

# Cash Rebates And Discounted Finance Rates



Ralph Seekins

I recently had a prospective buyer ask me how much it cost our dealership to offer 0% financing on some of our new Fords, Lincolns, and Mercurys. I was puzzled and asked what made her think it cost us anything at all. She told me a salesperson at a different dealership (not located in the Interior) told her they couldn't negotiate on the price for one of their new pickups because they were already giving away thousands of dollars by offering 0% interest rates for 60 month financing.

I carefully explained that the 0% financing we offered was a Ford Motor Company factory program if the financing was placed with Ford Motor Credit and that our dealership did not have to pay any part of that incentive. And then I checked on the incentives offered at that time by the manufacturer of the pickup truck she had been offered elsewhere and showed the young lady that the 0% financing offered for that vehicle was also a factory incentive – with no dealer participation whatsoever. The salesperson she spoke with at the other dealership was deliberately misleading her. The factory

discounted interest rate should not have influenced the purchase price at all.

I always thought everyone understood the factory incentive side of the automobile business. After all, it was very clear to me. But, as I quickly discovered when I interviewed a few other buyers, there is indeed an element of confusion in the minds of folks out there shopping for new cars or trucks when it comes to cash rebates or discounted finance rates. So, to help eliminate that confusion, let me take a shot at explaining how the very common reduced interest rates and/or factory cash rebates work.

From time to time and depending on market conditions, automobile manufacturers may offer very attractive customer incentives on various vehicles. The most common incentives out there today are either cash rebates directly from the manufacturer or lower than market finance rates offered through captive finance agencies such as Ford Credit or GMAC. The cash rebates are payable to the buyer and can be used for any reason whatsoever, i.e., down payment, insurance, or just to reduce the purchase price. The finance incentives generally offer much lower rates than can be found anywhere else in the market and may vary a little depending on the buyer's credit score. Generally, the lowest rate is for buyers with the best credit scores. The weaker a buyer's credit score, the higher the rate creeps up. The rates may also vary depending on the length of the

contract. For example, the offer may be for as low as 0% for 60 months but 1.9% for 72 months.

There may be other factory incentives as well. For example, a manufacturer may offer a "first time buyer" or "active military buyer" cash incentive in addition to the advertised cash rebate or lowered interest rate. And, occasionally, a manufacturer may provide an undisclosed cash incentive that is paid directly to the selling dealer. A truly reputable automobile dealership will make sure the buyer receives every incentive for which he or she is entitled. At our dealership, because incentive offers can change on little or no notice, we enter the Vehicle Identification Number of a vehicle being sold into Ford's data base and get a printout of all applicable programs. I would bet most manufacturers have a similar system.

So, the salesperson who tried to convince the young lady that the discounted interest rate was coming out of the dealership's pocket was simply being dishonest. She did the right thing by leaving and shopping elsewhere.

I hope this helps all you potential buyers out there. If you have any questions, drop me a no-obligation e-mail at [ralph@seekins.com](mailto:ralph@seekins.com).

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