

Credit Management Glossary



Annual Credit Report Request Service. An authorized service for consumers to access their annual credit report once a year without cost.

Annual Percentage Rate or APR. The rate of interest charged over a year's time.

Bad Credit or Credit Repair Cards. A type of credit card for individuals with unsatisfactory credit who are trying to repair their damaged credit history.

Balance Transfers. The transfer of a credit card balance from one credit card to another. Balance transfers usually incur a fee to complete the transaction (either a percentage of the amount transferred or a maximum pre-set amount).

Cardholder Agreement. A legally binding document between the consumer and the credit issuer that spells out the card's terms and conditions.

Cash Advances. Allow you to use your credit card to borrow cash, up to a certain predetermined amount. The APR associated with cash advances tends to be higher than the rate for purchases. A cash advance is like taking out a loan. There usually is no grace period for cash advances and interest starts to accrue immediately.

Consumer Reporting Agencies or CRA. Also known as credit bureaus, companies that gather information about your credit activities and then charge a fee for supplying the information.

Credit Counseling Service. Companies that help you regain control of your finances by providing debt management plans and budget counseling.

Credit History. A detailed record of an individual's past borrowing and repayment habits.

Credit Inquiries. A lender's request for a copy of your credit report from credit bureaus.

Credit Limit. The maximum amount — including all purchases, cash advances, balance transfers, fees and finance charges — that you are able to carry on a credit card. If you exceed your credit limit, you may be charged an over-the-limit fee, and your APR could increase.

Credit Report. A detailed account that is available to you and any of your creditors, which documents your credit habits.

Credit Score. A three-digit number based on your credit report that is used to determine if you are a good or bad credit risk.

Debt-to-Income Ratio. Your monthly payments on your debt, such as credit card payments, divided by your gross monthly income.

Default or Penalty Rate. The higher APR that may be applied if your payment is late, or, in some cases, if you pay other credit cards or loans late.

Equifax. One of the three national credit bureaus that collects information from parties that previously have extended credit to you.

Experian. One of the three national credit bureaus that collects information from parties that previously have extended credit to you.

Federal Trade Commission. An independent agency of the United States government established to promote consumer protection.

FICO Score. Named after the Fair Isaac Corporation, a three-digit number ranging from 300 to 850 that is used by lenders to determine if you qualify for the credit you are seeking.

Finance Charge. The cost incurred when you do not pay your credit card balance in full every month.

Fixed Introductory Rate. A credit offer that temporarily provides a lower interest rate only an introductory period (generally six months). The rate will change after that period and may become a variable rate.

Grace Period. The period between the time a credit card statement is issued and the corresponding payment due date. Generally, if you pay your previous statements on time, no finance charges will accrue on purchases made during the grace period.

Hard Inquiry. A request made by a business to view your credit report when you are applying for new credit. Hard inquiries affect your credit score.

Identity Theft. Occurs when your personal identifying information, such as your Social Security number or credit card number, is used by someone without your consent to commit fraud or other crimes.

Interest. The fees charged for unpaid balances on your credit card.

Late Fee. A fee charged by the credit card company for failing to make the minimum payment by the due date.

Minimum Monthly Payment. The least amount that you can pay and keep your account in good standing each month.

Payment Due Date. The very last day that a payment can be received without a penalty being applied. Your payment may need to arrive by a given deadline on the due date, such as by 2 p.m.

Payment History. A record that reflects whether a person has paid bills on time or late, whether the person's account is in collections or if the person has filed bankruptcy.

Pre-Approved Offers. A statement that you have been approved for a certain amount of credit. However, you won't know how much credit you will actually receive until after you apply. Companies can and generally do offer a low credit limit.

Prepaid Credit Card. A type of bad credit or credit repair card that works just like a gift card because it will allow you to purchase only the amount that has been prepaid on the card. If you put \$500 on the card, then \$500 is your limit. Prepaid credit cards do not show up on credit reports.

Previous Balance. The unpaid balance from the previous month's statement.

Prime Rate. The "index" generally used to determine variable interest rates. The Prime Rate can be found in the business section of your local newspaper or by searching online.

Report Inquiries. A section of your credit report that lists all those who have requested to see a copy of your credit report.

Reward Program Credit Card. A type of credit card that offers incentives, rebates and sometimes cash back on purchases made on the credit card. Rewards vary greatly, from discounts at department stores to airline miles.

Secured Credit Card. A type of bad credit or credit repair card that requires you to put up some type of collateral for approval.

Soft Inquiry. An instance when you or one of your existing creditors pulls your credit report. A soft inquiry does not affect your credit score.

Specialty Credit Card. A type of credit card specially designed to meet specific needs of particular groups or organizations.

Standard Credit Card. The most common type of unsecured credit. Standard credit cards are readily available from most banks and financial institutions. The APR varies greatly.

TransUnion. One of the three national credit bureaus that collects information from parties that previously have extended credit to you.

Variable Rates. Interest rates that change based on a set formula, such as Prime Rate +3%. This formula means that the APR changes when the Prime Rate changes.