



GETTING STARTED

The Car Buyer's Glossary

Seventy-eight words the dealership uses every day, translated into plain English.

A NOTE FROM OUR TEAM

Half the battle in a dealership is vocabulary. When you know what a buy rate, a holdback, or a spot delivery really is, the conversation changes. Keep this in your glovebox or on your phone, and never nod along to a word you don't understand again.

— The Auto Advocate Team

Dealerships run on a private vocabulary. Some is harmless shorthand; some hides real money. We grouped these terms the way a deal flows, from window sticker to final signature. A ★ marks the terms that cost buyers the most.

1 Price & the Vehicle

MSRP. Manufacturer's Suggested Retail Price, the "sticker price." A starting point, not the price you must pay.

Window sticker. The official label on every new car: MSRP, equipment, destination charge, and the EPA/NHTSA fuel economy label.

Addendum sticker. A dealer-made second sticker listing dealer-installed items (tint, nitrogen, pinstripes). Every line is a dealer choice.

Market adjustment ★ Also "ADM." Added profit above MSRP on in-demand models. Always negotiable.

Invoice price. What the manufacturer bills the dealer. Not the dealer's true final cost, because of holdback and incentives.

Holdback. Money built into the invoice and paid back to the dealer later. Often a small percentage of MSRP or invoice, and it varies by brand; some brands have none.

Destination charge. The manufacturer's fee to ship the car to the dealer. Printed on the window sticker; generally not negotiable.

Rebate. A manufacturer incentive that lowers *your* price. Make sure it comes off after the price is agreed.

Dealer cash. A manufacturer incentive paid to the dealer, not advertised to you. It gives the store room to lower the price.

Incentivized rate. A below-market APR from the automaker's finance arm, often offered instead of a rebate. Run the math both ways.

Doc fee ★ A dealer charge for paperwork. Set by the dealer, not the government. Some states cap it; check yours.

Out-the-door price. Price plus taxes, title, registration, and every fee. The only number worth negotiating. Get it in writing.

Certified pre-owned. A used car that passed a manufacturer program and carries factory-backed coverage. Dealer-only "certified" is not the same.

Demo / loaner. A new car used for test drives or service loans. Miles mean a lower price; ask when its warranty started.

2 Your Trade-In & Equity

ACV. Actual cash value: what the dealer believes your trade is worth wholesale. The real trade number.

Bookout. Your trade's value from the wholesale and retail guides dealers subscribe to. Not the same as a consumer website estimate.

Reconditioning. The cost to make your trade ready to sell (tires, brakes, detail). Dealers subtract it from your offer.

Payoff amount. What it takes to close your loan through a specific date. Higher than the "balance" on your statement.

Lien / lienholder. The lender's legal claim on a financed car. Released, and the title cleared, once the loan is paid off.

Equity. Your trade's value minus your payoff. Positive equity works like a down payment.

Negative equity ★ "Upside down": you owe more than the car is worth. Rolled into a new deal, it raises the loan, term, or payment.

Over-allowance. A trade value shown above ACV while the new car's price stays high. It looks generous; the math often isn't.

FROM THE INSIDE

Negotiate three separate numbers, in this order: the vehicle's price, your trade's value, then the financing. Once all three get blended into one monthly payment, money can move between them without you ever seeing it.

3 Financing & Credit

APR. Annual Percentage Rate: the yearly cost of the loan, including interest and certain fees. The federal standard for comparing loans.

Amount financed. What you're actually borrowing, including anything rolled in: fees, products, negative equity.

Finance charge. The total dollar cost of the credit if you make every payment on time.

Total of payments. Everything you'll have paid by the end: amount financed plus finance charge.

Term. Loan length in months. Longer terms lower the payment but raise total interest and time spent upside down.

Pre-approval. A loan offer from your bank or credit union before you shop, with APR, term, and maximum amount.

Dealer-arranged financing. The dealer sends your application to lenders and sells the signed contract to one. You're not required to use it.

Buy rate ★ The rate the lender actually approved you for when the dealer submitted your application.

Dealer markup ★ Writing your contract above the buy rate; the lender shares the extra interest with the dealer. Legal and negotiable.

Credit tier. The band a lender places you in based on your score and history. Your tier sets your buy rate.

Hard inquiry. A credit check for a loan. Auto-loan inquiries within roughly 14 to 45 days generally count as one.

Simple interest. Interest figured on what you actually owe. Paying early or extra lowers it. Most auto loans work this way.

Precomputed interest. Total interest figured up front and spread over the payments. Extra payments don't lower it.

Per diem. "Per day": the daily interest on a simple-interest loan. Payoff quotes list it as the amount to add each day.

Prepayment penalty. A charge for paying off early. Your Truth-in-Lending disclosure says whether one applies.

Co-signer. Someone who guarantees your loan and must pay if you don't. A co-buyer, by contrast, co-owns the car.

Down payment. Cash or trade equity paid up front. Lowers the amount financed and guards against negative equity.

4 Leasing

Capitalized cost. The lease's selling price plus fees rolled in. Negotiate it exactly like a purchase price.

Cap cost reduction. Cash down, trade equity, or rebates that lower the cap cost. Cash down is at risk if the car is totaled.

Residual value. The lessor's prediction of the car's value at lease end. Set by the leasing company; generally not negotiable.

Money factor ★ The lease rate as a decimal. $\times 2,400 =$ approximate rate ($0.00125 \times 2,400 = 3\%$). Can be marked up.

Rent charge. The finance-cost portion of each lease payment, driven by the money factor.

Acquisition fee. The leasing company's fee to set up the lease.

Disposition fee. A lease-end fee to prepare and sell the returned car. Often waived if you stay with the same company.

Mileage allowance. Miles per year included. Every mile over is billed at the per-mile rate in your contract.

Excess wear and use. Damage beyond "normal" wear, judged at the lease-end inspection and billed to you.

Lease buyout. The price to purchase the car at lease end, usually the residual plus fees.

5 The Finance Office & Protection Products

F&I. Finance and Insurance, the "business office." Contracts, financing, and optional products. A major profit center.

Menu. A list of product packages with payments attached. Every item on it is optional.

Payment packing ★ Quoting a higher payment than the deal needs so products fit in later. Always ask for itemized numbers.

Administrator. The company that runs a service contract and decides whether claims get paid.

Deductible. What you pay per repair visit or claim before the contract pays.

GAP. Covers what you owe minus what insurance pays if the car is totaled or stolen. Optional; also sold by insurers and credit unions.

Manufacturer warranty. The automaker's promise to fix certain defects for a set time or mileage. Included in a new car's price.

Service contract ★ Often called an "extended warranty," but a separate, optional contract. Coverage depends on its exact wording.

Credit life / disability. Pays the loan if you die or become disabled. Optional. If a lender requires it, its cost must be in the APR.

Ancillary products. Tire & wheel, key, windshield, dent, appearance, maintenance plans. All optional. See **No. 38** first.

6 Paperwork & Your Rights

TILA. Truth in Lending Act: your APR, finance charge, amount financed, and total of payments disclosed in writing before you sign.

Installment contract. The retail installment sales contract you sign at the dealer, who usually sells it to a lender afterward.

Buyers Guide. The FTC-required form on every used car at a dealer. Says "As Is" or lists the warranty; it overrides the contract.

As Is. No dealer warranty. After you sign, repairs are yours. Get any verbal promise written on the Buyers Guide.

Implied warranty. Unwritten promises that the car runs and does its job. Apply to many used sales unless "As Is," per state law.

Magnuson-Moss Act. Federal warranty law. Maintenance at an independent shop does not by itself void your factory warranty.

Spot delivery ★ Driving home before the lender has finalized your loan. Also called conditional financing.

Yo-yo financing ★ The "financing fell through" call demanding worse terms. You can refuse; ask for your down payment back.

Cooling-off period. No federal three-day right to cancel a car purchase. Some states or dealers offer one; check before you sign.

Odometer disclosure. The federally required written mileage statement at transfer, certifying the odometer wasn't altered.

Recall. A safety defect fixed free at a franchised dealer. Look up any VIN at nhtsa.gov/recalls.

Lemon law. State laws protecting buyers of new cars with serious defects not fixed after repeated attempts. Varies by state.

We-owe. A signed list of anything the dealer still owes you: a second key, a repair. If it isn't written, it doesn't exist.

7 Showroom Talk

Up. A customer who walks onto the lot. Salespeople often take "ups" in rotation.

The desk. The sales managers who approve every number. Your salesperson usually can't agree to a price alone.

Four-square. A worksheet splitting price, trade, down, and payment into four boxes. Built to keep you focused on payment.

Pencil. A written offer from the desk. The first pencil is rarely the best pencil.

T.O.. "Turnover": handing you to a manager or closer when you hesitate. Expect a fresh voice and fresh pressure.

Be-back. A customer who leaves saying they'll be back. Being willing to be one is your strongest card.

THE FIVE TERMS TO MASTER BEFORE YOU SIGN ANYTHING

Out-the-door price. Buy rate. Payment packing. Spot delivery. Service contract. Master these and you know where the money hides. Next, read **No. 30** and **No. 38**.

TURN THE WORDS INTO LEVERAGE

Now you speak the language. Let us bring the numbers.

Terms matter most when you know the real figures on your vehicle. With the Buyer Brief, we research current rebates and incentivized rates, book out and Carfax your trade, and hand you a script to defend your number.

Buyer Brief \$99

(405) 761-3390 • autoadvocacy.net

THE DEALERSHIP HAS EXPERTS. NOW YOU DO, TOO.

SOURCES

CFPB, Ask CFPB: Truth-in-Lending disclosure (en-787); simple vs. precomputed interest (en-841); spot delivery (831); GAP (en-797); loan shopping and credit (en-763); consumerfinance.gov/ask-cfpb

CFPB, Auto Finance Fact Sheet on dealer markup, March 2013: files.consumerfinance.gov/f/201303_cfpb_march_Auto-Finance-Factsheet.pdf

FTC, Financing or Leasing a Car; Buying a Used Car From a Dealer; Auto Warranties and Auto Service Contracts; Cosigning a Loan FAQs: consumer.ftc.gov/articles

Edmunds, Dealer Holdback; 4 Ways to Spot a Good Lease: edmunds.com | Kelley Blue Book, Car Leasing Guide: kbb.com/car-advice/car-leasing-guide

NHTSA, Fuel Economy and Environment Label; Recalls by VIN: nhtsa.gov/recalls; Odometer disclosure, 49 CFR Part 580: nhtsa.gov

Educational only, not legal, tax, or financial advice. Laws and fees vary by state; confirm with your lender and Service Oklahoma or your state agency.