

State Department Federal Credit Union Topics of Interest

Auto Rebates - Who Gets The Money?

Cheap interest rates! Thousands of dollars back! Manufacturers and dealers are pushing these enticing incentives again this season, and if you are a savvy incentive shopper you may save a bundle. But, be warned - You could also be throwing those savings away and paying even more!

Rebates sound so straightforward - Buy this car and get \$1000 cash back. In most cases the manufacturer, not the dealer, promises to send you a check after you negotiated and bought or leased a particular vehicle. The money, in theory, has nothing to do with the price you may have negotiated on a vehicle.

The rebate money reduces what you're actually paying for the vehicle. Imagine you agree to pay \$10,000 for a particular car. The manufacturer agrees to send a check directly to your home for \$1000 as a rebate. When the check comes, your total cost for your new vehicle is \$9,000.

What happens many times is the dealer convinces you to have your check sent directly to the dealership. They offer to give you "credit" for the money on the spot. But they don't really give you credit. For instance, you agree to pay \$10,000 and they agree to give you credit for the \$1,000 rebate. You should owe the dealer \$9,000, but they draw up paperwork showing you still owe them \$10,000. You generally won't see this because the rebate is hidden in the paperwork.

Always negotiate your price on the new vehicle as if there is no rebate, and have the check sent directly to you.