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## Vocabulary Credit Uses and Costs Student Worksheet

1. Credit:

2. Principal:

3. Interest:

4. Capital:

5. Character:

6. Collateral:

7. APR:

8. Co-signer:

9. Credit Bureau:

10. Credit Rating:

11. Credit Score:

12. Finance Charge:

13. Minimum Payment:

14. Late Fee:

**15. Closing Cost:**

**16. Grace Period:**

**17. Annual Fee:**

## Vocabulary Credit Uses and Costs Teacher Key

- 1. Credit:** Allows the immediate use of products or services in exchange for a promise to pay in the future.
- 2. Principal:** The amount of money someone is willing to loan you. Also the amount that is still owed on a loan.
- 3. Interest:** The cost of credit.
- 4. Capital:** Money, or personal items of value that one owns that lenders can sell to help repay the loan in the event to do not pay.
- 5. Character:** Lenders want to know if you are trustworthy. They can determine financial responsibility by looking at a person's credit record and history of paying bills on time.
- 6. Collateral:** An asset of value that lenders can take from one if they do not repay as promised.
- 7. APR:** Annual Percentage Rate. The cost of a loan over a full year expressed as a percentage rate.
- 8. Co-signer:** A second signer who will pay for the loan if the first party defaults
- 9. Credit Bureau:** An agency who keeps record of ones payment history and creates a credit score based of that history and the amount of credit available compared to what is being used.
- 10. Credit Rating:** A rating based on how promptly a person pays his/her debts.
- 11. Credit Score:** A rating used by credit reporting companies to help lenders decide whether and/or how much credit can be extended to a borrower.
- 12. Finance Charge:** Usually seen on credit card statements to represent the actual dollar cost of using credit to maintain a balance.
- 13. Minimum Payment:** The smallest payment a person can make and still be in good standing with the lender. It is the most expensive way to pay credit card debt.
- 14. Late Fee:** A penalty on all types of credit for making a payment after its due date.
- 15. Closing Cost:** Additional fees added to the cost of a loan for processing the loan. These are usually found with a mortgage loan.
- 16. Grace Period:** On a credit card, the length of time you have before you start accumulating interest on an unpaid balance.
- 17. Annual Fee:** An amount that a credit card company can charge yearly for the use of a credit card.