

GLOSSARY AND CREDITS

This unit identifies the cost and benefits of various types of credit. Lessons demonstrate how to maintain creditworthiness and manage debt. Projects encourage researching different credit cards to discover their fees, interest rates, grace period and credit limit. This unit examines the rights and responsibilities of consumers and how to apply consumer skills to purchasing decisions.

VOCABULARY

advertising	the practice of calling public attention to one's product or service by paying for announcements in newspapers and magazines, over radio or television, on billboards, on the Internet, or in other places
APR	Annual Percentage Rate; the yearly interest rate a credit card company charges to borrow money
ARM	Adjustable Rate Mortgage; a mortgage that has a fixed rate for a certain amount of time and then has a variable rate that changes periodically
balloon mortgage	a short-term mortgage in which small payments are made until the completion of the term, at which time the entire balance is due
bankruptcy	legal statement that an individual is unable to pay lenders; it involves a court process that protects people while they repay debts or the court removes the debts
Better Business Bureau	an organization whose purpose is to receive and investigate customer complaints of dishonest business practices and provide complaints and reports from investigations to the public
capacity	the ability to make payments based on amount of income and other bills

capital	your net worth; the value of the items you own and the cash you have
cash advance	cash borrowed from a credit card account; credit card companies typically charge fees and higher interest rates for cash advances
character	how responsible you have been in the past with credit; information from your credit report
collateral	a piece of property that a person promises to give the lender if a loan is not paid
consumer	any individual who uses or owns goods or services
consumer rights	laws and regulations that protect consumers when buying products or services
co-signer	a person who signs a loan with another individual
credit limit	maximum amount of money that an individual is authorized to use
credit report	a report prepared by a credit bureau which shows details of an individual's credit history; it is used by a lender to determine if an individual is creditworthy
credit score	a number that lenders look at to see if an individual is creditworthy; it is also called a FICO score
creditworthy	having an acceptable credit rating; considered responsible to borrow money
debt	an amount of money that is owed to a bank, a credit card company, a store, or another individual
debt-to-income ratio	the amount of debt compared to income; a ratio used to determine if you have too much debt

escrow	an account with a financial institution used to pay taxes and insurance
FAFSA	Free Application for Federal Student Aid; an application to obtain financial aid, such as grants or student loans
FHA loan	a government-backed loan, which makes it easier for some people to qualify
finance charges	interest and fees charged for making purchases using a credit card
financial aid	money used to support students with the costs of higher education
fixed rate	an interest rate that remains the same through the entire loan repayment period
foreclosure	process in which a lender tries to regain property because the borrower has not made payments
garnishment	a process when a lender tries to obtain money from an individual's employer to pay an unpaid debt
grace period	a period of time before the credit card company starts charging interest
grants	money awarded to a variety of students that does not need to be repaid
home equity	the value invested in a home; the amount owed for the home subtracted from the total value of the home
installment loan	a loan that is repaid in equal monthly payments for a specific period of time
inquiry	a request for a person's credit report
installments	equal payments usually made over several years

lease	to give temporary possession to another individual
lease	a contract to lend property to another for a specific amount of time and for a certain price
lender	the bank or company that lends money on the condition that it will be paid back
lien	a claim to take and hold property until a debt is paid
loan repayment period	the time it will take to repay the loan
minimum payment	the least amount of money that must be paid at the end of a month
mortgage	a loan used to buy a home
periodic rate	the interest rate you are charged for one payment period; this rate is usually the APR divided by 12
PMI	Private Mortgage Insurance; insurance you need to pay on most loans when you make a down payment of less than 20 percent
previous balance	the amount you owed at the end of the previous billing period
property manager	the person in charge of renting an apartment or other rental property; sometimes called a landlord
rent	to take possession of and use property by paying a set amount
repossession	seizing the collateral or item that secured the loan when the debt has not been paid
scholarship	money for college that does not need to be repaid; offered to students who satisfy a certain criteria

secured loans	a loan where the individual offers collateral; if the loan is not paid back as agreed, the individual gives up the collateral to the lender
service credit	a type of credit or promise to pay for services, such as phone, electricity, and water
subprime lending	loans with very high interest rates
title	a certificate that indicates who owns the car
Truth in Lending Disclosure	the statement that federal law requires a credit card company provide to explain their terms
unsecured loans	a loan where the individual does not offer collateral; sometimes called personal or signature loans
VA loan	a government-backed loan for veterans
variable rate	an interest rate that may change during the repayment period
warranty	a written guarantee given to the purchaser of a new appliance, automobile, or other item by the manufacturer or seller, usually specifying that the manufacturer will make any repairs or replace defective parts free of charge for a stated period of time