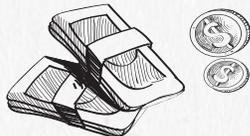


GLOSSARY

Chapter 1



Budget: an itemized list of income and expenses over a given period of time

Certificate of Deposit (CD): a savings account issued by a bank that has a fixed maturity date and interest rate based on this timeline; money can be accessed in an emergency, but fees are typically charged for early withdrawal

Needs: basic survival necessities

Wants: items a person desires that are not essential

Chapter 2



Annual Percentage Rate (APR): actual yearly cost of a loan, calculated by applying the annual interest rate to the loan amount plus any upfront fees to determine actual annual payment, and dividing the actual annual payment by the loan amount (e.g., \$5,000 loan at 5% + \$500 fees = \$5,500 x 5% = \$275 + \$5,000 = 5.5% APR)

Authorized User: an individual who is named on another person's credit card account and allowed to make purchases but is not responsible for the debt

Balance Transfer: when one credit card company takes on debt originally owed to another credit card company

Bankruptcy: a legal process that reduces, restructures, or eliminates debts

Credit Bureau: a for-profit company that collects information about individuals' and businesses' debts and assigns a numerical value called a credit score that indicates the borrower's creditworthiness

Credit Counseling: working with a non-profit organization to review one's financial situation and make a plan to pay down debt

Credit History: information on a person about the number and types of credit accounts they have, how long the accounts have been open, the amounts owed on each account, the amount of available credit being used, whether bills are paid on time, the number of recent credit check inquiries, and information about bankruptcies, liens, judgments, and collections

Credit Rating: a ranking typically expressed as a number or letter, based on one's credit history and used by

financial institutions for loan and credit approval as well as determination of loan or credit terms

Credit Report: a report detailing an individual's credit history used to determine creditworthiness

Debt Settlement: working with a for-profit company to negotiate a reduced debt amount and new payment terms with one's creditors, for a fee

Down Payment: a portion of the purchase price of an item that is paid up front, while taking a loan for the remainder

FICO Score: a score (between 300 and 850) given to an individual based on payment history, current level of indebtedness, types of credit used, length of credit history, and new credit information, which is used to determine creditworthiness and risk

Fixed Interest Rate: interest rate that stays the same over the course of the loan

Grace Period: an amount of time in which no interest is charged or payments can be deferred on a loan

Identity Theft: stealing someone's personal, identifying information and using it to make purchases or to get other benefits

Installment Loan: a loan where the principal and interest are repaid in equal payments at fixed intervals, usually monthly

Loan: an amount of money borrowed and repaid with interest

Loan Sharks: individuals who charge exorbitant interest rates on loans

Payday Loan: short-term, high-interest loan made using a future paycheck as collateral

Refinance: renegotiate a loan to achieve lower interest or fees, often through a new lender and based on increased equity or improved credit

Secured Credit Card: requires a cash deposit that becomes the credit line for that account and is returned when the account is closed

Statement: a summary of financial transactions which have occurred over a given period

Truth in Lending Act: requires lenders to explain how they compute loan charges and to list the loan's annual percentage rate (APR); also gives the borrower three business days to opt out of the loan

Variable Interest Rate: interest rate that can change over the course of a loan

Chapter 3



Book Value (BV): how much a particular car is worth based on its condition, mileage, and other factors

Down Payment: a portion of the purchase price of an item that is paid up front, while taking a loan for the remainder

Incentives: factors such as special finance rates, rebates, or other offers designed to encourage buyers to purchase a vehicle

Lease: paying only a portion of the vehicle's sales price and returning it to the dealer at the end of the specified time

Purchase: paying the vehicle's full sales price and keeping it as long as one wants

Trade-in Value: the amount of credit that a dealer is willing to offer toward the purchase price of a new or used vehicle in exchange for ownership of the vehicle being traded in

Chapter 4



Adjustable Rate: interest rate that can change over the course of a loan

Amortization Schedule: a timetable for repaying a loan

Closing Costs: fees paid in addition to the cost of the home

Credit Rating: a ranking typically expressed as a number or letter, based on one's credit history and used by financial institutions for loan and credit approval as well as determination of loan or credit terms

Delinquent: past due on a scheduled loan payment

Down Payment: a portion of the purchase price of an item that is paid up front, while taking a loan on the remainder

Equity: the amount of value a person "owns" in their home, measured by subtracting the amount owed on the mortgage from the total home value

Escrow: property or money held by a third party until the terms of a contract are met; a down payment for a home is held in escrow while all of the other activities associated with buying a home are completed

Federal Housing Authority (FHA): government agency that sets standards for construction and financing and which, in certain circumstances, will provide mortgage insurance and financial support for first-time homeowners who can only make a small down payment

Fixed Interest Rate: interest rate that stays the same over the course of the loan

Foreclosure: legal process that allows a lender to seize property if the mortgage loan is not paid; typically, the lender sells the property and applies the proceeds to the outstanding debt

Interest: money that is paid to the lender by the borrower for the use of the lender's money

Interest Rate: percentage paid to the lender for the privilege of borrowing the money

Lifetime Cap: a limit on how much the interest rate of a variable-rate loan can increase

Mortgage: a loan used to purchase a home

Mortgage Insurance: insurance that protects the mortgage lender in the event that a homeowner is unable to repay their loan; required when the down payment is less than 20% of the home's purchase price

Prepayment Penalties: fees designed to keep the borrower from paying the loan off early

Principal: the original borrowed amount

Refinance: replace or renegotiate a loan to achieve lower interest or fees, often through a new lender and based on increased equity or improved credit

Truth in Lending Act: requires lenders to explain how they compute loan charges and to list the loan's annual percentage rate (APR); also gives the borrower three business days to opt out of the loan

Workout: a formal repayment or loan forgiveness arrangement between a borrower and lender

Chapter 5



Auto Insurance: a means of protecting drivers and others in the event of an accident, theft, etc.

Beneficiary: the person(s) who will receive an insurance payout

Benefits: specific services the insured is entitled to under the policy

Children's Health Insurance Program (CHIP): a state-administered federal health insurance program for children in low-income families that do not qualify for Medicaid

Claim: a policyholder's official notification to the insurance company requesting payment of an amount due for a covered loss

COBRA: a law that allows a person to continue to be covered under a company's health insurance plan after termination from the company as long as the person pays for that coverage

Coinsurance: a form of cost-sharing that requires the insured to pay a set percentage of medical expenses after the deductible has been met

Co-pay: a form of cost-sharing that requires the insured to pay a fixed dollar amount for a medical service or prescription

Coverage: what the insurance company includes as part of the insurance policy

Deductible: a dollar amount a policyholder pays before the insurer starts to make payments for a covered loss

Estate: wealth and possessions left by someone to be divided after they die

Flexible Spending Account (FSA): a tax-advantaged account set up by an employer where the employee can deposit a fixed amount of wages to pay for uncovered medical expenses; all but \$500 saved in the FSA must be used in the year the money is deposited

Health Insurance: protection from monetary losses associated with illness or bodily injury

Health Reimbursement Account (HRA): an employer-funded savings account that employees can use to pay for medical expenses their health plan does not cover

Health Savings Account (HSA): a tax-advantaged account set up by individuals who are covered under high-deductible health plans to save for medical expenses their health plans do not cover

High-Deductible Health Plan (HDHP): a health insurance plan with lower premiums and higher deductibles than a traditional health plan; currently (2019) defined by the Internal Revenue Service as any plan with a deductible of at least \$1,350 for an individual or \$2,700 for a family, with total yearly out-of-pocket expenses (including deductibles, copayments, and coinsurance) less than \$6,650 for an individual or \$13,300 for a family

Homeowner's Insurance: protection from financial loss if a home is damaged or destroyed, a theft occurs, or the homeowner faces certain types of medical or liability claims

In-Network: healthcare providers who have a signed contract with an insurance company to provide services at a predetermined rate; insurers can negotiate lower costs in exchange for giving the healthcare provider a potentially greater number of customers

Insurance: promised payment for specific future losses should they occur in exchange for a payment called a premium

Insurance Policy: a written contract between an insurer and a customer (the policyholder) describing the term of the insurance, what is covered, the cost of the premium, and the deductible amount

Insurer: a company that pays to compensate the policyholder for losses or damages as described in an insurance policy as long as the premium is paid

Life Insurance: money paid to a designated beneficiary when the insured person dies

Marketplace: the federal website www.healthcare.gov where individuals and small businesses can shop for and purchase health insurance

Medicaid: a government-provided health insurance program for individuals with limited income and resources

Medicare: a government-provided health insurance program for individuals over age 65 and some younger people with disabilities

Out-of-Network: healthcare providers who have not signed a contract to charge negotiated rates with an insurance company

Out-of-Pocket Maximum: the maximum amount one must pay for medical expenses; costs above the maximum are covered by the health insurer

Policyholder: the owner(s) of an insurance policy

Premium: the periodic payment for an insurance policy

Renter's Insurance: protects one from financial loss if personal property is damaged, destroyed, or stolen

Risk: the probability that something negative may happen

