

Car-Buying Basics

Sedan

basic automobile with four doors, two rows of seats and traditional trunk design

Coupe

small, often sporty automobile with two doors, one or two rows of seats and traditional trunk design

Wagon

automobile with two or four doors, typically two rows of seats and a hatchback-style cargo door allowing for storage of bulky cargo

SUV

large automobile with raised ground clearance and available all-wheel drive

Pickup Truck

automobile with an enclosed passenger area, known as the cab and an open-top cargo area, known as the bed

Van

box-shaped automobile with two traditional doors, sliding or double back doors and a hatchback-style or double-door-style cargo doors

Motorcycle

two- or three-wheeled vehicle in which passengers are open to the elements

Depreciation

reduction in value over time

Certified Pre-Owned

term used to describe a used automobile which has been inspected, refurbished, certified and warranted by the original manufacturer

Liability Auto Insurance

service protecting the purchaser from financial loss due to an auto accident in which the purchaser causes injury or damage to another; covers damage inflicted on other drivers, but not damage to the purchaser or the purchaser's vehicle; required in most states

Collision Auto Insurance

service protecting the purchaser from financial loss due to an auto accident in which the purchaser sustains injury or damage to himself or his own vehicle

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Comprehensive Auto Insurance

service protecting the purchaser from financial loss due to damage sustained to his vehicle through non-collision events, such as theft, vandalism, fire, weather and animals

Auto Lease

legal agreement letting someone use an automobile for a specified period of time in exchange for payment

Repossession

seizure of property by a lender due to failure of debtor to meet terms of loan

Invoice Price

initial charge paid by a dealer to a manufacturer, but not always the final cost to the dealer due to rebates, billing terms, allowances, discounts and incentives the dealer may receive; also known as dealer cost

MSRP

manufacturer's suggested retail price; price a product's manufacturer recommends the product being sold for in stores; also known as sticker price

Extended Warranty

vehicle service contract offered to extend the length and/or scope of the manufacturer's standard warranty

GAP Insurance

service protecting the purchaser from financial loss occurring when the amount of compensation received from a total loss does not fully cover the amount the insured owes on the vehicle's financing or lease

Lemon Law

law giving a person who purchases a defective vehicle (known as a lemon) the right to repair, replacement or refund during a specified period after purchase

Auto Loan

loan paid out by bank or credit union to help consumer purchase vehicle, must be paid off within the months before due date with interest

Loan Schedule

listing of loan amount with principal, interest, due dates and balances before and after the given loans payments have been posted