Tesla Unveils Financing Program

The Associated Press

DETROIT (AP) — Electric car maker Tesla Motors Inc. says it has joined with two banks to finance a 10 percent down payment on its new Model S sedan.

The company also will give buyers the option to sell the car back to Tesla after three years at a value guaranteed by the automaker. The financing program makes buying the car similar to leasing it, Tesla said in a statement.

US Bank and Wells Fargo will make loans for the down payment, which eventually would be covered by a $7,500 federal tax credit for electric car buyers.

The Model S, which has a range of about 265 miles per electrical charge, has a starting price of $69,900. Tesla will guarantee that the car's value won't drop at a larger percentage rate than the Mercedes S Class. If the Model S values are higher than the Mercedes, Tesla will pay the market rate, the company said.

The Mercedes S class currently is worth 47 percent of its original sticker price after three years, according to the Kelley Blue Book pricing service.

The Tesla financing program will expand the market for the Model S to people who don't want to make a big down payment, and it also frees people from worrying about whether their electric car will depreciate as the batteries get older, Tesla co-founder and CEO Elon Musk said.

"This announcement is about improving affordability and giving people peace of mind," Musk told reporters.

Buyers would sign up for a 66-month, 2.95 percent loan if they take part in the program, said Musk, who added that he personally will guarantee the car's trade-in value in addition to the company.

"No matter what happens, people should feel confident that the residual value of their car would remain what we're committing to here. I'm essentially making myself personally liable for that," Musk said.

Tesla's website says a typical monthly payment on a $79,900 Model S with an 85-kilowatt-hour battery would be $1,199 per month, but that would be partially offset by savings from not having to buy gasoline and other factors.

Last week, Musk promised an announcement to his Twitter followers and said he is "going to put my money where my mouth is" in a major way.

Shares of the Palo Alto, Calif.-based Tesla closed up 41 cents at $44.34 on Tuesday. They fell 83 cents in after-hours trading.

Last year the company was selling two all-electric models, the $109,000 Roadster and the Model S. The company sold about 2,150 Roadsters before it was phased out as the Model S went on sale. Tesla has lost money since sales of the Roadster began in 2008, and the company is banking on the cheaper Model S to expand its market.

Tesla said Sunday night that it will post a first-quarter net profit and said that Model S sales during the first quarter have exceeded 4,750 cars. That's above the prior guidance of 4,500. Previously the company said it would be slightly profitable in the first quarter, excluding noncash option and warrant expenses.

Last year, Tesla lost $396.2 million, or $3.69 per share.

In February Musk said his company plans to pay back a 10-year, $465 million Energy Department loan in half the time required by the government.

Tesla made its first loan payment of nearly $13 million in December. A second payment is due this month.

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