

What happens to my warranty if GM files for bankruptcy?

By Chris Woodyard, USA TODAY, June 1, 2009

General Motors' potential bankruptcy filing is sure to prompt questions for the millions of consumers who own GM vehicles or for folks who are thinking about buying a new GM car or truck. Here are some questions and answers about how the filing could affect you:

Q: Will my car's warranty still be honored?

A: Yes, and extended warranties as well, says Steve Harris, General Motors' vice president of global communications. In addition to the company's backing, they have the federal government standing behind them. The government's Warranty Commitment Plan was announced in March to reassure buyers of General Motors and Chrysler vehicles that warranty claims would be honored during the companies' restructuring.

Q: What about my GMAC car loan?

A: Keep paying it. Nothing changes.

Q: Does a GM bankruptcy mean it now will be harder to obtain a loan on a car through GMAC?

A: The government invested \$7.5 billion in financing arm GMAC about two weeks ago, in part to help it keep making loans on GM vehicles as well as on Chrysler vehicles.

As a result, says Harris, GMAC loans should be as available as ever. GMAC spokeswoman Gina Proia declined to comment until after the GM filing.

Q: Will I get a better deal buying a GM car after GM's bankruptcy filing?

A: You should wait a little. The deals will sweeten as the year wears on, advises Philip Reed, senior consumer advice editor at Edmunds.com. That's because GM is seeking to cut 1,550 dealers, and the process will become easier with a bankruptcy filing.

Dealers GM wants to cut now have franchise agreements that run through October 2010, giving them plenty of time to unwind inventory (compared with the 789 Chrysler dealers facing the ax by June 9).

But federal bankruptcy judges have wide latitude to override state dealer franchise protections if the company wants to shed the dealers sooner.

"It would be good to wait several weeks before you buy," Reed says.

Even at dealers scheduled to close, as shown by Chrysler's example, don't expect fire-sale deals on the most popular models, such as the GMC Acadia crossover.

The better deals to come will be on 2009 leftovers, not-so-hot stock and discontinued models.

Q: Will I still be able to find dealer service for my current or new GM vehicle?

A: Yes, but you may have to drive a little farther to get it as the dealer network is consolidated. Harris was quick to point out, however, that even with the reduction in dealers, GM still will be in more towns and have more than twice the total dealers than Toyota has.

Q: If GM discontinues my car or truck model, will I still be able get parts for it?

A: This is not a much greater worry than for most vehicles from most makers — and it would be years down the road in any case.

The federal government requires that stocks of parts be maintained on models at least during their warranty period. Some states also have specific laws requiring product parts inventories for a set number of years.

GM models that will be discontinued also share a lot of parts with models scheduled to roll on, particularly the powertrain and electronics components that would be most critical.

The federal government has been bailing out major parts suppliers to GM and Chrysler, which will help ensure availability.

And since GM was the world's biggest automaker until last year, the sheer size of its production means aftermarket parts suppliers would have much incentive to fill in any gaps for many years to come.

Q: Will my car's resale value plunge because of bankruptcy or closing of the brand?

A: It'll fall some, but it is questionable by how much.

ALG, or Auto Lease Guide, recently subtracted another 6 percentage points from the predicted residual values of 3-year-old Chrysler vehicles because of its bankruptcy filing.

But ALG's major competitor, Kelley Blue Book, doesn't see a major impact.

"Despite the common perception that the resale will fall off a cliff if GM files for bankruptcy, the reality is that it won't have a catastrophic effect on resale values," says KBB analyst Jack Nerad. "Our experience with the cancellation of the Oldsmobile and Plymouth brands demonstrated that the resale value might take a small hit but nothing very dramatic."