

AUTOFINANCENEWS

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Big 3 collaboration
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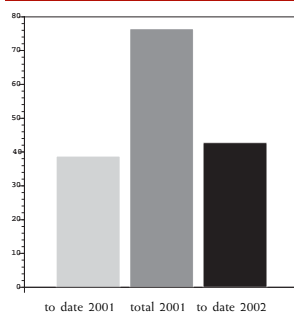
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in billions as of 6/28

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FINANCE CO.'S' SHARE PRICES DOWN, BUT NOT BY MUCH

Facing higher delinquency rates, lower credit quality and a slow economic recovery, public auto finance companies have watched their share prices tumble this year. However, industry experts and investor relations professionals say the slippage is in line with expectations.

Based on an analysis conducted by *Auto Finance News*, the publicly held auto finance companies *AFN* tracks are currently trading, on average, at almost 30% below their 52-week highs, hit at various points throughout that time period. Most companies' stock sank in the weeks and months following the Sept. 11 attacks, in line with the overall market decline. On average, auto finance stocks are trading 69% higher than their 52-week lows.

Share prices of auto finance companies have fluctuated wildly over the 12 months. Rising originations, resulting from record 2001 sales, were not enough to counter the effects of a slumping economy that brought a decline in credit quality and rising delinquencies.

The 0% incentives battle, which drove car sales to 17.1 million, the second-highest year on record, may have increased the amount of loans these finance companies originated, but it also lowered the profit they were able to make from the interest payments on these loans.

Even industry darlings like **AmeriCredit Corp.**, which consistently logs higher originations and net income quarter after quarter, felt the pinch.

Higher level of delinquencies and charge-offs ate into the lender's growth during the first quarter of this year. The Fort Worth, Texas, non-prime auto lending giant was one of many finance companies that announced earlier this

0% TO SPUR SALES, IF FED CAN KEEP RATES DOWN

Looking to bolster sagging car sales, a number of major automakers recently launched a string of 0% financing and other low-interest programs. The strategy, however, may become cost prohibitive soon, should the Federal Reserve Board raise interest rates, analysts say.

General Motors Corp., which ignited the 0% financing craze last year that pushed industry sales to its second highest level ever, on July 2 relaunched interest-free loans on most models, after shelving the programs some 60 days ago.

Not looking to take a back seat this time around, **Susan Krusel**, a **Ford Motor Co.** spokeswoman, said the automaker introduced its new incentives at midnight, ahead of GM. Ford is offering 0% financing on three models

(Crown Victoria car, Econoline van and F-Series Super Duty pickup) and an option of interest rates as low as 0.9% or cash back of up to \$3,000 on other vehicles.

Traditionally reluctant to offer 0% financing, **DaimlerChrysler AG** announced only it was considering extending its warranty program.

Most major automakers launched 0% financing programs last year, following the terrorist attacks of Sept. 11 which compounded an economic slowdown already underway. The incentives were wildly popular with consumers and possible for automakers, because the Federal Reserve Board had slashed its overnight lending target 11 times to 1.75% over the course of the year. With borrowing costs so low, carmakers could afford to lower their rates. They collected less interest from consumers, but made up for it in increased sales.

Industry analysts view the move back to 0%

COMINGS & GOINGS

- Steve Lambert Nissan Acceptance's new president.
- IAS promotes Robert Corbin to president.
- Richard Schliesmann to sit on Perceptant Board.

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CALENDAR

July 11-14

The American Bankruptcy Institute hosts its 9th annual Northeast Bankruptcy Conference at the Ocean Edge Resort and Golf Club in Brewster, Mass. 703-739-0800 or www.abiworld.org

July 17-20

ACA International holds its 63rd annual Convention and Exposition at Disney's Yacht and Beach Club Resort in Orlando. 952-926-6547 or www.collector.com

REGIONAL AND NATIONAL AUTO LOAN RATES

NEW AUTOMOBILE RATES

	A+	A	B	C	Nat'l Avg.
Rates are for 60-month loans on 2001-2002 new autos and one-year-old used autos. For purposes of this survey, borrowers are considered to have A+ credit if their scores on auto-specific models of combined credit reporting bureaus exceeds 720; A if their scores fall between 680 and 719; B, 650 and 679; and C, 625 and 649. For lender-specific rate and fee information, contact Bob Johnston at					
INFORMA RESEARCH SERVICES INC. at 800-848-0218 x291.					
Northeast	5.28	5.43	6.24	8.03	6.24
Southeast	5.39	5.54	6.51	8.32	6.44
Central Midwest	5.59	5.59	6.58	9.01	6.69
TX & Southwest	5.76	6.01	7.38	9.95	7.28
Western	5.62	5.68	6.78	8.96	6.76
Northwest	6.39	6.70	7.86	9.64	7.65
Tier Avg. Rate	5.67	5.83	6.89	8.98	6.84

USED AUTOMOBILE RATES

	A+	A	B	C	Nat'l Avg.
Northeast	5.45	5.53	6.33	8.15	6.37
Southeast	5.60	5.73	6.72	8.56	6.65
Central Midwest	5.81	5.81	6.68	9.28	6.90
TX & Southwest	5.91	6.22	7.56	10.08	7.44
Western	5.78	5.86	6.94	9.07	6.91
Northwest	6.40	6.71	7.89	9.65	7.66
Tier Avg. Rate	5.83	5.98	7.02	9.13	6.99

Source: Informa Research Services Inc., 800-848-0218

*as of 6/27

Auto Person.

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Processing

ROUTEONE VS. DEALERTRACK: BULKING UP FOR BATTLE

The market for automating the processing of loan applications for car dealers and banks is heating up as Big 3 joint venture **RouteOne Inc.** races toward an early 2003 debut. Meanwhile, already-entrenched **DealerTrack.com Inc.** is making moves of its own, including recently closing a major round of financing.

RouteOne and DealerTrack sit at opposite ends of a growing market to free auto dealers from the often onerous process of manually entering loan application data.

DealerTrack, launched in January 2001 by J.P. Morgan Chase & Co., AmeriCredit Corp., and Wells Fargo & Co., has signed on more than 16,000 independent dealerships, which can now use its technology to transmit loan applications directly to multiple finance sources online.

ROUTEONE SETS ITS SIGHTS

Meanwhile, RouteOne, which will unveil similar technology in early 2003, is positioning itself to serve the Big 3 dealers and is thus poised to take advantage of over 25,000 dealers that only use the internal proprietary technology and processes developed by Big 3 automakers for submitting credit applications. DealerTrack, with its independent clientele, has been unable to penetrate this market.

It was only in April that the captive finance arms of **DaimlerChrysler Services**, **Ford Motor Credit Co.** and **General Motors Acceptance Corp.** formed RouteOne.

"We line up very well against any and all competitors, including DealerTrack, though they are ahead of us at this time," said **Mike Jurecki**, president of RouteOne. "However, after launching the initial product we'll be in a position to duplicate what they're doing, and go beyond."

Once RouteOne is up and running early next year and has brought many franchise dealers online, Jurecki said RouteOne will go after the independent dealerships.

Perhaps sensing the threat, DealerTrack's parent, **DealerTrack Holdings Inc.**, raised over \$30 million in additional private equity financing — funds **Mark O'Neil**, president and chief executive of DealerTrack, said will be used to launch new products, enhance existing products and marketing, complete connection to some 20 additional lenders, and more.



Mike Jurecki, RouteOne

Adding to the roster of banking powerhouses behind DealerTrack, new investors include affiliates of **Capital One Financial Corp.**, **GRP Partners**, **Wells Fargo Financial Inc.** and **WFS Financial**.

COLLABORATION POSSIBLE?

Referring to RouteOne, DealerTrack's O'Neil said, "Competition is inevitable in any industry." He did, however, leave the door open for some sort of collaboration down the road.

"We believe dealers would benefit most from a combination of RouteOne's automotive partners and DealerTrack's existing lender relationships and in-depth operating experience," he said.

Slated for a 2003 debut, the RouteOne network will generate revenue mainly through licensing fees paid by captives, banks and other financial institutions. The financing arms of the Big 3 will stop using their own internal credit application systems once the system is rolled out, which RouteOne's Jurecki said will amount to some 20,000 dealers initially.

He added there is the potential to add an additional 5,000 dealerships, representing those under the Big 3 umbrella that currently use only manual processes.

Most recently, **Toyota Financial Services Corp.** became the fourth captive to sign on, accepting a 10% equity stake in the enterprise (the initial three founding companies each hold a 30% stake). The deal marked the first time Toyota Financial has partnered with DaimlerChrysler, Ford, and GM on a project in the captive finance arena.

"This venture will enable us to work with our new partners to create an improved credit application system for thousands of dealerships," said **George Borst**, president, Toyota Financial.

"We're going after all of the captives," confirmed **Mike Webster**, RouteOne's chief operating officer, acknowledging that the company is either pursuing, or currently negotiating, a number of other partnerships, but on a non-equity basis.

NOT JUST COKE OR PEPSI

Though DealerTrack and RouteOne look to be the largest players, there are several smaller vendors that have carved out their own niches, including **Credit Online Inc.**, the Annapolis Junction, Md., e-commerce subsidiary of **First American CMSI**, which has been online since 1996. With some 30 lenders connected, Credit Online currently has 1,000 dealers on its system.

Credit Online has made some noise of its own lately. Recently, the company announced that Cleveland-based **National City Bank** — one of the largest automotive lenders in the Midwest — signed on to its network. The news came just weeks after both **Capital One Auto Finance**, the Falls Church, Va.-based arm of **Capital One Bank**, and **Triad Financial Corp.**, a Huntington Beach, Calif., nonprime lender, inked similar deals.

**FULL PAGE FOUR-
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Comings & Goings

NISSAN MOTOR ACCEPTANCE REPLACES OUTGOING PRES.

Nissan Motor Acceptance Corp. recently named **Steve Lambert** as the company's new president.

Lambert is replacing **Katsumi Ishii**, a 15-year employee of Nissan North America, who will return to Japan for a new assignment after a 3-month transition period.



Steve Lambert, Nissan

Previously, Lambert served NNA as the director of finance, and the finance manager for business planning, pricing and customer service, among other positions. He joined Nissan in 1992 after leaving the finance group at **Hughes Aircraft**.

BIGFNI LANDS TWO INDUSTRY VETS

Big Finance and Insurance Services Inc. recently named **Ted Cunningham** vice chairman of its board, and director of sales/marketing, and **Gene Stohler** as vice president, business development.

BigFNI was formed in 1995 to operate as a finance acceptance company, but later became an e-commerce business services provider to the auto finance sector, and other industries. The company is banking Cunningham's and Stohler's extensive industry expertise and contacts will help boost sales of its services.

A 33-year veteran of the auto industry, Cunningham is a former executive vice president of global sales and marketing for **DaimlerChrysler AG**, and served on its board of management. He also remains one of its biggest individual shareholders, the company said.

Stohler comes to BigFNI with over 40 years in the automotive industry. He is also one of BigFNI's key investors.

IAS ELEVATES CORBIN TO PRES., COO

Innovative Aftermarket Systems Inc. has promoted Senior Vice President **Robert Corbin** to president and chief operating officer.

According to IAS spokesman, Mr. Corbin has 24 years of experience in the automotive warranty business in various marketing and sales management positions. Before joining IAS, Corbin was the senior vice president and national sales manager for **CNA National Warranty Corp.**

Former president, **Garret Lacour** is now the chairman and chief executive officer, and **Jerry Lacour**, the former chief executive, will become IAS' vice chairman.

RICHARD SCHLIESMANN NAMED TO PERCEPTANT ADVISORY BOARD

Richard Schliesmann, formerly one of the heads of **Wells Fargo & Co.**'s auto finance division, recently accepted a spot on the industry advisory board of **Perceptant Corp.**, a software provider to the banking and consumer finance industries. Perceptant will use Schliesmann's industry expertise to facilitate its foray into the auto finance industry with the upcoming launch of a software suite for management of sales, credit risk, portfolio, and channel information.



Richard Schliesmann, Perceptant

Schliesmann joins such banking industry veterans as **Martin Stein**, **Jim DeFrancesco**, and **Guy Veni** who together have held senior management positions at **Bank of America Corp.**, **FleetBoston Financial Corp.**, **Paine Webber Corp.**, **CIT Group Inc.**, and **First American Credit Management Solutions Inc.**

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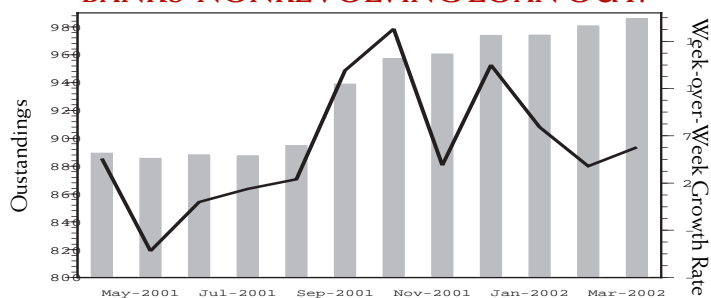
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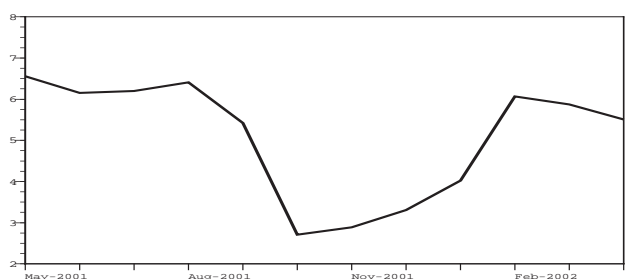
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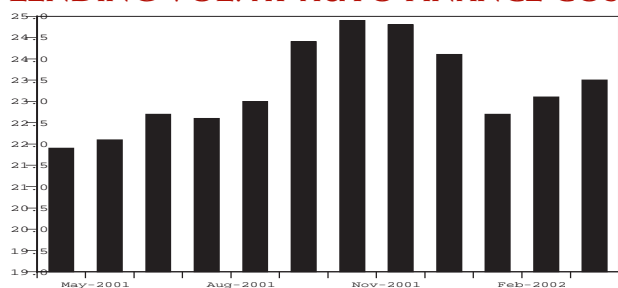
BANKS' NONREVOLVING LOAN OUT.*



AVG. INTEREST RATE AT FINANCE COS.♦

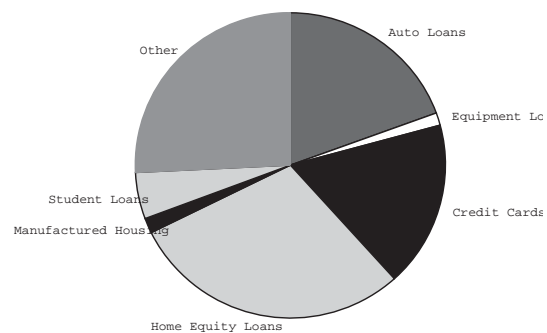


LENDING VOL. AT AUTO FINANCE COS.♦



*IN \$BILLIONS
♦INCLUDES DATA FROM FORD MOTOR CO., GENERAL MOTORS CORP., AND DAIMLERCHRYSLER AG.
SOURCE: FEDERAL RESERVE BOARD

ASSET SECURITIZATION BY SECTOR



TYPE	'02 YTD (%)	'01 YTD (%)
Auto Loans	19.4	20.7
Equipment Loans	1.4	1.6
Credit Cards	17.6	22.1
Home Equity Loans	29.4	29.2
Manufactured Housing	1.6	1.4
Student Loans	4.9	2.9
Other	25.7	22.0

NEW CAR LENDING AT FINANCE COS.♦


Average Maturity*					
Nov.	Dec.	Jan.	Feb.	March	April
51.0	48.6	48.8	56.4	56.4	55.9

Average Loan-to-Value Ratio					
Nov.	Dec.	Jan.	Feb.	March	April
92	91	90	89	90	93

* IN MONTHS
SOURCE: FEDERAL RESERVE BOARD

SECURITIZATION SCOREBOARD

Date	Seller/Service	Lead Manager	Amount (\$M)	Enhancement
3/11	Union Acceptance Corp.	Wachovia Securities/BofA Securities	300.0	MBIA
3/12	WFS Financial Inc.	Banc of America Securities	1,800.0	FSA
3/13	National City Corp.	Merrill Lynch & Co.	1,050.0	senior-sub
3/20	TFC Enterprises Inc.	WestLB Panmure Securities Inc.	64.6*	Radian Asset Assurance Inc.
4/9	Nissan Motor Acceptance Corp.	n/a	1,500.0	senior-sub
4/10	AmeriCredit Corp.	BofA Securities/Deutsche Banc	800.0	n/a
4/23	Onyx Acceptance Corp.	Salomon Smith Barney	400.0	MBIA
5/13	AmeriCredit Corp.	Merrill Lynch Canada Inc.	145.6	senior-sub
5/21	WFS Financial Inc.	Deutsche Bank Securities	1,750.0	FSA
5/29	DaimlerChrysler AG	Morgan Stanley Dean Witter	2,000	senior-sub
5/29	Chase Auto Finance	JP Morgan Chase	1,400	senior-sub
6/18	Ford Motor Credit Co.	Leman Brothers/Barclays	2,000.0	senior-sub



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Wall Street Watch

PUBLIC AUTO FINANCE COMPANIES STOCK PRICES FOR THE PAST 10 MONTHS

Company	Ticker	10/01	11/01	12/01	01/01	02/02	03/03	04/02	05/02	06/02	07/02
AmeriCredit	ACF	15.50	23.10	31.55	22.3	23.35	37.99	38.82	35.10	26.94	23.25
Asbury Auto Group	ABG	-	-	-	-	-	15.25	19.66	19.50	14.10	12.55
AutoNation Inc.	AN	10.29	11.06	12.33	12.70	12.49	13.98	16.00	17.23	14.75	13.31
CarMax Group	KMX	18.30	19.95	22.74	21.07	26.74	25.86	29.50	26.47	21.95	19.30
Consumer Portfolio	CPSS	1.35	1.95	1.37	1.75	1.55	1.89	2.20	2.66	2.40	2.65
Credit Acceptance	CACC	8.20	9.00	8.90	9.94	9.94	10.8	13.29	13.57	11.32	12.01
FirstCity Finanical	FCFC	1.49	1.21	1.20	1.20	1.15	1.16	1.15	1.25	1.27	1.17
First Investors	FIFS	3.15	3.10	3.49	3.45	3.55	3.55	3.70	3.90	3.38	3.31
Household Int.	HI	52.30	58.99	57.94	51.24	51.5	56.8	58.29	51.15	49.9	47.60
Nicholas Financial	NICK	3.86	3.65	3.80	4.10	3.78	4.50	4.50	5.39	5.25	5.15
Onyx Acceptance	ONYX	5.50	4.50	5.19	4.51	3.65	4.80	4.90	4.98	4.35	4.00
TFC Enterprises	TFCE	1.28	1.40	1.38	1.40	1.47	1.46	1.67	1.72	1.56	1.71
Union Acceptance	UACA	5.00	5.15	5.00	5.01	4.90	5.98	6.16	6.99	5.40	4.44
United PanAm	UPFC	5.00	4.97	4.85	4.83	4.85	6.29	7.00	6.76	7.56	7.99
WFS Financial	WFSI	20.40	23.81	24.01	20.40	18.93	24.91	31.15	30.03	27.71	25.40

SHARE PRICES SINK

continued from page 1

year it would tighten credit standards in response to deteriorating credit quality.

However, while AmeriCredit's share price at press time of \$26.94 was trading 58% below its 52-week high of \$64.90 (Aug. 2), it was still a dramatic 92% higher than its 52-week low of \$14 (Nov. 2).

AmeriCredit, like many auto finance companies, is deeply entrenched in the non-prime middle market, or lending to borrowers with less-than-perfect credit.

"When the economy is struggling, you'll usually see more concern from investors about our customer base, and the borrowers' ultimate ability to pay," said Susan Sheffield, an AmeriCredit vice president.

While she would not make predictions, Sheffield said improvement of portfolio performance at non-prime lenders usually lags the improving performance of the economy at large, as delinquent borrowers catch up with their accounts.

Turning to the others AFN tracks, at press time **Asbury Automotive Group** was trading at \$14.07, which is 37% below

its 52-week high of \$22.45, and almost 13% above its 52-week low of \$12.50.

AutoNation Inc. was at \$14.65 (22% below \$18.73 high; 89% above \$7.75 low). **CarMax Group** was at \$22.20 (35% below \$34 high; 141% above \$9.20 low). **Consumer Portfolio Services Inc.** was at \$2.32 (39% below \$3.81 high; 129% above \$1.01 low).

Credit Acceptance Corp. was at \$11.55 (23% below \$14.95 high; 67% above \$6.90 low). **FirstCity Financial Corp.** was at \$1.29 (36% below \$2 high; 74% above \$0.74 low). **First Investors Financial Corp.** was at \$3.38 (14% below \$3.95 high; 69% above \$2 low).

Household International Inc. was at \$49.75 (14% below \$69.49 high; 14% above \$43.50 low). **Nicholas Financial Inc.** was at \$5 (20% below \$6.25 high; 60% above \$3.12 low). **Onyx Acceptance Corp.** was at \$4.35 (41% below \$7.36 high; 24% above \$3.50 low).

TFC Enterprises Inc. was at \$1.53 (45% below \$2.80 high; 50% above \$1.02 low). **Union Acceptance Corp.** was at \$5.40 (43% below \$9.45 high; 38% above \$3.90 low). **United PanAm**

Financial was at \$7.68 (4% below \$8 high; 95% above \$3.94 low). **WFS Financial Inc.** was at \$27.83 (16% below \$32.97 high; 87% above \$14.92 low).

While some lenders, such as **Ford Motor Credit Co.**, suffered significant loan losses in the recent recession, industry experts say the sector could have been hit even harder.

David McKay, senior account director for Auto F&I [finance and insurance] at **J.D. Power & Associates**, said the auto finance sector is actually faring well in the current economic climate — mainly due to a shake-up in the industry not too long ago.

In the mid- to late-1990s, aggressive lending practices and questionable accounting led to the demise of several major auto finance companies, including **Mercury Finance Co.** and **Jayhawk Acceptance**, among others.

As a result, investors and analysts have since taken to more closely examining the books of non-prime auto lenders.

"We've already gone through the nightmare of false accounting and fraud," said McKay. "The sector took a tremendous hammering, which really shook out the firms that didn't have solid balance sheets."

Rumblings

E-LOAN SCORES \$540M CREDIT LINE TO BOOST AUTO BIZ

Online lender **E-Loan Inc.** expects to beef up its presence in auto lending with the help of a \$540 million credit facility it secured recently from **Merrill Lynch & Co.**

E-Loan Inc. has created an entity, **E-Loan Auto Fund One LLC**, which will purchase prime auto loans from E-Loan Inc. and hold the loans. While E-Loan sells nonprime loans it originates, it was unclear at press time if the lender plans to do the same with its prime loans.

According to a spokesman for the lender, by creating the credit facility, E-Loan will not have to deal with an outside lender and that lender's criteria. E-Loan will continue to sell all its nonprime auto originations to various nonprime auto loan purchasers as it does today.

Nonprime auto loans are underwritten according to guidelines established by the ultimate loan purchaser. E-Loan Inc. established a \$10 million line of credit facility with Merrill Lynch to support the interim funding of non-prime auto loans prior to their sale to the ultimate loan purchaser, usually within ten days.

The new credit structure enables E-Loan to have greater control over the pricing, underwriting and operational processes associated with its prime auto loan business.

The credit facility comes less than two months after the Dublin, Calif., lender introduced an entirely electronic loan process for auto financing. The process eliminates the need for car buyers to await their check drafts via mail. For auto dealers, E-Loan funds the loan via electronic transfer.

LENDING TREE PARTNERS WITH KELLEY BLUE BOOK

LendingTree Inc. recently entered into a deal to have The Lending Tree Exchange incorporated on the website of **Kelley Blue Book**, Irvine, Calif.

The Lending Tree Exchange is made up of more than 140 banks, lenders, and brokers and has facilitated nearly \$18 billion in closed loans, according to a company spokesman.

The deal gives Lending Tree access to one of the nation's top independent automotive information sites, accessed monthly by some four million consumers.

The addition of LendingTree to www.kbb.com's "Get Financing" page enables visitors to complete a simple loan-request form online, and, if qualified, receive multiple, competitive auto loan offers within one business day.

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RECENT PERFORMANCE OF PUBLICLY TRADED AUTO FINANCE COMPANIES

Company	Ticker	Price 6/28	Price 6/19	2-Wk% Ch.	P/E	52-Wk Hi	52-Wk Lo	Shrs.Out.*	Mkt.Cap.*	Avg Vol*
AmeriCredit Corp.	ACF	26.940	28.540	-5.6	7.4	64.900	14.000	85,500	2,303,370	1,921
Asbury Automotive Grp.	ABG	14.070	15.940	-11.7	15.0	22.450	12.500	34,000	825,692	185
AutoNation Inc.	AN	14.650	16.540	-11.4	17.6	18.730	7.750	321,500	4,709,975	1,623
CarMax Group	KMX	22.200	24.410	-9.1	26.1	34.000	9.200	37,000	821,400	938
Consumer Portfolio Srvices	CPSS	2.320	2.360	-1.7	3.1	3.810	1.010	19,400	45,008	29
Credit Acceptance Corp.	CACC	11.550	10.950	5.5	16.7	14.950	6.900	42,500	490,875	48
FirstCity Financial Corp.	FCFC	1.290	1.200	7.5	n/a	2.000	0.740	8,380	10,810	5
First Investors Fin'l Svcs.	FIFS	3.380	3.500	-3.4	n/a	3.950	2.000	5,400	18,252	7
Household International	HI	49.750	52.130	-4.6	11.7	69.490	43.500	456,500	22,710,875	3,049
Nicholas Financial Inc.	NICK	5.000	4.900	2.0	7.0	6.250	3.125	4,990	24,950	4
Onyx Acceptance Corp.	ONYX	4.350	4.150	4.8	5.8	7.360	3.500	5,090	22,141	9
TFC Enterprises Inc.	TFCE	1.530	1.750	-12.6	3.8	2.880	1.020	11,500	17,595	13
Union Acceptance Corp.	UACA	5.400	5.350	0.9	n/a	9.450	3.900	31,000	167,400	24
United PanAm Financial	UPFC	7.680	6.850	12.1	14.8	8.000	3.940	15,600	119,808	18
WFS Financial Inc.	WFSI	27.830	28.430	-2.1	15.9	32.970	14.920	41,000	1,141,030	44

*In thousands **Greatest gainer and loser since June 5 in **boldface**

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Incentives

0% FINANCING BACK IN PLAY

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financing as a direct attempt to stem hemorrhaging sales. Earlier estimates that car sales would hit 16.5 million for 2002 are no longer certain. May car sales were weak, declining 6% to 1,509,491, and a strong June rebound is not expected.

"Automakers are looking to move vehicles now, and they know 0% financing is going to give them the best response from consumers," said **Robert Schnorbus**, chief economist at Agora, Calif.-based research group **J.D. Power & Associates**.

David Littmann, chief economist at **Comerica Bank**, a unit of **Comerica Inc.**, in Detroit, said the discontinuation of 0% financing has seriously hampered car sales, and should there be a further pull back of incentives ahead the industry's final sales tally at the end of the year could be down as much as one million vehicles.

FED RATE TO INCH HIGHER

General consensus in the industry throughout most of this year has been that the Fed would boost its overnight lending target this year, making many interest-rate incentives cost prohibitive.

According to a recent poll conducted by the *Wall Street Journal*, 54 of the 55 economists polled said the Fed will raise its federal funds rate to 2.25%, from its present level of 1.75%, by the end of 2001.

Schnorbus said a lower federal funds rate gives auto lenders the leeway to offer borrowers lower interest rates, including 0%.

"If interest rates drift up, and they should later this year, the programs will become more expensive, but they need 0%, or something like it to give them the maximum effect with consumers," he explained.

Schnorbus points to the alternative, as in the wide mix of low percentage and cash

back incentives that replaced 0% financing in May that failed to generate a significant response. Zero percent financing programs were replaced at the end of April in favor of such incentives as cash-back rebates, which did little to improve lackluster May sales.

SENDING A CLEAR MESSAGE

"All that did was muddle the incentives picture," said Schnorbus. "0% financing is simple, it's direct and it captures consumers' attention like nothing else can."

Both Ford and GM enjoyed an enormous amount of media coverage, as the news of the introduction of their programs was picked up by virtually every mainstream publication in the nation. It's this kind of attention that's driven other automakers to implement similar campaigns.

For example, **American Suzuki Motor Corp.** recently announced its own version of the 0% financing incentive.

Specifically, American Suzuki hammered out a deal with **Bank One Corp.** to offer Suzuki customers its so-called "Move Fast" financing program, including zero money down and 0% interest up to 60 months, an offer which will expire at the end of July.

Rick Suzuki, the president of American Suzuki, said the 0% program is being used to put the automaker in a more competitive position with U.S. industry

leaders, and help it move further into the mainstream. American Suzuki markets automobiles in the U.S. through a network of more than 430 dealerships.

Last year, incentives helped American Suzuki post a 6% increase over its 2000 sales, reporting 64,698 sales for the year.

GETTING ON CONSUMERS' RADAR

"The challenge, as we see it, is to get on people's shopping list," added **Celeste Speier**, a spokeswoman for American Suzuki. "[0% financing] makes marketing sense, because savvy buyers understand the value of 0%, and consumers, in general, get motivated by great financing offers like this one."

Like most of the industry last year, Suzuki launched a 0% financing campaign in the third quarter, eventually stretching it through the end of the 2001.

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