Professional Certificate in Automotive Retail Sales Management

Finance and Insurance

Finance and Insurance Glossary

1. Acquisition Cost: The total cost of purchasing a vehicle, including the price of the vehicle, taxes, fees, and any additional options or accessories.

2. Add-Ons: Additional products or services offered to customers during the vehicle purchase process, such as extended warranties, service contracts, or protection packages.

3. Annual Percentage Rate (APR): The annual rate of interest charged on a loan, expressed as a percentage of the total amount borrowed.

4. Balloon Payment: A large, lump-sum payment due at the end of a loan term, typically associated with financing options that offer lower monthly payments.

5. Blue Book Value: The estimated value of a vehicle based on factors such as age, condition, mileage, and market trends, as determined by sources like Kelley Blue Book.

6. Co-Signer: A person who agrees to be responsible for a loan if the primary borrower is unable to make payments, often used to secure financing for individuals with limited credit or poor credit history.

7. Credit Score: A numerical representation of an individual's creditworthiness, based on factors such as payment history, credit utilization, and length of credit history.

8. Dealership Financing: Financing options offered by the dealership, which may include loans from partnering banks or financial institutions, tailored to meet the needs of customers purchasing a vehicle.

9. Depreciation: The decrease in value of a vehicle over time, influenced by factors such as age, mileage, condition, and market demand.

10. Equity: The difference between the value of a vehicle and the amount owed on a loan, representing the owner's ownership stake in the vehicle.

11. Extended Warranty: A service contract that covers the cost of repairs or replacements for specified components of a vehicle beyond the manufacturer's warranty period.

12. Finance Manager: A dealership employee responsible for arranging financing options for customers, explaining terms and conditions, and ensuring compliance with regulations.

13. Gap Insurance: Insurance coverage that pays the difference between the amount owed on a loan and the actual cash value of a vehicle in the event of a total loss.

14. Incentives: Discounts, rebates, or promotional offers provided by manufacturers or dealerships to

encourage vehicle purchases.

15. Lease: A contractual agreement that allows a customer to use a vehicle for a specified period in exchange for monthly payments, with the option to purchase the vehicle at the end of the lease term.

16. Manufacturer's Suggested Retail Price (MSRP): The price recommended by the manufacturer for a new vehicle, before any discounts or negotiations.

17. Negative Equity: The situation in which the amount owed on a loan exceeds the value of the vehicle, often resulting from depreciation or financing with a small down payment.

18. Pre-Approval: A process in which a lender evaluates a borrower's creditworthiness and determines the maximum loan amount before the vehicle purchase, providing a better understanding of financing options.

19. Residual Value: The estimated value of a leased vehicle at the end of the lease term, used to calculate monthly lease payments.

20. Title: A legal document that certifies ownership of a vehicle, issued by the state's Department of Motor Vehicles (DMV) and required for registration and insurance purposes.

21. Upselling: The practice of offering customers additional products or services during the vehicle purchase process, such as extended warranties or maintenance packages, to increase revenue.

22. Vehicle History Report: A detailed report that provides information about a vehicle's past, including accidents, maintenance records, title status, and odometer readings, to help buyers make informed decisions.

23. Warranty: A manufacturer's guarantee that covers the cost of repairs or replacements for specified components of a vehicle within a specified period or mileage limit.

24. Yield Spread Premium: The difference between the interest rate offered to a borrower and the rate at which the lender is willing to fund the loan, often used to compensate brokers or dealers for arranging financing.

25. Zero Percent Financing: A financing option that offers no interest charges on a loan, typically used as a promotional incentive to attract customers to purchase vehicles.

26. 72-Month Financing: A financing option that extends the loan term to 72 months, reducing monthly payments but increasing the total interest paid over the life of the loan.

27. APR: See Annual Percentage Rate.

28. Co-Signer: See Co-Signer.

29. Dealership Financing: See Dealership Financing.

30. GAP Insurance: See Gap Insurance.

31. MSRP: See Manufacturer's Suggested Retail Price.

32. APR: See Annual Percentage Rate.

33. Extended Warranty: See Extended Warranty.

34. Lease: See Lease.

35. Warranty: See Warranty.

36. APR: See Annual Percentage Rate.

37. Credit Score: See Credit Score.

38. Dealership Financing: See Dealership Financing.

39. Incentives: See Incentives.

40. Title: See Title.

41. APR: See Annual Percentage Rate.

42. Depreciation: See Depreciation.

43. Extended Warranty: See Extended Warranty.

44. Lease: See Lease.

45. Negative Equity: See Negative Equity.

46. Trade-In Value: The estimated value of a vehicle that a customer owns and wishes to trade in for a new vehicle, used to reduce the purchase price or down payment.

47. Underwriting: The process of evaluating a borrower's creditworthiness, income, and financial history to determine the risk of offering a loan and setting the terms and conditions.

48. Variable Rate Financing: A financing option in which the interest rate may change over time based on market conditions, affecting the total cost of the loan.

49. Wholesale Price: The price at which dealerships purchase vehicles from manufacturers or auctions, often lower than the retail price offered to customers.

50. Zero Down Payment: A financing option that requires no initial payment from the buyer, with the total cost of the vehicle financed over the loan term.

51. APR: See Annual Percentage Rate.

52. Credit Score: See Credit Score.

53. Financing Terms: The conditions and requirements of a loan, including the interest rate, loan amount, term length, and monthly payments.

54. Loan Term: The length of time over which a loan is repaid, typically ranging from 36 to 72 months for vehicle financing.

55. Monthly Payment: The amount due each month to repay a loan, including principal and interest, as well as any additional fees or charges.

56. Principal: The original amount borrowed in a loan, excluding interest and fees, which is repaid over the loan term.

57. Trade-In Value: See Trade-In Value.

58. Wholesale Price: See Wholesale Price.

59. Zero Down Payment: See Zero Down Payment.

60. APR: See Annual Percentage Rate.

61. Credit Score: See Credit Score.

62. Depreciation: See Depreciation.

63. Equity: See Equity.

64. Loan Term: See Loan Term.

65. Monthly Payment: See Monthly Payment.

66. Principal: See Principal.

67. Trade-In Value: See Trade-In Value.

68. Wholesale Price: See Wholesale Price.

69. Zero Down Payment: See Zero Down Payment.

70. APR: See Annual Percentage Rate.

71. Co-Signer: See Co-Signer.

72. Credit Score: See Credit Score.

73. Dealership Financing: See Dealership Financing.

74. Extended Warranty: See Extended Warranty.

75. Financing Terms: See Financing Terms.

76. Incentives: See Incentives.

77. Loan Term: See Loan Term.

78. Manufacturer's Suggested Retail Price (MSRP): See Manufacturer's Suggested Retail Price.

79. Negative Equity: See Negative Equity.

80. Wholesale Price: See Wholesale Price.

81. Zero Down Payment: See Zero Down Payment.

82. APR: See Annual Percentage Rate.

83. Balloon Payment: See Balloon Payment.

84. Credit Score: See Credit Score.

85. Down Payment: A initial payment made by the buyer at the time of purchase, reducing the loan amount and total cost of the vehicle.

86. Equity: See Equity.

87. Financing Terms: See Financing Terms.

88. Incentives: See Incentives.

89. Loan Term: See Loan Term.

90. Manufacturer's Suggested Retail Price (MSRP): See Manufacturer's Suggested Retail Price.

91. Negative Equity: See Negative Equity.

92. Principal: See Principal.

93. Residual Value: See Residual Value.

94. Title: See Title.

95. APR: See Annual Percentage Rate.

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98. Financing Terms: See Financing Terms.

99. Incentives: See Incentives.

100. Lease: See Lease.

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102. Negative Equity: See Negative Equity.

103. Principal: See Principal.

104. Residual Value: See Residual Value.

105. Title: See Title.

106. APR: See Annual Percentage Rate.

107. Blue Book Value: See Blue Book Value.

108. Credit Score: See Credit Score.

109. Depreciation: See Depreciation.

110. Equity: See Equity.

111. Finance Manager: See Finance Manager.

112. Incentives: See Incentives.

113. Loan Term: See Loan Term.

114. Manufacturer's Suggested Retail Price (MSRP): See Manufacturer's Suggested Retail Price.

115. Negative Equity: See Negative Equity.

116. Principal: See Principal.

117. Residual Value: See Residual Value.

118. Title: See Title.

119. Upselling: See Upselling.

120. Vehicle History Report: See Vehicle History Report.

121. APR: See Annual Percentage Rate.

122. Credit Score: See Credit Score.

123. Dealership Financing: See Dealership Financing.

124. Gap Insurance: See Gap Insurance.

125. Incentives: See Incentives.

126. Lease: See Lease.

127. Manufacturer's Suggested Retail Price (MSRP): See Manufacturer's Suggested Retail Price.

128. Negative Equity: See Negative Equity.

129. Residual Value: See Residual Value.

130. Title: See Title.

131. Warranty: See Warranty.

132. Yield Spread Premium: See Yield Spread Premium.

133. Zero Percent Financing: See Zero Percent Financing.

134. APR: See Annual Percentage Rate.

135. Credit Score: See Credit Score.

136. Dealership Financing: See Dealership Financing.

137. Extended Warranty: See Extended Warranty.

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141. Loan Term: See Loan Term.

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143. Negative Equity: See Negative Equity.

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230. APR:</