



Words to Know

Annual fee: Charge to cardholder on yearly basis.

APR (annual percentage rate): The amount of interest a cardholder pays in a year in addition to the regular balance. It's important to note that an APR can be fixed or variable.

Budget: A plan for what you need and how much money you'll spend.

Collateral: Something provided to the lender as a payment guarantee in case the borrower defaults on the loan. Some examples of collateral: cash and savings accounts, investments, jewelry or valuable collections, and vehicles.

Credit: Money a creditor is willing to loan a person to purchase goods and services with the agreement that the money will be repaid with interest.

Credit card: A card issued by a bank, other financial institution, or business that allows a consumer to purchase goods and services on credit. Credit cards are a specific kind of loan.

Credit limit: The maximum amount a credit card company allows a cardholder to charge on their credit card.

Debit card: A card used to pay for goods and services directly from a checking account by transferring funds electronically from one's checking account to the store's account to pay for a purchase; also called check cards.

Debt: The amount of money owed to lenders.

Down payment: An initial payment when something is bought on credit.

Equity: The difference between how much a house is worth and how much a person owes on the mortgage.

Expenses: What you spend money on, like food or clothing.

Fixed interest rate: When the interest a person is charged on borrowed money remains consistent.

Foreign transaction fees: Fees charged when making purchases outside the U.S.

Interest: A charge for borrowing money, most often a percentage of the amount owed.

Investment: Putting money in things like stocks, bonds, and real estate—anything that can help money grow.

Late fees: Fees charged when you pay late, even by one day, or if you don't pay the minimum amount due.

Mortgage: A type of loan a borrower can get to buy or refinance a home. The borrower pays the loan back, usually over a long period of time, and the lender charges interest.

Predatory lending: Practices that impose unfair or deceptive loan terms on borrowers.

Refinance: To finance something again, like a home mortgage, usually with a new loan at a lower interest rate.

Savings: Money that is not spent and has been set aside to use later.

Variable interest rate: When the interest a person is charged on borrowed money changes based on outside influences, such as market rates changing.