

How Does LendingTree Get Paid?

Auto Loan Prequalification vs. Preapproval: A Guide To Help You Choose

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Why use LendingTree?

Many auto loan lenders offer both a prequalification and preapproval process. Lenders sometimes use the terms interchangeably, but they're not the same.

- **Prequalification** is a quick shopping tool that shows likely rates without affecting your credit.
- **Preapproval** requires a hard credit check and verification, so it gives a closer estimate of the rate you'll actually get.

Getting preapproved can help you negotiate a better loan rate and car price, so it's a step worth taking when you're ready to buy. Here's what to know about prequalification versus preapproval for auto loans.

Key takeaways

- **Prequalification is less accurate but good for casual shopping since it doesn't impact your credit.**
- **Preapprovals are more accurate but require a hard credit inquiry**, so they make sense for more serious shoppers.
- **Getting preapproved and comparing offers** can give you a more predictable budget and help you find the lowest rate.

Auto loan prequalification vs. preapproval

Both prequalification and preapproval help you see if you [qualify for an auto loan](#) and, if so, what rates and terms are available to you. However, each serves its own purpose, and one impacts your credit score while the other doesn't.

	Prequalification	Preapproval	Keep in mind
What it is	Estimated rates and terms based on basic information	Firmer rates based on a hard credit pull	Application timing is important to minimize credit score impact
Credit check type	Soft credit check	Hard credit check	Hard credit checks can slightly drop credit score
Vehicle information needed	Year, make and model is usually sufficient	May require VIN	May need a specific vehicle in mind to get preapproved
Income verification	Self-reported	May require proof	Paperwork depends on the lender and income source, in some cases
Rate certainty	Estimated range	Not locked in, but highly accurate	Rates can change between prequalification and preapproval
Dealer negotiation power	None	Can provide buyer leverage	Can use preapproval to ask for a lower rate/lower asking price
Expiration window	Does not typically expire	May only be good for 30 to 90 days (varies by lender)	Prequalify when window shopping but get preapproved when ready to buy

Window shopping? Consider prequalification

Prequalifying for an auto loan may be best when you're starting to research what car you should buy.

If you've just started thinking about buying a car, prequalification makes sense for you. Prequalification can give you an idea of what annual percentage rates (APRs) you could expect on an auto loan.

Prequalified rates are based on self-reported information and a [soft credit pull](#). The rates and terms you see may change if you move forward and the lender runs a hard credit pull. Still, prequalification is a low-stakes way of seeing if you might qualify for an affordable car loan.

What to expect during auto loan prequalification

Prequalification is informal and typically takes just a few minutes. You'll provide details such as your:

- Name and contact information
- Estimated [credit score](#)
- Annual income
- Social Security number (sometimes optional)
- Requested loan amount
- Vehicle details like year, make and model (in some cases)

After you provide the required information, the lender typically runs a soft credit pull. This won't impact your credit score. All of the information combined will help the lender estimate your auto loan rate.

What to expect after auto loan prequalification

Many auto loan lenders make prequalification approval decisions in seconds to minutes. If you qualify, the lender will show you the offers you may qualify for so far.

You should also expect to receive emails and/or phone calls from the lenders you prequalify with. It may be a good idea to set up a separate email and [Google Voice](#) phone number while loan shopping.

You may get several offers with varying rates and repayment terms. Use an [auto loan calculator](#) to see which offer works out best for you.

If you'd like to move forward after seeing your prequalified rate, the lender will give you the next steps. Usually, this means preapproval or a formal auto loan application.

\$ Tip

Our [car affordability calculator](#) translates your desired monthly payment into an out-the-door price that you should aim for while you're car shopping.

Ready to buy? Time for preapproval

A preapproved car loan may be best later on in the car-shopping process, when you're getting closer to buying a specific vehicle.

[Preapproved car loans](#) don't lock in your rate — that only happens when you accept the loan. Even so, preapprovals typically require a hard credit inquiry and are more accurate than prequalifications.

A preapproved car loan is as close to loan approval as you can get without actually signing a contract. As long as the underwriting department doesn't find unexpected information between preapproval and when you finalize your loan, your preapproved rate is likely to be close to or the same as your final offer.

What to expect during auto loan preapproval

Along with agreeing to a hard credit inquiry, you may need to upload or send additional documents during preapproval; however, this depends on the lender. Some lenders confirm information electronically, while others may require documents only if the borrower has bad credit or if it finds a discrepancy in the borrower's application.

You should have the below documents available when applying for preapproval:

- Government-issued ID
- Proof of income (tax documents like a W-2 or 1099, pay stubs or bank statements showing direct deposit)
- Proof of residency (utility bills, mortgage bill, lease agreement)
- VIN, in many cases

Note that you may also need to supply similar documents for [auto loan cosigners](#).

What to expect after auto loan preapproval

If you're preapproved, the lender could send you a voucher as proof, or it may send your preapproval directly to your dealership of choice. Your preapproval should show the rate, terms and amount you're conditionally approved for.

The hard credit hit from the preapproval will be added to your credit report, where it'll appear for two years. However, it'll affect your FICO Score for one year, usually by five points or less.

Preapproved car loans are usually good for only 30 to 90 days. Pay close attention to the expiration date on your preapproved offer, especially if you aren't buying within the next few weeks.

At the dealership, you'll finalize vehicle details and complete any remaining verification steps. If everything checks out, the lender will issue a formal loan agreement showing your final rate, terms and payment details.

Compare auto loan rates from top lenders in minutes

Purchase Price

\$ 5,000

Get your rates

It's free, simple and secure.

Turning preapprovals into predictable payments

Getting a preapproved car loan can make it easier to [budget for a new car](#) since it provides firmer rates and terms.

A little over [5% of Americans with auto loans are delinquent](#) on at least one account, according to LendingTree research. Preapproved car loans can help you make sure that a car payment fits into your budget before heading to the dealer.

To illustrate, imagine that you were prequalified for a 6.50% APR on a \$40,000, 60-month car loan. When you applied for preapproval, your rate went up by 2%. This would lead to a monthly increase of about \$38. The difference in total interest is more substantial, at a little under \$2,281.

	Loan amount	APR	Loan term	Monthly payment	Total interest paid
Prequalified car loan	\$40,000	6.50%	60 months	\$782.65	\$6,958.76
Preapproved car loan	\$40,000	8.50%	60 months	\$820.66	\$9,239.68

Using a preapproved car loan to negotiate

A preapproved car loan can be a powerful thing. It shows the dealer what you've been approved for and what rate they might have to beat in order to earn your business.

Car dealerships make much of their profit through financing. To get you to switch, the dealer might try to match or beat your preapproved rate and/or provide price incentives.

Not sure what to say to the dealer?

[Haggling at the dealership](#) can be nerve-wracking. In his book, "Ask Questions, Save Money, Make More: How to Take Control of Your Financial Life," author and LendingTree chief consumer finance analyst Matt Schulz gives readers a word track that may boost your confidence.

"I'm preapproved for financing. If you can match the rate and knock a bit off the price, I'd be willing to finance through you instead. I know you make money when that happens, so let's make it a win for everyone."

Where to find auto loan prequalification and preapprovals

Not all auto loan lenders offer prequalification and/or preapproval. Some offer only prequalification and then require that you formally apply, skipping preapproval altogether. Others offer only preapproval, so checking rates will always require a hard credit hit.

You can find how a lender handles prequalification and preapproval on the lender's website, usually in the disclosures or FAQs sections. Typically, phrases like "no impact to your credit score" indicate prequalification.

You can find auto loan prequalifications and preapprovals at:

Banks, credit unions and online lenders

Prequalification and/or preapproval is frequently offered by banks, credit unions and online lenders. Each has a unique benefit.

- Bank auto loans may come with APR discounts for current clients.
- [Credit union auto loans](#) require membership but usually offer some of the lowest rates.
- [Online auto loans](#) are usually fast, but can have more fees than banks and credit unions.

Dealerships

Your dealer may offer to get you preapproved with its network of lenders. Authorized auto brand dealers may have access to [0% APR car loans](#) and other incentives that only authorized dealers and the manufacturer can provide.

If you let the dealer shop for you, always compare the dealer's offer to ones you've gathered yourself. Lenders typically allow dealers to mark up interest rates by a certain percentage, called a dealer reserve.

Loan marketplaces

Loan marketplaces like LendingTree don't fund loans themselves. Instead, we match potential car buyers with partner lenders. If you find an offer you like, you'll typically finalize it with the lender directly.

Marketplaces can speed up the loan process by helping you weed out financing options that you may not qualify for. Marketplaces also provide a one-stop platform where you can compare offers.

How much is your vehicle purchase price?

\$5,000



Get Your Rates

% Average LendingTree marketplace auto loan rates

Auto loan rates depend on factors that are specific to your credit history and the car you're buying. To get you started, here are the average auto loan rates users are offered through the LendingTree marketplace, organized by credit score.

Borrowers with lower scores pay substantially higher rates than those with higher scores. In fact, a LendingTree study found that [improving credit scores](#) from fair (580-669) to very good (740-799) could save borrowers an average of [\\$2,316 in interest](#) over the life of a five-year auto loan.

Credit score range	Average new car APR	Average used car APR
Excellent (800 and above)	6.81%	7.92%
Very good (740-799)	6.83%	7.59%
Good (670-739)	8.22%	10.75%
Fair (580-669)	19.15%	21.13%
Poor (Under 580)	22.11%	23.82%

Source: Average APRs offered to LendingTree customers seeking auto loans to purchase light trucks and cars in Q4 2025. Limited to requests of at least \$5,000 and offered loan terms of between four and six years (48 to 72 months).

Frequently asked questions

Does auto loan preapproval lock in my rate?

No, auto loan preapproval doesn't lock in your rate. The only way to lock in your rate is by accepting and finalizing a loan offer. However, preapprovals are generally accurate since lenders typically run a hard credit inquiry before issuing them.

Can I switch lenders after preapproval?

Yes, you can switch lenders after preapproval. Preapprovals require a hard credit pull, but they aren't a contract or a promise.

Will multiple preapprovals hurt my credit?

Multiple preapprovals can hurt your credit score, but you can use the rate shopping window strategy to minimize the impact. Preapprovals require a hard credit check, which typically drops scores by about five points, according to FICO.

However, VantageScore and FICO Score treat all hard inquiries as one as long as they're completed within 14 to 45 days, depending on the model. To be safe, submit your auto loan preapprovals within 14 days of each other to ensure that only one hard credit inquiry will impact your score.

Compare Auto Loans in Minutes

Get Started

Home > Auto > Auto Loan Prequalification vs. Preapproval: A Guide To Help You Choose

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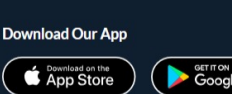
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