

Appraiser Blog

Salvage Title Car: Risks and Rewards



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Ever wondered what a salvage title car is and whether it's worth the risk? **You're in the right place!**

This is the Ultimate Guide to **everything you need to know** about salvage title cars.

We'll start with their intriguing history and expand on their **hidden benefits and potential pitfalls**, we've got it all covered.

Experts insights, real-life cases, guides, literally everything you need to know!

Ready to dive in? Let's go!

What is a Salvage Title Car?

A salvage title car is a vehicle that has been **significantly damaged and/or deemed a [total loss](#)** by an insurance company.

This means the cost to repair the vehicle **exceeds its market value** or the state threshold.

[Check State Thresholds HERE](#)

The most common reasons for a car to receive a salvage title are **severe accidents**, but it can happen in **natural disasters like floods or fires, and even major theft recoveries**.

"Private vehicle auctions are the primary and most profitable channel for insurance companies to sell cars recovered from accidents, thefts, or armed robberies." — Pimentel AD, Pereira LG. Auctions and Mechanisms. Stolen Cars: A Journey Through São Paulo's Urban Conflict, 2022.

How it is Determined

A determination can stem from **various types of damage**, including accidents, natural disasters, and sometimes even theft or vandalism.

According to the **National Insurance Crime Bureau (NICB)**, thousands of vehicles receive salvage titles every year due to natural disasters like hurricanes and floods.

REASONS	CASES PER YEAR	CASES PER YEAR (%)
Severe Accident	400k	45%
Natural Disasters (flood; fire)	200k	23%
Theft Recovery	150k	17%
Vandalism	90k	10%
Other (mechanical failure; abandonment)	50k	5%

These estimates provide a general idea of how often each reason leads to a salvage title, offering a clearer picture of the salvage title landscape.

The criteria for issuing a salvage title **vary significantly across different states** and provinces.

Generally, a vehicle is deemed "salvage" when the **repair or replacement cost is in excess of approximately 70% of its market value** at the time of the accident or theft.

Some regulations require a salvage title for stolen or vandalized vehicles which are **not recovered by police within 21 days**.

Under some circumstances, a salvage title denotation may be **removed or replaced with a Rebuilt Salvage** designation.

Cars **imported** to, or **exported** from, the **United States** may be issued a **clean title regardless of history**.

Every Salvage Title Car is a Totaled Car?

Not necessarily. The terms "salvage title car" and "totaled car" are often used interchangeably, but they're **not always the same**.

A salvage title means the vehicle has been significantly damaged, but [not all salvage title cars are beyond repair](#).

In contrast, a **junk title** is given to cars that can **only be used for parts or scrap** and are not to be repaired to road-worthy conditions.

*Summarizing: Every totaled car is a salvage one **or** a junk one.*

The History of Salvage Title Cars

Salvage titles have been around for decades, primarily as a means to **protect consumers from unknowingly purchasing severely damaged vehicles**.

The concept gained traction in the mid-20th century as car ownership became more widespread and [insurance](#) practices evolved.

Over the years, regulations have tightened, but **the market for salvage title cars has grown**, driven by bargain hunters and **auto enthusiasts** looking for restoration projects.

Because a salvage title can be issued to a vehicle with **easily repairable problems or no damage** whatsoever, the **low cost** of the salvaged motorcycle or car is appealing to some hobbyists and investors.

Experts recommend **caution when purchasing a salvaged vehicle**, because there may be hidden damage, which, if unreparable, may render the vehicle a "pile of parts."

Risks and Benefits of Buying a Salvage Title Car

BENEFITS

- Cost Savings** *The price is the main attraction in the repertory of a salvage title car.*
- Restoration Projects** *If you enjoy working on cars as a hobby, buying a salvage title car is the way to go!*
- Parts Supply** *Are you scavenging for specific car parts? — "One's trash is another's treasure."*

RISKS

- Safety Concerns** *Even in well-repaired vehicles, it might not be as safe as it once was.*
- Insurance Challenges** *Many insurers refuse any type of coverage altogether.*
- Resale Value** *The worst problem of buying an extraordinarily cheap car is trying to resell an extraordinarily cheap car.*

Some of the core benefits and risks to keep in mind when considering a salvage title car.

An analysis by **Edmunds** shows that salvage title cars depreciate faster than their clean title counterparts, often losing 20-40% of their value upfront.

The **Insurance Institute for Highway Safety (IIHS)** notes that salvage title cars often have higher accident rates and more severe injuries in subsequent crashes.

Should I Buy A Salvage Title Car?

First you need to understand that the **resale value is nearly zero!** So, are you willing to drive it until the wheels fall off?

The premium prices for salvage title cars can be **more than double those of regular ones**. And the [juicy financing](#) is another door that's most likely shut.

On the other hand, a car can **still have a lot of miles left on it** and have a truly **cosmetic-only body repair** that is expensive enough to get the car totaled by an insurance company, leading to a salvage title.

That's the kind of salvage title car to look for, and not a [flood car](#) dredged up from the gulf.

Yes! I'm Buying It!

Acquiring a salvage title car without seeing **previous pictures, receipts for the repair** done, or a **detailed history** explaining **why it has a salvage title**, is a clear definition of "bad decision".

That's where an **independent appraiser** comes in handy. An expert's overlook should help you through your decision making. **Always run from any seller that wouldn't agree with it.**

Besides all the careful preparation and inspection, you are **still taking a lot of risk, and only a huge discount may justify it.**

Salvage Title Car: Infame Occurrences

Hurricane Sandy | 2012

Hurricane Sandy resulted in **thousands of vehicles being given salvage titles due to flood damage.**

Many of these cars were later resold, sometimes without proper disclosures, highlighting the importance of buyer diligence.

Houston Floods | 2017

Similar to Sandy, the Houston floods led to a surge in salvage title vehicles entering the market.

Buyers were often unaware of the extent of the flood damage, **leading to safety and reliability issues.**

Legal and Insurance Considerations

Salvage title cars come with a host of **legal and insurance considerations**.

A study published on ProQuest highlights the role of the **insurance industry in managing salvage titles**, emphasizing the need for transparency and stringent regulations.

The Wiley Online Library discusses **risk management and safety considerations**, stressing the importance of comprehensive vehicle inspections.

Hein Online explores the legal implications, noting that **laws vary by state** and can significantly **impact the ease of insuring and registering a salvage title car**.

Tips for Buying a Salvage Title Car

1. **Get a Detailed Vehicle History Report**
Use services like Carfax or Auto Check to understand the car's history.
2. **Have it Inspected by a Mechanic**
A professional inspection can uncover hidden issues that aren't immediately apparent.
3. **Understand the Insurance Implications**
Contact your insurance company to see if they will cover the vehicle and at what cost.
4. **Check State Laws**
Regulations regarding salvage titles vary by state, so make sure you know the rules in your area.
5. **Consider the Total Cost**
Factor in potential repair costs and lower resale value when calculating the total cost of ownership.

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Quick Summary

A salvage title car is a vehicle that **has been significantly damaged and/or deemed a total loss** by an insurance company, thus diminishing its price.

This offers **significant savings and unique opportunities** for the right buyer.

However, as in most financial cases, the **risk accompanies the opportunity**.

First things first. If you read the entire article, **congratulations**.

You deserve at least a **"conversation certificate" of Salvage Title Cars**; this gives you the highest authority (when talking with your friends about it).

Jokes aside, thank you for reading the text.

We hope that by getting a glimpse into the history, hidden pitfalls, and some expert advices, your knowledge about salvage title cars has become way **more extensive, data-driven, and resourceful**.

Now that you're an expert, are you confident to buy a car with a salvage title?