

# **GLOSSARY OF BHPH INDUSTRY TERMINOLOGY**

**If you have other terms you would like to include,  
please email them to Ken Shilson at *ken@kenshilson.com*.**

# TABLE OF CONTENTS

	<i>Page</i>
<b>General</b>	<b>1</b>
<b>Accounting / Tax / Metrics</b>	<b>2</b>
<b>CPI</b>	<b>3</b>
<b>Credit</b>	<b>5</b>
<b>Finance and Insurance</b>	<b>6</b>
<b>Legal</b>	<b>8</b>
<b>Sales</b>	<b>13</b>
<b>Warranty</b>	<b>14</b>
<b>Car “Slanguage”</b>	<b>16</b>

***NOTE: If you don't see a term in the attachments,  
please ask us during the Conference.***



*Our Goal is Your Success!*

# GENERAL

**DEALER AUCTION.** An auction open only to new and/or used vehicle dealers licensed by the state.

**DEALER TAG (D TAG).** A special license tag assigned by a particular state specifically to a Dealer, not a particular vehicle. The D-Tag can legally be transferred from one vehicle to another without filing additional paperwork.

**FLOOR PLAN.** Describes the means by which a dealer finances his/her inventory of new and used vehicles. The dealer pays interest to the financial institution (lender) carrying the floor plan on the vehicles in inventory until the vehicles are sold.

**MARKET SHARE.** The penetration of a dealer's marketing area of vehicle sales shown as a percentage: 7% means the dealer controls that percentage of his/her market.

**TWENTY (20) GROUP.** Grouping of dealers from across the nation selling like makes and models, and normally of similar size, who get together quarterly to: 1) compare actual performances; 2) exchange the most current knowledge available in the field on a particular subject; 3) focus on the most efficient way to solve dealership problems; and 4) permit the dealer to carry back a measure of nontraditional creativity to the dealership.

## ACCOUNTING / TAX / METRICS

**CHARGE OFF.** Refers to the accounting and tax term used to identify a bad debt write-off.

**DEFAULT RATE.** A portfolio performance metric which divided the losses (in units) by the contracts originated (in units). Used to measure loss frequency.

**FINANCIAL STATEMENT.** The dealership's scorecard. This document represents a monthly summary of all the transactions in the various dealership departments; includes a sum total of all assets and debts of the dealership.

**FLOOR PLAN PAYOFF.** Upon the sale of a vehicle, the dealer "pays off" the lender or floor plan source the amount being financed or "floored" with respect to the vehicle sold. See OUT OF TRUST.

**LOSS CONFIRMATION PERIOD.** The time it takes an operator to determine if an installment receivable is collectible. In BHPH this is most typically 60, 90, or 120 days.

**LOSS/LIQUIDATION.** A portfolio performance metric calculation which divided the dollar losses on a particular portfolio by the dollars liquidated. The calculation is used to measure the pace of losses when a portfolio has not been fully amortized over its remaining life.

**OUT OF TRUST.** Occurs when a dealer sells a floor-planned vehicle without prompt payment of wholesale balances (see below) to the floor-plan lender. A dealer "out-of-trust" is in violation of Federal Law and is in danger of losing everything.

**RFC.** A separate business entity, formed for tax and accounting reasons, that buys, holds, and services the dealer's retail installment contracts. An RFC is frequently regulated by state laws as a "sales finance company." It may be subject to state law licensing and other requirements.

**STATIC POOL.** A portfolio performance metric calculation which divides the losses (in either units or dollars) by the amount of principle originated. Static pool measures the frequency and severity of losses over the life of a portfolio.

**WHOLESALE BALANCES.** Dollar amount of the inventory that is floor-planned by the dealer with a floor plan lender.

## **CPI (COLLATERAL PROTECTION INSURANCE)**

**ACTUAL CASH VALUE (ACV).** The current market value of a vehicle in its pre-loss condition; taking into account normal depreciation and relevant local market factors. Actual Cash Value is commonly defined in CPI policies either as the average of NADA Wholesale and Retail values or as NADA Retail value.

**AUTO LIABILITY INSURANCE.** Insurance that covers the policyholder's liability to other parties resulting from an accident. It consists of Property Damage Liability coverage for damage to the property of others, and Bodily Injury Liability coverage for injury or death to other people. Auto Liability Insurance is the insurance that state DMV's require as evidence of financial responsibility. It may be purchased as a stand-alone policy or in combination with Collision and Comprehensive coverages in a standard auto policy.

**COLLATERAL PROTECTION INSURANCE (CPI),** also referred to as **CREDITOR PLACED INSURANCE** or **FORCE PLACED INSURANCE.** A form of commercial property insurance that may be purchased by a secured creditor to protect the creditor's lienholder interest in loan collateral. It may also be used for the same purpose by a lessor. CPI does not include auto liability insurance.

The generally accepted definition of CPI includes the following characteristics:

1. It is purchased by a creditor, per the terms of a credit agreement
2. It is purchased AFTER the date of the loan agreement, due to the debtor's failure to maintain (or decision not to maintain) physical damage insurance otherwise required by the creditor
3. The cost of coverage is charged to the debtor

**CPI ADDENDUM.** A combination CPI disclosure/acknowledgement form presented to the borrower at time of financing. It is similar to a traditional Agreement to Provide Insurance, but it provides more detailed information regarding the CPI cost and coverage.

**CPI LENDER COVERAGES.** Coverages that may be added to a CPI policy to insure against non-physical damage losses involving the collateral, such as cost of repossession, loss due to a skip or confiscation by law enforcement for uncollected delinquency balance. Premium for Lender Coverages is charged separately to the creditor and may not be passed on to the borrower.

**CPI NOTICE OF INSURANCE.** An insurance document produced by the CPI insurer (or the insurer's authorized agent) and mailed or presented to the borrower evidencing the placement of CPI on the borrower's vehicle.

**DUAL INTEREST CPI.** Insures the borrower's interest in addition to the creditor's, and may include the borrower as an Additional Named Insured.

**"FULL COVERAGE" INSURANCE.** Not an insurance term, but is commonly used by creditors to describe the minimum physical damage insurance that borrowers must provide. Full Coverage includes Collision and Comprehensive (also called OTC, or Other Than Collision coverage) with a maximum deductible established by the creditor, and the creditor listed as Loss Payee.

**INSURANCE TRACKING.** The process of monitoring the insurance status of collateral in a loan portfolio. Many CPI providers offer insurance tracking services that may be integrated with CPI or used as a stand-alone service. Providers of insurance tracking services leverage specialized software, workflows and Electronic Interchange (EDI) contracts with insurance companies to increase tracking accuracy and efficiency.

# CREDIT

**ADVANCE RATE.** Refers to the percentage of principal that a bank will advance a dealer every time the dealer makes an in-house financed sale in accordance with a revolving line of credit that the dealer has with the bank. Under the line of credit agreements, banks will usually advance dealers around 50% of every dollar the customer finances with the dealer and this 50% is known as the advance rate.

**COLLATERAL.** The property that is pledged as security for an obligation – e.g., a vehicle financed for a customer under a retail sales contract – gives the lender the right to retake and sell the collateral for the purpose of liquidating the debt in case of nonperformance by the customer.

**CREDIT BUREAU INVESTIGATION.** To inquire from one of the major credit reporting agencies as to the customer's credit history.

**CHARGE OFF.** An amount of credit that has been written off by the finance source as uncollectible. This shows as an R-9 on revolving charge accounts and as I-9 on installment accounts on the borrower's credit report.

**DEBT-TO-INCOME RATIO.** The percent of gross income that goes toward a customer's regular monthly obligations (debts). An acceptable ratio to most lenders is 36% to 40% of debt-to-income.

**DEFAULT.** Failure to meet stipulated terms of a contract; e.g., a borrower is "in default" when all or part of an installment is due and has not been paid.

**DEFICIENCY.** The amount still owed by a borrower after a repossession has been sold and the proceeds applied to the account.

**DELINQUENCY RATE.** Number of vehicles repossessed by the lender as a percentage of the number of loans made.

**FULL RECOURSE.** Dealer endorsement on a retail sales contract in which the Dealer unconditionally guarantees payment in the event of default by the borrower of the full unpaid balance owing on a retail sales contract.

**INSTALLMENT SALES CONTRACT (RETAIL SALES CONTRACT, TIME PURCHASE).** All refer to a credit obligation paid over a specified period of time through regular monthly payments.

**LATE CHARGES.** Charges added to past due installments on retail sales contracts to compensate for "lost" interest earnings and the added cost of special handling for collection.

**LIEN.** A contract or mortgage which holds the financed collateral as security against default of payment for such collateral.

**LOAN LOSS RESERVE.** A reserve account established by a finance source that is based on their loss experience to compensate for expected losses from loans extended.

**PAST DUE.** An indebtedness that was not paid on the due date.

**WITHOUT RECOURSE (WOR).** The form of dealer endorsement on a retail sales contract where liability or loss falls upon the finance source and the dealer has no obligation regardless of how the installments may be handled by the borrower throughout the life of the contract.

# FINANCE AND INSURANCE

**AMOUNT FINANCED.** The amount to be financed includes principal, taxes, tags, licenses, and any cancelable insurance.

**CASH ADVANCE.** Amount of money a lender will advance to finance a customer's vehicle purchase (excluding finance and insurance charges).

**CREDIT ACCIDENT AND HEALTH INSURANCE (A&H).** Insurance coverage that pays for a disability resulting from an accident, illness or sickness that prevents the insured from engaging in his/her normal job duties. Benefits are payable once the number of days specified in the waiting or elimination period have past – then 1/30<sup>th</sup> of the monthly payment will be paid for each day the insured is unable to work. There are basically two types of policies:

- b) Elimination – where benefits are payable from the end of the waiting period going forward. The waiting period generally ranges from 14 days to 30 days; e.g., there are no benefits paid for the first 14 or 30 days.
- c) Retroactive – where benefits are payable from the first day of the disability, if the insured is disabled for more than the stated waiting period – 7 days, 14 days or 30 days.

**CREDIT LIFE INSURANCE.** A very specific decreasing term insurance that covers the life of the insured for the amount of the outstanding balance for a given period of time. Credit life coverages are available as follows:

- a) Single Decreasing – is decreasing term life insurance on the primary debtor that pays off the gross contract amount, including the remaining interest.
- b) Joint Decreasing – is decreasing term life insurance on the lives of two joint and individually liable debtors. Benefits are paid on the death of the first of the joint debtor and insurance on the surviving debtor terminates automatically. In the event of simultaneous death, only one death is paid.
- c) Net Pay – is a form of decreasing term life insurance, that in the event of death, covers only the net principal balance of a loan. The amount of insurance reduces each month by the amount that the payment by the debtor reduces the principal. Both single and joint coverage can be written.
- d) Level Term – is credit insurance where the amount of insurance remains constant over the term of the coverage.

**DOCUMENTARY FEE (DOC FEE).** This fee is charged to the customer to cover the cost of processing the paperwork and sales contract. In the event of a prepayment or repossession, the DOC Fee is deducted from the total contract charge before applying any rebate formulas.

**DOWN PAYMENT.** Net trade-in allowance and/or cash in partial payment of a time purchase.

**EXTENDED WARRANTY.** A misleading and erroneous term used by many to describe a Vehicle Service Contract. The term “warranty” must apply to a benefit program that is part of the price of the vehicle sold; e.g., a warranty is offered, while a service contract is sold.

**FINANCE CHARGE.** The amount charged to a customer by a dealer for the privilege of paying for a vehicle purchase over a period of time.

**FINANCE CONTRACT.** The Retail Installment Sales Contract that is purchased by a lender on a contract submitted by a dealer.

## **FINANCE AND INSURANCE, *Continued***

**GAP INSURANCE.** Insurance protection that closes the “gap” between a vehicle’s ACV or depreciated value, and the outstanding balance on the loan or lease in case of total collision loss or theft of the vehicle.

**INSTALLMENT SALES CONTRACT.** A credit obligation that has a consistent monthly loan payment.

**PAYMENT PROTECTION PLAN.** The Credit Insurance and Extended Warranty programs designed to protect the customer’s investment in the vehicle and his/her savings.

**PAY OFF.** The current indebtedness on the vehicle with the dealer is taking in trade from a potential customer, less the amount required for the lienholder to release the title to the dealer.

**PICK-UP PAYMENTS.** A method of increasing a borrower’s equity by scheduling an additional payment prior to the first monthly payment coming due.

**PREPAID SIMPLE INTEREST.** A payment plan where payments are made in equal installments of principal and interest which are recomputed based on a contractual amortization schedule. If a customer pays late, the interest does not continue to accrue as each payment’s principal and interest component was predetermined at the origination of the contract.

**PRINCIPAL BALANCE.** The unpaid cash balance plus insurance charges and registration fees, tax, title, and licenses on a vehicle purchase.

**RELATED FINANCE COMPANY (RFC).** A separate legal entity established by a dealership to hold and collect the receivables. An RFC, if set up correctly, also offers a distinct federal income tax advantage in that it allows for the deferral of income taxes over the life of the receivables.

**RULE OF 78’S.** Universally accepted method of calculating finance charge or credit insurance premium refunds to you when you pay off a finance contract before its maturity date. Most of the lender’s money is outstanding at the beginning of the contract than at the end, resulting in the lender earning most of the interest early in the contract. Similarly, the credit insurer’s risk is greater at the beginning and as a result the premiums earned are greater at the beginning of a finance contract. This method is also referred to as THE SUMS OF THE DIGITS because the addition of the numbers between 1 and 12 will equal 78.

**SIMPLE INTEREST PAYMENT.** A payment plan where payments are made in equal monthly installments of principal plus interest on the unpaid principal remaining. As the principal decreases so does the monthly interest.

**VEHICLE SERVICE CONTRACT.** Under the Magnuson-Moss Act, “service contract” means a “written contract to perform, over a fixed period of time or for a specified duration, services relating to the maintenance or repair (or both) of a consumer product.”

# LEGAL

**ANNUAL PERCENTAGE RATE (APR).** Interest rate which is charged on the outstanding declining balance and is an average of the principal available over the term of the contract divided by the total finance charges. APR is the only legal way that interests can be presented to the customer.

**BILL OF SALE.** A formal instrument used to transfer title to a vehicle from one party to another party.

**BUYER'S GUIDE.** The Federal Trade Commission's Used Car Rule that must be posted in the window of each used car offered by a dealer for sale. The Buyer's Guide tells a prospective buyer: 1) whether the vehicle comes with a warranty, and if so, what specific protection is provided; 2) whether the vehicle is being sold "AS IS" or with implied warranties only; 3) that the customer has the right to have the vehicle inspected by his/her own mechanic before buying; 4) that all promises should be in writing; and 5) will list some of the major problems that might occur in any vehicle.

**BUYER'S ORDER.** While not a legally binding document, the Buyer's Order provides a full written description of the vehicle, including base price, option costs, fees, and taxes. The customer's signature on the Buyer's Order signifies his/her intentions to purchase a specific vehicle.

**CERTIFICATE OF TITLE.** A document issued by most States to evidence ownership of a vehicle. In most States the lienholder's interest is recorded on the title.

**DISCLOSURE STATEMENT.** Written disclosure to a customer of the total transaction as required by local, state or Federal regulations.

**FEDERAL BANKRUPTCY ACT.** A dealer has twenty (20) days from the date a customer takes possession of a vehicle for the security interest to be perfected. This holds true regardless of state law. If the dealer fails to perfect within this time limit and the customer files for bankruptcy within ninety (90) days of the sale, the bankruptcy trustee then is entitled to a superior lien on the vehicle.

**FEDERAL TRUTH-IN-MILEAGE ACT.** Requires all odometer disclosures to be made on all states' title documents. Also, the act imposes record-keeping to create a "paper trail" of odometer readings for previous owners.

**FORM 8300.** IRS form for reporting cash transactions of \$10,000 or more, or a combination of cash with either of the following – cashier's check, bank draft, travelers check, and money order.

**FTC CREDIT PRACTICES RULE.** Before a cosigner signs an installment sales contract, the dealer must provide a written disclosure statement for the cosigner's signature.

**IMPLIED WARRANTIES.** In most states the purchase of an automobile is covered by an implied warranty unless the dealer specifically states in writing that implied warranties do not apply (as found on the face of the Buyer's Order). There are two common types of implied warranties:

- a) Warranty of Merchantability means the seller of a product promises that a product will do what it is supposed to do. In other words, a car will run.
- b) Warranty of Fitness means that if a customer buys a sports-utility vehicle to pull a boat trailer, it should be able to do exactly that.

**POWER-OF-ATTORNEY.** The legal ability, capacity or authority of a second party to sign a legal document on behalf of a first party; used normally when a customer is not available to sign a document.

**RED FLAGS RULE.** Based on Section 114 and 315 of the Fair and Accurate Credit Transaction Act of 2003. It requires any financial institution or entity that grants credit to have a written program to identify and prevent "red flags" associated with identity theft.

**REGISTRATION.** Vehicle ownership that is filed with the State Government where a customer lives.

## LEGAL, *Continued*

**TITLE APPLICATION.** The legal document that registers a vehicle with the State licensing agency. It includes the customer's name and address, the VIN, a description of the vehicle, and a complete breakdown of the vehicle's purchase price.

### **AUTO FINANCE LEXICON** *Reprinted from the CARLAW® F&I Legal Desk Book, 4th edition*

This book deals with the legal side of auto finance and leasing. In the chapters addressing the various subjects, we sometimes use shorthand references to legal terms. Here are some of the terms you will see from time to time and a short description of what they mean.

**AG:** stands for Attorney General. Every state has one, essentially the top legal officer in the state. AGs usually enforce consumer protection laws and regulations. When we are being cynical, we sometimes say the "AG" stands for "Aspiring Governor." We also sometimes say the same thing when we aren't being cynical.

**CFPB:** the Consumer Financial Protection Bureau. The CFPB, created by the Dodd-Frank Act, is a new federal agency that has as its core mission the protection of consumers when they obtain financial products and services.

**CLA:** the Consumer Leasing Act. The CLA governs disclosures in consumer lease transactions. The CLA is actually Chapter 5 of TILA (the federal Truth in Lending Act), but it is usually referred to as if it is a separate piece of legislation.

**Credit Practices Rule:** a Federal Trade Commission that regulates certain creditor practices, such as the pyramiding of late charges, garnishing wages, notifying cosigners, and the like.

**Dodd-Frank Act:** We use this term to refer to the Dodd-Frank Wall Street Reform and Consumer Protection Act, sponsored by Senator Chris Dodd (D-CT) and Rep. Barney Frank (D-MA) and enacted into law passed by Congress in July of 21, 2010. The Dodd-Frank Act was a sweeping reform of federal laws that deal with the regulation of regulating financial institutions. One of the principal parts of the Dodd-Frank Act created the Consumer Financial Protection Bureau.

**ECOA:** federal Equal Credit Opportunity Act. The ECOA prohibits credit discrimination on the basis of sex, race, marital status, etc.

**F&I:** finance and insurance. The "finance and insurance" department of a dealership is called the F&I department. That's where financing terms are arranged and various products like credit insurance and extended warranties are sold.

**FCRA:** the federal Fair Credit Reporting Act. The "FACT Act" is a recent amendment to the FCRA. The FCRA regulates those who compile and use credit reports.

**FRB:** the Federal Reserve Board, a federal agency that controls monetary policy in the U.S., and regulates certain banking institutions. It also is the agency charged with writing and interpreting regulations implementing TILA (Reg. Z), the CLA (Reg. M), the ECOA (Reg. B), etc.

**FTC:** the Federal Trade Commission, a federal agency that enforces several federal laws and regulations (including the TILA, the ECOA, and Regs. Z and B) with respect to car dealers. The FTC is the toughest, most consumer-friendly enforcement agency in Washington, and is the "federal cop" for car dealers.

*Copyright © 2012 CounselorLibrary.com LLC. All rights reserved. Appendix 1, Auto Finance Lexicon appeared in the CARLAW® F&I Legal Desk Book, 4th edition. Reprinted with express permission from CounselorLibrary.com.*

## LEGAL, *Continued*

**Gramm-Leach-Bliley (GLB) Act:** a federal law, Title 5 of which deals with the privacy of personal financial information.

**Green Pea:** a brand new dealership sales employee.

**Holder Rule:** a shorthand reference to the Federal Trade Commission's Trade Regulation Rule titled "The Preservation of Consumer Claims and Defenses." The Holder Rule permits a buyer under a retail installment sale contract to assert against the holder of the contract certain claims and defenses the buyer has against the selling dealer.

**Odometer Law:** a federal law designed to curb abusive practices (rollbacks, for example) dealing with vehicle odometers.

**OFAC, or the Office of Foreign Asset Control:** a unit of the U.S. Treasury Department that maintains the so-called "Specially Designated Nationals" or "bad guy" list. It is illegal for U.S. citizens to do business with someone whose name is on the bad guy list, and dealers who do not wish to violate the law must check the list before engaging in any business with any person.

**Magnuson-Moss Warranty Act:** a federal law that regulates warranties.

**Reg. B:** a regulation of the FRB implementing the ECOA.

**Reg. M:** a regulation of the FRB implementing the CLA.

**Reg. Z:** a regulation of the FRB implementing TILA.

**Reg. P:** a regulation of the FTC and the federal banking agencies, which in its various forms, implements the GrammLeach-Bliley Act's privacy provisions.

**RISA:** refers to a "retail installment sales act." Nearly every state has a RISA. Some states (about half) have a special version of a RISA for motor vehicle financing, and a separate RISA for other kinds of personal property financing. RISAs typically regulate finance charge rates, late charges, grace periods, bad check charges, disclosures, and the like in auto financing agreements between dealers and customers.

**RISC:** a retail installment sale contract. This document is used to document a credit sale from a dealer to a buyer. Then, the dealer usually sells the RISC to a finance company or bank. Buy-here, pay-here dealers hold RISCs and collect payments from buyers, unless they have created an affiliated finance company to assign them to. If you call a RISC a "loan," Spot (the Dalmatian mascot for our legal newsletter, *Spot Delivery*<sup>®</sup>), has instructions to bite you on the ankle.

**TILA:** the federal Truth in Lending Act. TILA governs disclosures in consumer credit transactions. This is the "granddaddy" of federal disclosure laws, dating from the late 1960s.

**Tort:** a tort is a "civil wrong." The actions that comprise a tort can also comprise a crime, but a tort is not necessarily a crime. Examples of torts are negligence, fraud, and defamation.

**TRR:** a Trade Regulation Rule. TRRs are issued by the FTC. The "Used Car Rule" requiring window stickers is a TRR.

**UDAP:** refers to unfair and deceptive acts and practices. The FTC has UDAP provisions, and most states do, as well. Only the FTC can enforce the FTC's version—a consumer cannot bring a private lawsuit to enforce it. Not

Copyright © 2012 CounselorLibrary.com LLC. All rights reserved. Appendix 1, Auto Finance Lexicon appeared in the CARLAW<sup>®</sup> F&I Legal Desk Book, 4th edition. Reprinted with express permission from CounselorLibrary.com.

## **LEGAL, *Continued***

necessarily so at the state level, since many state UDAP laws permit consumers to sue. UDAP laws are favorites of lawyers who sue dealers because they are very general in their prohibitions and usually provide for a multiple (two or three times) the consumer's actual damages, plus attorneys' fees.

***USA PATRIOT Act:*** a federal law aimed at terrorism and specifically targeting money laundering.

***Used Car Rule:*** the "Buyers Guide" rule issued by the FTC. It requires a Buyers Guide to be displayed on each used vehicle offered for sale and requires certain language regarding the Buyers Guide in the contract of sale.

# SALES

**ACTUAL CASH VALUE (ACV).** The amount of money that is really paid for a used vehicle. This is usually less than the amount “allowed” on a trade-in for a newer vehicle.

**CASH DIFFERENCE.** Difference between the estimated value of a trade-in and the price of the new vehicle a customer is looking to buy. Also known as TRADE DIFFERENCE.

**CASH IN DEAL/MONEY ON THE STREET.** The total cost of the inventory sold less the down payment received. The total net cash the dealer has outlaid to sell the vehicle.

**DAY’S SUPPLY.** Number of days needed to sell all vehicles in inventory, based on the previous month’s sales rate. Inventory and day’s supply may be expressed in terms of “industry as a whole” or for individual manufacturers, makes or nameplates.

**DEALER MANAGEMENT SYSTEM (DMS).** Computer program used to manager sales, inventory and collections.

**DEALER MARKUP.** An additional amount asked by the dealer on a “hot” vehicle over and above the MSRP.

**DOCUMENTARY FEE (DOC FEE).** Fee charged the customer who buys a new vehicle for the handling of the various legal forms and normal paperwork to consummate a deal.

**GROSS PROFIT.** The excess of the price received on the sale of a vehicle over the cost of that vehicle.

**LIMITED WARRANTY.** Warranty offered by the dealer on used vehicles that is limited to 1) time; 2) parts covered; 3) conditions of maintenance; and 4) mileage.

**RECONDITIONING.** Refers to the process of putting a used vehicle in a commercially salable and acceptable condition.

**RECONDITIONING COST.** Estimated cost of what it will take to refurbish a trade-in and put it in a salable condition.

**UNDER ALLOWANCE.** The customer is offered less than appraised value for his/her trade-in. (Generally occurs when a dealer heavily discounts the new car price.)

**WHOLESALE.** Refers to when a used car trade-in is sold to a wholesaler or at an auction, and not put in the lot for retail sale.

**WHOLESALE VALUE.** Value placed on a used vehicle in its present condition that takes into account the amount of reconditioning needed to make the vehicle salable.

# WARRANTY

**BUMPER-TO-BUMPER COVERAGE.** A comprehensive warranty that covers virtually all parts of a vehicle that may be subject to failure due to defects or poor workmanship.

**ROADSIDE ASSISTANCE.** Most manufacturers provide owners with a toll-free number to call in case of mechanical breakdown, lock-out, out-of-fuel, etc. when traveling.

**UNCOVERED REPAIRS.** The basic warranty does not cover certain repairs. These include:

- a) Normal maintenance costs such as engine tune-up, lubrication and keeping the vehicle cleaned.
- b) Repairs to tires are for the most part covered under separate tire manufacturer warranties, unless the repair is related to a component defect.

**VIN INTERPRETATION.** All manufacturers are required to utilize a standard format for Vehicle Identification Numbers (VIN) on vehicles sold in the USA. The digits in the VIN breakdown like this:

Digit 1: Country of origin (where the vehicle was manufactured).

1	USA K – Korea
2	Canada S – England
3	Mexico V – France
4	USA W – Germany
6	Australia Y – Sweden
J	Japan Z – Italy

Digit 2: Manufacturer:

4	Peugeot H – Acura
5	Isuzu (USA) Honda
A	Audi Hyundai Alfa Romeo J – Jeep Isuzu L – Daewoo Jaguar Lincoln Mitsubishi M – Mazda
B	BMW Mercury Dodge N – Kia Volkswagen Nissan
C	Chrysler P – Plymouth
D	Mercedes Porsche Daihatsu S – Saab
E	Eagle Subaru
F	Ford Suzuki Renault
T	Toyota Subaru Lexus Peugeot
V	Volkswagen
G	GM Volvo Suzuki (USA)
Z	Ford

# WARRANTY

**BUMPER-TO-BUMPER COVERAGE.** A comprehensive warranty that covers virtually all parts of a vehicle that may be subject to failure due to defects or poor workmanship.

**ROADSIDE ASSISTANCE.** Most manufacturers provide owners with a toll-free number to call in case of mechanical breakdown, lock-out, out-of-fuel, etc. when traveling.

**UNCOVERED REPAIRS.** The basic warranty does not cover certain repairs. These include:

- a) Normal maintenance costs such as engine tune-up, lubrication and keeping the vehicle cleaned.
- b) Repairs to tires are for the most part covered under separate tire manufacturer warranties, unless the repair is related to a component defect.

**VIN INTERPRETATION.** All manufacturers are required to utilize a standard format for Vehicle Identification Numbers (VIN) on vehicles sold in the USA. The digits in the VIN breakdown like this:

Digit 1: Country of origin (where the vehicle was manufactured).

1	USA K – Korea
2	Canada S – England
3	Mexico V – France
4	USA W – Germany
6	Australia Y – Sweden
J	Japan Z – Italy

Digit 2: Manufacturer:

4	Peugeot H – Acura
5	Isuzu (USA) Honda
A	Audi Hyundai Alfa Romeo J – Jeep Isuzu L – Daewoo Jaguar Lincoln Mitsubishi M – Mazda
B	BMW Mercury Dodge N – Kia Volkswagen Nissan
C	Chrysler P – Plymouth
D	Mercedes Porsche Daihatsu S – Saab
E	Eagle Subaru
F	Ford Suzuki Renault
T	Toyota Subaru Lexus Peugeot
V	Volkswagen
G	GM Volvo Suzuki (USA)
Z	Ford

## **WARRANTY, *Continued***

### **VIN INTERPRETATION. *Continued***

Digit 3: Country of origin (where the vehicle was manufactured).

Digit 9: Check Digit. Will be a 1-9 or X

Digit 10: Model Year. For example: V-i997. L-1990.

Digit 11: Assembly Plant Location.

Digit 12-17: Sequential Vehicle Number.

**WARRANTY DISCLAIMER.** Disclaimer found on the front face of the Buyer's Order whereby the Dealer makes no warranties or representations as to the fitness of the vehicle a customer is buying.

**WRITTEN WARRANTY.** Under the Magnuson-Moss Warranty Act, a "written warranty" as it applies to an automobile is "any written affirmation of fact or written promise made in connect with the sale of a vehicle by a dealer to a buyer which relates to the nature of the material or workmanship and affirms or promises that such material or workmanship is defect free or will meet a specified level of performance over a specified period of time."

## CAR “SLANGUAGE”

“**APP**”. Refers to the Credit Application.

“**APPROVED**”. Lender’s okay of the credit application and willingness to extend credit to a buyer.

“**AS IS**”. What you see is what you get. Vehicle is put on the lot for sale with no guarantee as to performance or condition.

“**BACKEND**”. 1)Refers to the fixed operations: service, parts and body shop; or 2) refers to the finance and insurance side of a deal.

“**BAD PAPER**”. Uncollectible finance deal.

“**BALANCE**”. Amount to be financed on the purchase of a vehicle.

“**BANK**”. Any financial institution which loans money for vehicle purchases, or is the lessor on a lease deal.

“**BE-BACK**”. A prospect who leaves the dealership without buying, telling the salesperson “I’ll be back later.” If the prospect shows up, he/she is referred to as a “be-back”.

“**BIRD DOG**”. An individual who assists a salesperson in finding new business.

“**BIRD DOG FEE**”. Finders fee paid to the “bird dog”.

“**BOGEY**”. A numerical standard of performance set up as a sales goal.

“**BOOK**”. Refers to a price in one of the Used Car Price Guides.

“**BOOKED THE CAR**”. What happens when management places a price on a used car. This dollar value depends on the market, equipment on the vehicle, and its condition.

“**BUMP**”. To “raise” the customer on a price.

“**BUREAU**”. Reference to any credit reporting company.

“**BURIED**”. A customer with a great deal of negative equity is said to be “buried in his trade”.

“**BUSTING BUGS**”. The customer has been sold, signed, sealed, and delivered, and is now “busting bugs.” Also referred to as “**BURNING GAS**” or “**BURNING RUBBER**”.

“**BUY HERE, PAY HERE**” (**BHPH**). Refers to a sales transaction where the seller offers in-house financing.

“**BUYER’S REMORSE**”. Feeling after a buying decision is made that the decision should be rescinded.

“**CANNIBALIZE**”. The removal or stripping of parts or accessories from one vehicle to put on another.

“**CAP COST REDUCTION**”. Refers to the leasing practice where the lessee makes a cash down payment in order to reduce the selling price or “cap cost”.

“**CAPTIVE**” (**BUYER**). Prospective buyer who must finance through the dealership in order to purchase a vehicle.

“**CARRY BACK**”. Amount to be financed on a retail installment contract.

“**CHECK OUT**”. To look at a credit report to insure a buyer’s credit is okay prior to a spot delivery of a vehicle.

## CAR “SLANGUAGE”, *Continued*

“**CHISELER**”. A customer who keeps “chiseling” away at the price.

“**CLOCK**”. The odometer.

“**CLOSED**”. When the buyer makes a commitment to purchase the vehicle, it is said that he/she has been “closed.”

“**CLUNKER**”. A “used up” used car.

“**CREAM PUFF**”. A used vehicle that is in excellent condition.

“**CROAK AND CHOKE**”. Reference to credit life and disability insurance.

“**DEPO**”. Customer’s deposit.

“**DETAIL**”. Process of cleaning and servicing a newly sold vehicle to make sure everything is working properly.

“**DIP**”. Downpayment loan from a finance company.

“**DISCLOSURE**”. Verbal disclosure to the customer of the written figures on the retail installment sales contract as required by local, state or federal regulations.

“**DISCOUNT**”. An offer to a buyer to reduce the list price.

“**DOC**”. **Dealer Originating Charges** found on the buyer’s order to cover dealer closing costs for preparing contracts and other legal documents.

“**DONE DEAL**”. A sales transaction that is completed, as in “it’s a done deal.”

“**DON’T WANTER**”. Used car that has been on the lot too long.

“**DOWN**”. Amount of down payment made by the customer on the vehicle purchase.

“**DRIFTER**”. Salesperson who floats from dealership to dealership to work.

“**DRIVETRAIN**”. Name given to the engine, transmission, driveshaft and axles.

“**FLAKE**”. A person with bad credit and an attitude.

“**FLOATER**”. Prospective customer whose frequent moves from one residence to another could possibly make him/her a credit risk.

“**FLOOR TRAFFIC**”. Refers to the number of potential customers who come into the dealership showroom.

“**FOUR ON THE FLOOR**”. Four-speed manual (standard) transmission.

“**FREIGHT**”. Destination charges for shipping vehicles to the dealership.

“**GET ME DONE**”. Applies to a prospective buyer who will buy if financing can be arranged.

**GET ME READY**”. Preparation of new vehicles for delivery.

“**GOLD-PLATED**”. Customer with an excellent credit history.

## CAR “SLANGUAGE”, *Continued*

“**GOOD DEAL**”. When both the buyer and salesperson are happy with the purchase.

“**GREEN PEA**”. Descriptive of a new salesperson.

“**GROSS**”. Profit on a deal; as in “How much ‘**gross**’ are you holding?”

“**HAGGLING**”. Another way of describing the negotiation process on a vehicle.

“**HOLD GROSS**”. Ability to make a good profit on a deal.

“**HOLDS VALUE**”. Descriptive of a vehicle that retains a high percentage of its original price.

“**HOT PROSPECT**”. A prospect who is ready to buy today.

“**HOUSE**”. Refers to the dealer or dealership management.

“**HOW MUCH IN IT**”. Refers to how much the dealer has invested in a used car.

“**IDIOT LIGHTS**”. Dash panel warning lights triggered by the vehicle’s command computer, which indicates the vehicle has problems that should be investigated

“**IN THE BUCKET**”. Customer who owes more money on his vehicle than it is worth. Also known as **NEGATIVE EQUITY**. (See “**UPSIDE-DOWN**”.)

“**IRON**”. Another name for a vehicle, as in “We have a lot of iron to choose from.”

“**KNOCK THE TRADE**”. Refers to the practice of reducing the original appraisal made on the customer’s trade in.

“**LA HA**”. Refers to Credit Life and Disability insurance.

“**LAY-DOWN**”. Customer who is easily sold if he/she can be financed.

“**LEASE HERE, PAY HERE**” (**LHPH**). Refers to a lease transaction where the lessor offers an in-house leasing program.

“**LOADED**”. A vehicle with virtually all the optional equipment on it.

“**LOCKS**”. Power door locks.

“**LOOKER**”. A person who tells a salesperson that he’s not ready to buy, as in” “I’m just looking.”

“**LOT**”. Place where the dealer’s inventory is stored.

“**LOT BOY**”. Individual(s) who keeps the vehicle inventory looking spiffy and properly maintained.

“**MARONEY**”. The window price sticker; names after Congressman Monroney who initiated the legislation to have it posted on a car window.

“**MAXED OUT**”. Highest possible customer payment within the lender’s policy on funds advanced for a loan.

“**MEET AND GREET**”. In the sales process, this is the salesperson’s first act and only chance to make an impressive first impression.

## CAR “SLANGUAGE”, *Continued*

“**MODEL**”. Body style; e.g., 4-door sedan, 3-door hatchback, convertible, station wagon, etc.

“**MONTHLIES**”. Monthly payment.

“**NICKEL**”. Five hundred dollars, as in “He has a ‘**nickel**’ for a downpayment.”

“**NO-HAGGLING**”. Dealer who establishes a retail price for each vehicle, publishes that price and then sells the vehicle for that price. Also known as **ONE PRICE SELLING**.

“**OFF**”. Price reduction; as in “How much **off**?”

“**ON THE GROUND**”. Vehicles that are in stock on the dealership’s lot.

“**ON THE STREET**”. Vehicles that have been sold; as in “I’ve got 12 ‘**on the street**’ this month.”

“**OPEN-FLOOR**”. No orderly method for salespeople to take prospect as they come into the dealership – it is every salesperson for him/herself.

“**OUT OF STATER**”. Used vehicle bought or traded from an out-of-state source.

“**OVER**”. Offering price to the customer **over** the factory invoice.

“**OVER THE CURB**”. The point where a vehicle is legally a sold unit.

“**PACK**”. Amount dealer adds to his/her cost before computing net profit; e.g., the amount the salesperson’s commission is figured on.

“**PLATES**”. Refers to license plates.

“**POINT**”. An interest rate percentage point.

“**POP**”. To repossess a vehicle.

“**PREP**”. To prepare a vehicle to delivery.

“**QUARTER**”. Refers to \$250 or \$2,500 depending on the situation in which it is used.

“**RAGTOP**”. A convertible.

“**READY TO ROLL**”. Vehicle is “**ready to roll**” when financing is arranged and the unit has been properly prepped.

“**RECALL**”. A model which possesses a component that is potentially susceptible to failure or presents a hazardous situation for the owner of that vehicle.

“**RECON**”. Service work to put a used vehicle in a commercially saleable and acceptable condition.

“**REPO**”. Vehicle that has been repossessed.

“**REPO MAN**”. Individual who repossesses vehicles.

“**R. O.** ”. A service **repair order**.

## CAR “SLANGUAGE”, *Continued*

“**ROLLBACK**”. Sales tactic of finding out how much a buyer wants to pay per month and then “**rollback**” the figures to find out how much car he/she can buy for that amount of a monthly payment.

“**ROLLED AROUND**”. Process of “shopping” a prospective buyer’s trade among other dealers to get the best possible wholesale price.

“**ROLLED IN**”. Optional equipment that is added at the dealership and “**rolled in**” the selling price.

“**ROOF**”. A sun roof or moon roof.

“**RUN A BUREAU**”. To check the buyer’s credit history.

“**RUN A TAPE**”. To add up the various options to arrive at a selling price.

“**RUN A SEARCH**”. To try and find a vehicle through the dealer locator.

“**RUST**”. Rustproofing on a vehicle.

“**SEATS**”. Power seats.

“**SCRAPPAGE**”. Rate of new vehicles entering the market versus the number of older units being **scrapped**. When the Scrapage Rate goes up, it means that automobiles are being kept longer.

“**SHOP**”. Broad area where all service work takes place.

“**SHOPPER**”. A buyer who is looking at several makes and models.

“**SHORT DEAL**”. Low gross deal.

“**SHOTGUNNING**”. Practice of calling in finance deals to several lenders at the same time.

“**SKIP**”. A finance customer who has moved without notice, falls behind on his/her payments, and who must be located by investigative procedures.

“**SKIP HAZARD**”. Credit applicant whose previous credit history indicates that he/she may be susceptible to move without notice, creating a “**skip**” situation.

“**SPIFF**”. A performance incentive awarded by dealership management.

“**SPLIT DEAL**”. Commission on a sold unit is split between two salespeople.

“**STORE**”. Another name for the dealership.

“**SUBPRIME**”. Vehicle buyers with poor credit histories who are typically viewed as “C and D paper.”

“**TAG**”. License plate.

“**TERM**”. The length of the finance contract; e.g., 36, 48 or 60 months.

“**TOTE YOUR NOTE**”. Used car operation that “**carries its own paper**”; e.g., finance its own deals. Also known as “**BUY HERE, PAY HERE**” or “**NOTE LOT**”.

“**UNWIND**”. A deal that falls apart because the buyer decides to “back out” of the transaction.

## **CAR “SLANGUAGE”, *Continued***

**“UPSIDE DOWN”**. Customer with negative equity in his/her trade-in.

**“VIN”**. Vehicle identification number.

**“WATER-ON-THE-LOT”**. Refers to numerous used vehicles on the lot where the ACV (Actual Cash Value) is substantially less than the allowance given to customers on their trade-ins.

**“WEAK”**. A deal that could easily fall apart.