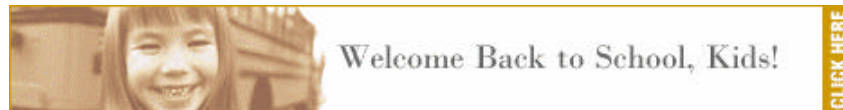



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Car companies offering interest-free financing

[Auto Loan Center](#)

Lucy Lazarony, Bankrate.comSM

In an effort to jump-start auto sales and boost a sagging U.S. economy, General Motors, Ford and DaimlerChrysler have rolled out interest-free financing deals on a wide range of new vehicles.

The Big Three are all offering interest-free, 36-month loans on 2002 cars and trucks through Oct. 31.

Let's face it: you can't do much better than landing a zero-percent financing rate on an auto loan.

"That's darn good," says Paul Taylor, chief economist at the National Automobile Dealers Association. "Zero-percent financing is awfully attractive, even compared to 2.9 percent, and it's certainly attractive compared to the prevailing auto rates at financial institutions."

Of course, keep in mind these deals are available only for those with squeaky-clean credit. Those with lesser credit ratings can still get a good deal, but probably not zero-interest financing.

Still, it's a good opportunity for those with good credit. Let's look at a \$20,000, 36-month auto loan. On a loan with a 7.67 percent interest rate -- the Bankrate.com national average for 36-month auto loans -- you'd pay \$2,452.73 in interest over the life of the loan. Even on a loan with a 2.9 percent interest rate, you'd still have to shell out \$906.76 in interest.

With an interest-free loan, you don't pay a single penny of interest. Zero-percent financing means you pay zero interest over the life of the loan. You take the \$20,000 and divide by 36 to get your monthly payment. That's easy math -- and quite a deal.

A government appeal

GM, Ford and DaimlerChrysler launched the interest-free incentive programs after two members of the U.S. Cabinet made a trip to Detroit.

Secretary of Labor Elaine L. Chao and Secretary of Commerce Donald L. Evans met with the top executives of GM, Ford and DaimlerChrysler on Sept. 19. They urged the Big Three to do what they can to spur a weakening U.S. economy.

GM, followed by Ford, quickly launched interest-free financing options.

GM is offering interest-free, 36-month loans on all 2002 cars and trucks, and interest-free loans for as long as 60 months on 2001 cars. Three-year, zero-percent financing is also available on 2001 trucks. The discounts are available on all GM lines, including Saab and Saturn.

Ford is offering zero-percent financing on 36-month loans on all 2001 and 2002 cars and trucks in its Ford, Lincoln and Mercury divisions. Interest-free financing is also available on 48-month and 60-month loans for 2001 passenger cars.

DaimlerChrysler launched a more limited program on Sept. 25. Interest-free financing is available on 2002 cars and trucks in its Chrysler, Jeep and Dodge divisions. Several vehicles are excluded from the interest-free promotion including the Chrysler PT Cruiser, Chrysler Prowler, Dodge Viper, Jeep Liberty and Dodge Ram trucks.

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The auto industry is hoping this new wave of incentives will help bring customers back to auto lots. The last thing many Americans were thinking about in the wake of the Sept. 11 tragedies was buying a new car.

"There's no question there's uncertainty," says Robert Schnorbus, chief economist at J.D. Power and Associates. "Risks have risen. We're not sure we've seen the end of it."

Auto sales nationwide were down 35 percent the week of the terrorist attacks and down 25 percent the following week, Schnorbus says.

"We do see some improvement as we get further and further away from the attacks," Schnorbus says.

Auto analysts expect sales to pick up in the fourth quarter. As a sense of "normalcy" starts to return, more and more Americans will go about their lives -- and that includes buying cars.

Car shoppers looking for bargains will like what they see. Discount financing and hefty rebates are widespread. It was a good time to buy a car even before the latest wave of interest-free incentives hit.

Paying no interest on a three-year car loan is a fantastic deal. All those 0.9 percent to 4.9 percent financing deals aren't bad either.

Flawed credit, no deal

But remember that rock-bottom financing deals are reserved for people with excellent credit. People with flawed credit aren't likely to make the cut. Neither is someone with very little credit history.

Regardless of where you fall in the credit spectrum, there's a good chance you'll be able to land a nice financing deal this autumn from a bank or credit union. Auto shoppers of all credit levels catch a break whenever the Federal Reserve cuts rates.

Bankrate.com research shows that interest rates on new-car loans tend to shift in lockstep with the prime rate. When the Fed cuts rates, the prime rate drops and rates on auto loans from financial institutions soon follow suit.

With all the Fed rate cuts so far in 2001, it's an awfully good time to be shopping for auto financing.

It's a good idea to shop around for financing before you shop for a car. Be sure to check out deals from local banks and credit unions. This Bankrate.com search engine will help you compare car loan rates in your area.

Have an auto loan all set to go before you set foot in a dealership. That way if a dealer wants your financing business, he's going to have to beat the best rate you've found on your own.

By shopping ahead, you'll learn what kind of financing deals you qualify for. The dealer won't be able to talk you into signing on for a loan with a higher interest rate than you deserve.

Be just as diligent when shopping for the vehicle itself. Autoweb.com, Edmund's Automobile Buyers Guide, AutoSite, Autopedia, Kelley Blue Book and CarPrice.com are among the sites offering timely pricing information. Make note of the dates when each rebate is set to expire.

Be sure to visit several Web sites when researching pricing information. Everything from sticker price to customer rebate information may vary. It's wise to cover all the bases. When in doubt, contact an auto manufacturer directly.