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Your Money Matters**Some Car Buyers Should Take Sellers' Rebates, Not 0% Deals**By **KAREN LUNDEGAARD**

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You're thinking of buying a new car because of the great 0% financing deals on offer. When you get to the dealership, however, you find auto makers now are limiting most interest-free financing to three-year loans. But you still can get a four-year loan for just 3.9%. And for a five-year loan, it's only 5.9%.

Which deal is right for you? Actually, it might be none of the above.

In many instances, buyers are finding that they may be better off taking a cash rebate in lieu of subsidized financing. That's because they often can find cheap financing on their own.

Things have changed since the Big Three car makers rolled out their original round of 0% financing deals in September, which covered a wide variety of vehicles. A five-year, interest-free loan: the decision was a no-brainer. But the latest round of 0% deals, which run through January, isn't nearly as generous. So car buyers need to work through the numbers to figure out which deal is best for them.

Consider Albert Follin of Framingham, Mass. All the advertisements on buying a new car with a 0% loan got him excited to buy a new \$23,000 Dodge Caravan minivan. But when he checked the fine print, he found the interest-free loans were limited to three years on that model. And Mr. Follin couldn't afford the \$550-per-month payments on a three-year loan.

So, he found 5.9%, five-year financing from PeopleFirst, an online lender, and marched into his local Dodge dealership ready to take the \$1,500 cash rebate on the Caravan. Once there, a salesman told him he might still be eligible for discounted 4.9% financing along with the \$1,500. Mr. Follin still is negotiating the purchase. "Once you get the scent of a car, it's hard to get off that track," says Mr. Follin.

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(In fact, despite all the attention that 0% loans have received, only 25% to 30% of [General Motors](#) Corp.'s loans have been for 0%. But the marketing gambit succeeded in getting buyers into the showroom. October was a record month for U.S. car buying: 1.73 million autos were sold.)

For other car buyers who, like Mr. Follin, are similarly intoxicated by the scent of a new car, here are some tips on getting the best deal:

Start by doing research before even stepping into the dealership. Find out if the vehicle even has a 0% deal. Such financing is no longer available on certain models that sell well on their own, such as the Chevrolet Corvette sports car or the Ford Escape sport-utility vehicle. Next, determine if there are other incentives offered on the vehicle. The manufacturer's Web site should have up-to-date information on these.

Car-information service Edmunds.com (www.edmunds.com) has a particularly helpful Web site. First, it has information on all models for comparison shopping among brands. But Edmunds also publishes the so-called true market value for each model. This is the price that the model has been selling for in your area, and it roughly should be the price you expect to pay for it. Be sure to note the invoice price and the sticker price as well. All of that becomes handy when you're ready to negotiate a price.

Low Interest or Cash Back?

Should you take the current zero-interest and low-interest rates from auto makers or get your loan elsewhere and take a \$1,500 cash rebate, thus financing less?

Amount financed	Total price, with interest, over the life of the loan		
	3 years at 0%	4 years at 3.9%	5 years at 5.9%
\$20,000	\$20,000	\$21,633	\$23,144
\$18,500	3 years at 5.75% \$20,186	4 years at 5.99% \$20,851	5 years at 5.99% \$21,454
Adding it up	Take the auto maker's financing, save \$186	Take the rebate and save \$782	Take the rebate and save \$1,690

Then, find out what kinds of loans are available from independent lenders. Check with bank and credit unions, as well as with online lenders, such as PeopleFirst (www.peoplefirst.com) and E-loan Inc. (www.eloan.com). Bankrate.com's Web site (www.bankrate.com) lists average loan rates by ZIP Code, so car buyers can determine if they are getting a good deal.

With such numbers in hand, car buyers might find that the much-ballyhooed financing offers aren't all that they are cracked up to be.

Say you're looking at a 2002 Ford Windstar, which now comes with either a \$1,500 cash rebate or a no-interest three-year loan, a 3.9% four-year loan or a 5.9% five-year loan. If you are going to finance \$20,000 of the

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minivan's roughly \$22,000 price, you probably are better off taking the cash and putting it toward the down payment. (This holds true unless you are willing to take a three-year loan, and the higher monthly payments that come with it, because the loan has to be paid off faster.)

If you take the \$1,500 rebate, you would finance \$18,500. Currently, a conventional lender will give you a rate as low as 5.99% on a four-year car loan, resulting in a monthly payment of \$434. By contrast, if you pass up the rebate and instead take Ford's 3.9% financing on \$20,000, your monthly payment will be \$451. The bottom line: Taking the rebate will save roughly \$800 over the life of the loan. On five-year loans, the savings from taking the cash can stretch to almost \$1,700.

Even if the low-financing deal comes out slightly ahead on paper, it is still worth considering the cash deal, says Jeremy Anwyl, president of Edmunds.com. Many consumers don't keep their cars long enough to take full advantage of a low interest rate, he says. If there is a good chance you'll be paying off the car loan early, take the rebate money.

Of course, some discounted rates from car makers are still great deals. Thomas Capote of Orange County, Calif., was planning on buying a new Ford F-250 Crew cab truck sometime next year, but when he heard about the 0% rates, he figured, "Now is the time to buy."

But when Mr. Capote went on [Ford Motor](#) Co.'s Web site, he found the 0% rates were available only on three-year loans for the F-250, and he wanted a five-year loan. The five-year rate he could get for the \$24,667 he was financing was 2.9%. The other option was a \$1,000 cash rebate from Ford and a 6.49% loan from his credit union. Mr. Capote set up his own spreadsheet and did the calculations. He chose Ford's 2.9% financing deal over the rebate, saving himself roughly \$1,500 over the credit-union loan, he says.

The watering down of the 0% financing deals also means that car shoppers need to remember the cardinal rule of car-buying: It pays to negotiate.

Mary Butler, senior editor at [cars.com](#) ([cars.com](#)), an automotive Web site, recommends negotiating from the invoice price up, not the sticker price down, as car salesmen prefer. Figure on adding about 3% to the invoice price for dealer profit, she says. For hot models, however, you still may end up paying close to the sticker price.

Don't talk trade-in until you've negotiated the selling price. Otherwise, the dealer can play games, giving a great car price and a lousy trade-in or vice versa. This confuses the issue of whether you're getting a good deal on the new car itself.

Prices on used cars have fallen in recent months, and this is typically the worst time of year for used-car sales, all of which will hurt the price a dealer will give for a used car, Ms. Butler notes. Still, if buyers go in prepared, with used-car pricing information figures from both Edmunds and Kelley Blue Book, they will be prepared better to get the best deal.

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