	5.32% to 6.03%
UOB Car Loan (Used)	2.98%	5.68% to 6.46%
HLF Car Loan (New)	2.78%	NA
HLF Car Loan (Used)	2.98%	NA
Maybank Car Loan	3.25%	NA

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**Figures provided by BankBazaar.sg*

Should I choose a dealer loan or bank loan?

This question is often posed across forums and in the context of our discussion, it is an important consideration to address. The average car loan interest rate currently offered by banks in Singapore hovers around the 2.78% mark. However, the interest rate will change as per the repayment period.

Car dealers do things differently â?? some have tie-ups with banks while some offer their own independent financing options to buyers. When choosing a dealer, it all comes down to what car manufacturer you choose. Honda and Toyota, as we know it, are the biggest players in the market, accounting for over 40% of new car registrations. So buying a Honda or a Toyota and choosing a dealer-financed option will most likely give you a lower interest rate compared to other brands like Nissan and Mazda (which are of course popular too, just maybe not as much) which provide dealer-financed loan options.

So how do dealer loans compare with that offered by banks? Well, for one, interest rates offered by dealers tend to be higher than banks. But the benefit with dealerships is that they often offer lower monthly repayment options and longer tenures. So coming back to what choice is economically ideal, choosing a bank will automatically eliminate the middleman in the equation, which of course is the dealer in this situation.

Dealerships entice customers with lower monthly payments. But in reality, youâ??d be paying more interest on longer tenures with dealers, than what you would if youâ??d taken your loan with a bank. Most importantly, there are times when banks run attractive loan promotions for car loans and if youâ??re lucky / resourceful enough, you might be able to snag a deal at an even lower rate.

Check this out: Average Cost of Owning a Car in Singapore

For those of you who already have cars, did you go for a dealer or bank loan? Do let me know in the comments below!

Disclaimer: This post was written in collaboration with BankBazaar.sg. All opinions are of my own.

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1. Uncategorized

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