Financial Glossary

Account statement – A record of your account activity over a specific period of time.

Amortization – The gradual repayment of a mortgage by installments, calculated to pay off the obligation at the end of a fixed period of time.

Annual percentage rate (APR) – The annual interest rate that reflects all of the costs of financing. This rate probably will be higher than the original interest rate quote, because it includes all other costs of getting credit, such as loan fees.

App (smartphone) – An app (application) is a program designed to run on a smartphone. Common smartphone apps for financial use include e-banking apps, budgeting apps, and financial health apps.

Assets – Cash or something that can be converted into cash, such as a savings account, stocks, or real estate.

Automated teller machine (ATM) – A machine that provides many of the same services as a financial institution. Many financial institutions own ATMs to provide convenient service to their customers. There are various fees attached to using an ATM for financial transactions.

Available balance – The amount of money immediately available in your account. This amount does not reflect any withdrawals or deposits that have not yet cleared your account.

Balloon loans – Offer lower interest rates for shorter-term financing, usually five, seven, or ten years. At the end of this term, they require refinancing or paying off the outstanding balance with a lump-sum payment.

Bounced check – A check that is returned to you because there is not enough money in your account to cover it.

Buyer's remorse – A sense of regret or guilt after making a purchase.

Canceled check – A check that has been processed and subtracted from the account on which it was written. Canceled checks are often used as proof of payment in place of receipts.

Cash flow – All the money left over from an individual's income once expenses and savings are taken out.

Cash value insurance – A type of life insurance that is more permanent than term insurance and is has higher premiums up front than term insurance. This insurance also has a savings component which provides money for the insurance company to invest, and for you to borrow against.

Cashier's check – A type of check that is as good as cash. To issue a cashier's check, the financial institution will deduct funds from your account and write the check from its own account. There is usually a fee for a cashier's check.

Check card – A special type of ATM/debit card that is branded with either a VISA or MasterCard logo and can be used at a Point of Sale (POS) terminal to pay for goods or services.

Check register – A tool for keeping track of the daily balance in your checking account and for keeping a description of every check you have written.

Clears – What happens when the amount of the check you write has been withdrawn from your checking account by the financial institution.

Co-borrowers – Two or more persons who legally agree to take out and be responsible for paying off a loan together.

Co-insurance – An out-of-pocket expense based on a percentage of the total cost of service.

Co-pay – The flat amount you pay at the time of service for health care insurance.

Collateral – Something of value that the borrower commits to guarantee repayment of a loan.

Commitment letter – A formal offer by a lender stating the terms under which a financial institution agrees to lend money. Sometimes called a "loan commitment."

Consumer – An individual that purchases goods and services.

Contingency – A condition that must be met before a contract is "legally binding," that is, before you must legally complete what was agreed to in the contract.

Credit – What a financial institution provides you when you borrow funds with the intent to repay them.

Credit bureau – An organization that keeps records of people's repayment histories (i.e., credit reports).

Credit denial – When a loan application is denied by a lending institution.

Credit history – A list of your debts and regular monthly expenses, including how much you owe and how timely you make your payments.

Credit rating – A rating that indicates how good a credit risk you are. Credit ratings are based on your personal credit history.

Credit report – A report that reflects your credit history. The lender orders this report from a credit bureau when you apply for a loan.

Credit score – A process lenders use to evaluate a loan application. A credit scoring system is based on the lending organization's historical experience with borrowers.

Credit system – The collection of individuals, businesses, lending institutions, regulators, and investors, and all other entities involved in the provision of credit.

Customer agreement – A document provided by financial institutions that describes the costs and features of their accounts.

Debit – A withdrawal from an account. If you write a $25 check, your account will have a debit of $25 when the check clears.

Debts – Money you owe.

Deductible – The amount you must pay on a claim before the insurance company's coverage begins.

Deposit – To put money into your account.

Depository – A type of financial institution, such as banks or credit unions, that accept deposits and direct the money into lending activities.

Default – Failure to pay back money. If you do not make agreed-upon payments, you default on your loan.

Direct deposit – Funds deposited directly into your account. With your agreement, payroll earnings, Social Security benefits, retirement earnings, and other checks you receive on a regular basis may be direct-deposited into your account.

Down payment – The part of a purchase price that you pay when you buy an item such as a car or a house. The lender usually seeks a down payment to show that you are willing to invest in a purchase.

Economy – The way a society organizes to meet the physical needs of its people.

Electronic funds transfer (EFT) – Money transactions to or from checking and savings accounts that do not require paper (checks or cash) but use computer technology instead. Examples are direct deposit, automated teller machine (ATM), and debit card transactions.

Endorse – To sign the back of a check that is made out to you in order to release the funds.

Expenses – The amount of money you spend on a regular basis.

FDIC – Federal Deposit Insurance Corporation (FDIC). The FDIC insures accounts at federal government-regulated financial institutions for up to $100,000 per account.

FICO – A private firm known as Fair Isaac Corporation (FICO) that was developed to help determine whether or not a lender should/will extend credit.

Financial institution – Any company that is involved with financial transactions. There are many different kinds of financial institutions such as banks, investment firms, insurance companies, credit unions, CDFIs, and many more.

Forgery – When a person purposefully tries to withdraw money from your account by pretending to be you.

Fraud – Any attempt to deceive another person for financial gain.

Gross annual income – Total yearly income from all sources before taxes are deducted.

Hold – The number of days a financial institution will hold a check before crediting your account.

Identity theft – When someone fraudulently uses your name, personal information, or reputation for financial gain.

Inquiry (hard or soft) – Every time someone looks at your credit report.

Insufficient funds – A term meaning that the amount of money in your account is less than the amount you would like to withdraw.

Insurance – Coverage by a contract that protects your family or community if something goes wrong.

Installment credit – A type of credit that allows you to borrow a specific amount of money at one time for a defined purpose. You repay a set payment each month.

Interest – A fee paid for the use of money. A financial institution will pay you interest for keeping your money. You will pay interest to a financial institution for the use of borrowed funds.

Loan guarantee – A promise by a person or business to pay off a loan if the borrower defaults.

Loan processing – The steps a lender takes to decide if a buyer can qualify for a loan.

Market economy – An economic system in which goods and services must be purchased from others.

Market value – The expected sale price of something.

Minimum balance – Necessary amount of money on deposit to qualify for special services.

Minimum payment – Smallest possible monthly payment.

Monthly statement – Account summary mailed monthly to a customer.

National Credit Union Share Insurance Fund (NCUSIF) – Fund that insures accounts at federal government-regulated credit unions for up to $100,000 per account.

Net income – Your total income after taxes and other withheld items such as Social Security or Medicare are taken out.

Non-Depository – Loan funds and community development corporations that do not have depository services.

Noninstallment or service credit – A type of credit offered by some businesses and utility companies that allows you to pay for a used service at a later date.

Nontraditional credit history – A credit history you can prepare if you do not have credit cards or have never had a loan. It can include receipts and canceled checks from your monthly payments for rent, utilities, and other bills.

Not sufficient funds (NSF) – The expression used when a person tries to withdraw more money from an account than the existing balance.

Online Banking – A type of banking that uses today's computer to give you the option of bypassing the time-consuming, paper-based aspects of traditional banking in order to manage your finances more quickly and efficiently.

Overdraft protection – A line of credit to cover insufficient funds.

Overdrawn – When more is withdrawn from an account that the existing balance.

Payday lender – A lending institution that specializes in payday loans.

Payday loan - A relatively small loan that is expected to be paid off when the borrower receives their next paycheck.

Payment factor table – A table that you can use to calculate monthly payments and the cost of credit for installment loans.

Predatory lender – A lender that directs a borrower away from loans with more affordable interest rates and instead offers the applicant a loan with a high interest rate, questionable fees, or unnecessary charges.

Principal – The amount you can actually borrow.

Purchase and sale agreement – A written contract that the buyer and seller sign. It includes all of the terms and conditions of the sale.

Qualify – To determine how much money you are able to borrow.

Reconciling – Comparing your check register with your account statement to ensure all transactions have been properly recorded.

Revolving credit – A type of credit that allows you to borrow money at any time up to a set limit. As you pay back the borrowed money, it becomes available again to borrow (e.g., credit cards).

Secured credit – A type of credit requiring that you provide something of value to guarantee repayment of a loan.

Secured credit card – A type of credit card requiring that you deposit a certain amount of cash in a savings account to guarantee your credit card.

Service charge – A fee that financial institutions sometimes charge for specific services. The service charge will vary depending on the type of account you have. Ask about service charges and fees before you select a financial institution or a type of account.

Stop payment – An order by a customer to a financial institution not to release issued funds (i.e., not to cash a check).

Subsistence economy – An economic system in which people provide for their own needs (e.g., agriculture and hunting).

Term insurance – A type of life insurance which provides a specific amount of insurance coverage for a specific amount of time.

Terms – The conditions of a loan, including the type, size of down payment, amount you can borrow, interest rate, and length of time to repay.

Tri-merge report– A credit report that contains information from all three major credit bureaus.

Unsecured credit – A type of credit that does not require you to provide something of value to guarantee repayment of a loan.

