

## 8 Year Auto Loans

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We are seeing longterm loans of up to 8 years on new cars. Generally the Financing Department of a Car Dealership makes as much money as the sales department. After 0/0 deals have come and gone, the new car sales markets are looking for ways to continue the high sales. By offering lower payments of \$50-100.00 per month less, car buyers who could not afford the car they wanted will now be able to fit it within their budgets since so many Americans are underemployed, in other words working at Home Depot even though they have two advanced degrees.

The telecom job they may have had at \$60-88K per year has turned into a \$36K per year cash strapped job. These consumers are still being targeted by the dealerships even with these current issues. The real problem comes down the road similar to those which hurt the Leases where the people were upside down in their values upon the time when most turn in their cars; average is three years.

GE Capital left the leasing game for SUVs and cars and GMAC and FMC lost millions in bad lease deals when the cars were traded in, they could not be sold for the agreed upon residual values. Many times the trade ins before end of term or open end leases meant the consumer would have to bury those upside down numbers into the financing of their new car. So they might have traded in a Jaguar or Cadillac and roll over the difference and then have payments of \$400.00 per month on a Nissan Sentra or Ford "Fajita," I mean "Festiva" Turbo of course with all options? This was a huge game in the leasing days in the Early 90's.

With 8-year loans, payments will be lower, but that three-year itch to buy a new car will not be fulfilled without taking a huge hit. This of course would be bad for future sales of cars. Or a worthy temporary fix for now to sell more cars, but would mean that the economy would have to be rather wonderful in 8 years. Unfortunately if people keep their cars longer, then the auto parts stores will do better in 3-5 years, due to the planned obsolescence of the vehicles, which is manufactured into the car in the first place. Some industries like car washing, which tracks the new car markets for about 3-4 years as people with newer cars tend to spend more money on washing will be hit after that time period. Who wins? If this huge play for 8-year loans sells many cars in 2003 Q3 and through 2004 up cycle Election Year, does well it will help after market auto accessories as people add-on to their car. People have an emotional tie to their cars and just like men buy Viagra and Women get augmentation or breast enhancements, this same drive of self, is what drives those to upgrade or personalize their cars with new features as they move to build upon this extension of their personalities, our great American love of the Automobile. Talk about "Apple Pie" these are real trends. Anyway if auto parts is up and car washing is down, at least there will be more cars on the road, so the expanded pie will take care of the decreases. Occasionally there are events, which trigger large sector rotation or trigger small sub-sector changes, which move markets. Eight year auto loans is one strategy, which has been played before with auto leases, but there is a long-term problematic issue to be concerned with in such a tactic for shorter term profits. Lance Winslow - Online Think Tank forum board. If you have innovative thoughts and unique perspectives, come think with Lance; [www.WorldThinkTank.net/wttbbs/](http://www.WorldThinkTank.net/wttbbs/)