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## Automakers moving toward buybacks, payments as cash incentives lose traction

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As the economy unraveled late last year and car sales went into free fall, Hyundai officials in California reached a sobering conclusion.

Consumers are so afraid of losing their jobs that traditional cash incentives – the longtime grease in new-car sales – no longer hold much sway.

That, in turn, led to the formation in early January of Hyundai's Assurance program – with the help of an Irving company – that allows buyers to return a new car to the dealer if they are laid off or disabled. Through the first quarter of this year, Hyundai's sales were up slightly at a time when overall new-vehicle sales dropped 36.8 percent.

Ford Motor Co. and General Motors Corp. followed Hyundai's lead in late March, offering to make customers' car payments for up to a year if they lose their jobs.

The consumer confidence programs may come to replace cash incentives as the most effective way to get people into car dealerships in an uncertain economy.

"You can put all sorts of incentives on the hood, but it doesn't ease the fears people have of losing their jobs," Ford spokesman Steve Kinkade said.

Hyundai won't know until next month how many cars it might get back. The program, which began Jan. 3, requires customers to make at least two payments and be current on their loans to be eligible for help.

The Korean automaker has taken out insurance policies through Walkaway USA, a subsidiary of Irving-based EFG Cos. Although the company is not involved in the Ford and GM programs, it expects business to increase – and perhaps grow even when the economy recovers.

The policies, which have been sold to individual car dealerships since 2006, cover the difference between the retail cost of a new car and its used value if it has to be returned to a dealer. That difference can easily be \$5,000 or more.

"We did 100 dealerships in '06," said Jeff Beaver, senior vice president of marketing for EFG. "Now, with the Hyundai deal, we are at 900. There's no question that this has the potential to grow."

CONSUMER CONFIDENCE PROGRAMS

**Hyundai** will make your payment for three months if you lose your job. If you still can't find a job, you can bring the car back with no impact on your credit and walk away from any negative equity up to \$7,500. The program is good for a year.

**Ford** will cover your payments up to \$700 a month for up to a year on any new Ford, Lincoln or Mercury. The program runs until June 1.

**GM** will make up to nine car payments of \$500 each on its vehicles. The company will also cover negative equity of up to \$5,000. The program runs until June 1.

SOURCE: The companies