

Definitions

529 PLANS: State-sponsored college savings plans with annual maximum contributions and tax benefits.

ACH: The Automated Clearing House processes electronic transactions, such as direct deposit.

APR: Annual percentage rate – the yearly cost of credit, defined by law and expressed as a percentage.

ATM: Automated Teller Machine; a place to get cash from your account using an ATM or debit card.

ATM CARD: Sometimes called a “cash card,” it’s used with a pass code (called a PIN number) to access your account through an ATM.

BANKRUPTCY: A court’s determination of a borrower’s inability to pay debts.

BOUNCE: To write a check for more money than is in your account and your financial institution will not accept it; overdraw.

BUDGET: An itemized list of expected income and expenses over a specific period.

CHECK CARD: Looks like a credit card but lets you pay from your checking account, instead of borrowing (sometimes called a debit card).

CHECK REGISTER: The log in your checkbook where you record withdrawals and deposits and calculate your balance.

CHECKING/SAVINGS ACCOUNT: May be called a share draft/share account at your credit union.

COLLATERAL: An asset pledged to secure a loan; lost in case of default or failure to repay.

COSIGN: To accept legal responsibility for repaying a debt if the primary borrower fails to.

COVERDELL EDUCATION SAVINGS ACCOUNTS: Savings accounts where earnings are tax-free if the funds are used for qualified education expenses.

CREDIT BUREAU: A company that collects data about borrowers for lending, hiring, and insuring decisions.

CREDIT RATING: A lender's assessment of your likelihood to repay a loan based on your borrowing history.

CREDIT REPORT: A record of your credit history gathered by one of three national credit bureaus.

CREDIT SCORE: A calculation of creditworthiness based on all relevant information; using a standard formula.

DEFAULT: Having one or more loan payments overdue, usually 90 days late.

DIVIDEND: Earnings on credit union account savings; also called interest.

DIRECT DEPOSIT: The way to transfer funds to your account at your request electronically.

DEBIT CARD: It looks like a credit card but lets you pay from your checking account, instead of borrowing. Sometimes called a check card.

EXPECTED FAMILY CONTRIBUTION (EFC): The dollar amount that you and your family are considered able to contribute for the school year.

ENDORSE: Sign the back of a check to authorize payment or deposit

FEDERAL SUPPLEMENTAL EDUCATION OPPORTUNITY GRANT (FSEOG): A federal grant that is awarded to students with exceptional financial need. You need to apply early because funds run out. You don't have to repay it.

FINANCE COMPANY: A business that makes loans to individuals without taking savings deposits.

FINANCIAL GOAL: An objective that involves your money- present or future.

FIXED EXPENSE: A bill for a set amount that you must pay regularly.

FREE APPLICATION FOR FEDERAL STUDENT AID (FAFSA): The required form to apply for federal financial aid.

GENERIC: The common, descriptive name for a product, rather than a brand name.

GROSS INCOME: Money you earn before deductions.

INCOME: Money you receive from jobs, gifts, investments, and other sources.

INFLATION: An increase in the price of goods and services with a decrease in the purchasing power of a dollar.

INSTALLMENT LOAN: A loan with a set number of regularly scheduled equal payments; also "closed-end loan."

INTEREST: Money your savings earns when invested. Credit unions call earnings on a savings account, dividends.

INTEREST RATE: The rate of “rent” charged for using someone else’s money, expressed as an annual percentage.

LIABILITY: Something that is your responsibility; something you must repay.

LINE OF CREDIT: A loan to your checking account that allows you to borrow repeatedly up to a limit.

LIQUIDITY: The ease with which you can sell assets for cash without penalty or loss in value.

LOAN SHARK: An unregulated neighborhood lender with high interest rates and sometimes, rough collection practices.

MATURITY: The date on which certain investments pay the full amount of interest promised for a specific period.

NET INCOME: Total earnings after required and elective deductions.

NSF: "Not sufficient funds" in a checking account to cover a check; an overdraft.

OPPORTUNITY COST: Losing the chance to spend money on one thing because you spent it on something else.

OUTSTANDING CHECK: A check you wrote that hasn’t yet cleared, or been paid, from your account.

OVERDRAFT: A check written for more money than you have in your checking account; a "bounced" check.

OVERDRAFT PROTECTION: A service that automatically refills your checking account from your savings.

PAY YOURSELF FIRST (PYF): Set aside savings for your goals before you pay expenses.

PAYDAY LENDER: A lender that delays cashing your personal check until payday. Typical APR’s are 195% to 1,092%.

PAYEE: The person or business that a check is written to.

PELL GRANT: The best federal aid to get but eligibility requirements are tight. Students get the amount they qualify for. Other aid doesn’t affect a Pell grant. You don’t have to repay it.

PERKINS LOAN: The most advantageous federal education loan. It has the lowest interest rate of the federal loans and is need-based. Repayment starts nine months after graduation.

PIN: Personal identification number. A secret code that helps keep others from using your credit or check card.

PLUS LOAN: Low-interest loan to parents to help pay for school costs. Repayment starts two months after the loan is made.

POS: Point-of-sale is shorthand for buying with a debit or check card instead of a check.

POST-DATE: Writing a check for a future date. Warning--the check can still be cashed right away.

PRE-APPROVAL: A lender's agreement for a loan of a certain amount so that you only have to negotiate car price and not financing.

PREMIUM: The amount you pay on a regular basis for your insurance policy.

PREPAYMENT PENALTY: A fee for repaying a loan early; it makes up for some of the interest the lender loses by shortening the loan.

PRINCIPAL: The actual amount you borrow; but you have to repay principal *plus* interest.

RECONCILE: To find the reasons for a difference between your record and your credit union's; balance.

REFINANCING: Borrowing from Lender B at a lower rate to pay off a higher-rate loan from Lender A.

SHARE CERTIFICATE: Investment with a set maturity date and guaranteed interest rate. Banks call these Certificates of Deposit (CD).

SHARE DRAFT: Another name for a credit union check. Share drafts look and work just like checks.

STAFFORD LOAN (SUBSIDIZED): A federal education loan with a low interest rate. The loan is need-based. Interest calculation and repayment starts six months after graduation.

STAFFORD LOAN (UNSUBSIDIZED): A federal education loan with a low interest rate. The loan is not need-based. Interest starts building right away but repayment is not required to start until 6 months after graduation.

STOP PAYMENT: Your order to not honor a specific check. (Expect to pay up to \$30 for this service.)

STUDENT AID REPORT (SAR): Report that tells you your Expected Family Contribution (EFC) derived from the information on the FAFSA.

THIRD-PARTY ENDORSEMENT: A payee's order to transfer a check to another person.

UNIT PRICING: The price per ounce, pound, piece of other "unit", it allows instant comparison of other brands and sizes.

VOID: Having no legal force or effect, legally useless.

WORK-STUDY: A type of financial aid that funds on-campus or off-campus jobs. The federal government provides funds but the school administers program. Limited funds are available.

YIELD: Annual earnings divided by investment principle.