MODULE 6

Glossary

Handout 6-7

Annual fee: A fee charged once a year by many credit card companies

Collateral: Items of value that are promised to the lender, in the event the borrower does not repay the credit. Collateral acts as a form of security for the loan. The collateral may be seized and sold if the repayment agreement is not followed.

Credit: Credit is borrowed money that you can use to purchase goods and services. You get credit from a lender, such as a bank, whom you agree to pay back, usually with interest.

Credit card: A card issued by a financial institution that lets you buy things and pay for them later. The credit card company pays the seller. You repay the credit card company monthly

Creditor: A person or company that lends money or sells you goods that you pay for later

Debt: Money that you owe

Grace period: The amount of time you have to pay a credit card balance before you are charged interest

Interest: An amount of money you pay regularly, at a particular rate, for borrowing money or delaying paying off debt.

Line of credit: A type of pre-approved loan that allows you to borrow money when you need it, up to a maximum amount

Loan: Money that you have borrowed and have to repay on a set schedule, with interest

Mortgage: A loan to buy property. If the loan is not repaid on time, the lender can take possession of the property

Overdraft: This happens when money is withdrawn from a bank account and the available balance goes below zero. Typically this results in an additional fee on your account.

Payday loan: A small, short-term loan from a lender with high fees. One of the most expensive ways to borrow money.

Prepaid card: A card you pay cash for in advance. The balance on the card goes down as you make purchases or withdrawals

Principal: The money invested or loaned, not counting the interest

Secured loan: A loan with collateral attached to it as a form of security, the collateral (i.e. house) may be seized if the repayment agreement is not followed

Unsecured loan: A loan issued and supported only by your credit worthiness, rather than collateral. You must have good credit. These typically higher interest rates than secured loans.