



Content Vocabulary: Personal Finance

CREDIT

Annual fee – The annual membership fee, if any, to have a credit card

APR – Annual Percentage Rate- The cost of credit for one year expressed as a percentage

Capital – Wealth available to produce more wealth; assets of a person or business after liabilities are deducted

Closed-end credit – A contract for the loan of a specified amount in which the contract issued tells the amount of purchase, the total finance charge, and the amount of each payment

Collateral – Savings, bonds, insurance policy, jewelry, property or other item that is pledged to pay off a loan or other debt if payments are not made according to the contract; also called security

Co-signer – A person other than the borrower who assumes equal responsibility for a loan or lease

Credit bureau – A for-profit company that is in the business of accumulating, storing, and distributing credit information

Credit line – An arrangement in which a bank or vendor extends a specified amount of unsecured credit to a specified borrower for a specified time period

Credit report – A written report issued by a credit bureau that contains relevant information about a person's creditworthiness

Default – A status assigned to a cardholder if he or she fails to perform or conform to all the items listed in the cardholder agreement

Delinquent – Failing to make a required payment on time

Down payment – An amount given as security for a loan to ensure that other remaining payments will be made

FCBA – Fair Credit Billing Act – Federal law that covers credit card billing problems. It applies to all open-end credit accounts (e.g., credit cards, overdraft checking)

FCRA – Fair Credit Reporting Act – Consumers' rights are protected when collecting and reporting information when applying for credit, insurance, and employment

Fee – A charge for services rendered

FICO score – Fair Isaac Credit Organization score – the most widely used credit score model in the United States

Finance charge – The percentage charge applied to the daily or monthly balances as described in the credit agreement

Finance company – A company that makes loans to individuals and/or businesses

Grace period – The period of time from the billing date of your last credit card bill to the due date of your current bill, when you can pay in full without being charged interest

Installment loan – A loan to be repaid in fixed payments that include principal and interest

Interest – Money paid for the use of money; earnings on a savings account

Minimum payment – The smallest payment you can make to maintain a credit account on current status

Open-ended credit – A line of credit which can be used repeatedly until a certain limit is reached

Payday loan – A small, short-term loan that is intended to cover a borrower's expenses until his or her next payday

Predatory lending – Lending practices which are fraudulent, deceptive, discriminatory, or unfavorable. The practices may be legal, but they are not in the best interest of the borrower

Prime rate – An index rate that is used to determine the APR in a variable interest rate account

Repossession – When a lender or seller takes back property from the borrower or buyer, usually due to default

Revolving credit – A credit agreement that allows consumers to pay all or part of the outstanding balance on a loan or credit card. As credit is paid off, it becomes available to use again

Secured credit card – A consumer uses savings or other collateral to guarantee the credit card; the limit of credit is based on the amount of collateral available

Truth-in-Lending – A law that required a lender to inform a borrower of the amount financed, total finance charges, annual percentage rate, payment schedule, and many more important figures

Unsecured debt – A credit source that is not guaranteed with collateral

Usury law – Laws setting maximum interest rates that lenders may charge