



Credit Terminology

Amortization

Loan payments you make during a set period of time (term of the loan). This is also called debt reduction by making monthly payments.

Annual Fee

A fee a lender charges you for the privilege of having a credit card from them.

Annual Percentage Rate (APR)

The total costs of the loan, which includes finance charges and fees. The APR is expressed as a percentage rate.

Available Credit

The total amount of money that you can borrow from a lender.

Balance

The total amount of money you owe on your debt. This includes principal, interest, and all fees.

Budget

A budget contains a list of the items and amount of money you spend (expenses) and compares that to the total amount of money that is brought into your household (income).

The Three C's of Credit

Capacity - Your ability (present and future) to pay your loan.

Character - Your willingness to pay your loan.

Collateral - Property that is pledged to a creditor that can be repossessed if you fail to pay.

Charge-Off

Your account is "charged-off" after you quit making full payments for a certain period of time. Charged-off usually means that your creditor thinks that it is time to let a collection agency or a collection attorney collect money from you. Accounts are usually charged-off after you miss two or three payments.

Closed-End Loan

A loan you receive for a specific period of time. Your Ways to Work loan is an example of a closed-end loan.

Closing

The meeting you attend with your lender to sign the loan documents for loan funds to be disbursed.

Collateral

Property that is pledged to a creditor that can be repossessed if you fail to pay as agreed. For Ways to Work loans, this is usually your car and/or household goods. Collateral is also called security.

Conditional Approval

A loan approval that you receive which is based on certain requirements you need to complete. Your Ways to Work approval letter is an example of a conditional approval.

Cosigner

The person who applies for a loan with you and who is equally responsible for paying the debt.

Credit Bureau

A company that keeps a record of how you paid your bills.

Credit Report

A record of the lenders you borrowed money from and how you paid them.

Creditor

The institution (e.g. bank) or person that you borrow money from.

Debt

The total amount of money you owe to your creditors.

Delinquent

You are delinquent if you are behind on your payment schedule.

Finance Charge

The amount of money you pay to borrow money from your lender. This includes interest, service fees, and any insurance premiums.

Gross Monthly Income

The money you make from your job before any deductions are taken.

Grace Period

A period of time you can make your payment that is after your scheduled payment due date. During this time (grace period), you will accumulate additional finance charges.

Interest Rate

The rate of interest on your loan.

Judgment

This is a legal order that says you owe money. In many states, your wages can be garnished or monies taken out of your bank accounts after the date of judgment.

Late Fee

The amount of money you are charged for making your payment(s) after the due date or grace period.

Late Payment

A payment you make after the due date or grace period.

Lien

A claim made on your property. This property can be repossessed if you fail to pay as agreed. For Ways to Work loans, this property is usually your car and/or household goods.

Loan Committee

A group of people who decide to approve or deny your Ways to Work loan application.

Net Income

The amount of money you receive in your paycheck after all deductions are made.

Principal

The amount of money you owe without interest and fees.

Repossession

The act of a creditor taking your collateral (e.g. your car) if you don't pay your loan as stated in your loan papers.

Secured Credit Card

A type of credit card that requires you to make a deposit into a bank account. This amount is your credit limit. If you don't make your payments as agreed (default), the bank is secured because it already has your money and will take it out of your bank account.

Term

The length of time from the start of your loan until you are scheduled to pay it in full.

Title

A legal document that proves who owns the property.

Trade-In Value

The amount of money a car dealer will give you for your current car. This amount is then applied to the purchase price of your new car.

Unsecured Credit Card

A type of credit card that doesn't require you to deposit money into a bank account in order for you to get a credit card.

Unsecured Loan

A loan where you do not put up your car, home or household goods as collateral.