

Unit: 4. BANKING AND CREDIT COSTS

VOCABULARY

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| APR | Annual Percentage Rate |
| average daily balance | average amount owed for each day of the billing period |
| balloon payment | large payment due at the end of the loan period |
| carrying charges | excess amount paid over the cash price |
| closing costs | fees associated with taking out a mortgage |
| credit | based on the belief a person will pay his obligations |
| credit card | financial instrument that allows you to take out a loan from the credit card company to make purchases |
| discount loan | loan in which the interest is paid in advance from the sum advanced |
| down payment | initial cash payment |
| finance charge | price paid to use someone else's money to make purchases |
| finite | has a beginning and an end |
| fixed rate | interest rate that does not change |
| infinite | has no ending |
| interest | fee charged for delaying payment |
| interest rates | percentage charged for a unit of time |
| loan | to lend a sum of money at interest |
| LTV | Loan To Value |

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|----------------------|--|
| mortgage | a loan based on the value of the real estate it is used to purchase |
| natural numbers | the positive integers |
| overdraft | a check which cannot be covered by funds in the account |
| overdraft protection | the bank will loan the customer the money needed to cover an overdraft check |
| prepayment penalties | fees required if loan is paid off before the end of its original term |
| previous balance | total amount owed on the account at the end of the previous billing cycle |
| proceeds | amount of money received when money is borrowed |
| progression | a sequence or a series, i.e., an arrangement of quantities, or summation of quantities, whose positions are based upon the natural numbers |
| sequence | an arrangement of quantities whose positions are based upon the natural numbers |
| series | a summation of quantities based upon a sequence |
| unpaid balance | amount owed on the account after payments and credits have been subtracted from the previous balance |
| variable rate | interest rate tied to an index that may change |