

# Glossary of Financial Terms

## **ACH/Automated Clearing House**

An ACH transfer is an electronic, bank-to-bank money transfer.

## **Asset**

Something that you own that has value.

## **Authorized User**

Someone you allow to use your credit card account who has no responsibility to pay the bill.

## **Automatic Bill Payment**

Service that allows you to schedule and send payments electronically one-time or on a recurring payment schedule.

## **Automatic Debit**

Electronic payment option that gives permission directly to a company, such as a merchant or lender, to take payments from your account at a financial institution one-time or on a recurring basis.

## **Bank Routing Number/ABA**

A nine-digit number that identifies the financial institution associated with a bank account. A bank routing number is not the same as a bank account number.

## **Budget/Spending and Saving Plan**

Tool to help you compare your income and expenses, understand where your money is going, and make adjustments to guide how you use your money so you can meet your goals.

## **Cosigning**

Promising to pay a debt if the borrower does not. Loan proceeds go to the borrower. Cosigner is responsible for the debt.

## **Credit**

Ability to borrow money. Also refers to how you've paid your bills or debts in the past.

## **Credit Card**

Type of revolving line of credit. The balance on a credit card goes up when it is used to make purchases and goes down when payments are made.

## **Credit Report**

Document that contains your credit history. There are multiple producers of credit reports, so you likely have more than one credit report.

## **Credit Reporting Agency/Credit Bureaus**

Companies that make credit reports.

## **Credit Score**

Number based on information in your credit reports used to predict the likelihood that you will pay your bills and debts as agreed. Each agency or bureau produces a score, so you may have more than one.

## **Debit Card**

Card that can be used to access money in your checking or savings account. You can use a debit card at an automated teller machine (ATM), online to make purchases, and at point-of-sale locations such as at a grocery store.

## **Debt**

Money owed to a person or business.

## **Debt-To-Income Ratio**

Tool used by lenders to estimate whether someone can afford to borrow money. It calculates the percentage of someone's monthly gross income that is used for debt payments. The ratio is calculated by dividing your total monthly debt payments by your monthly gross income.

## **Direct Deposit**

Automatic deposit of some or all of your salary, benefits, or other payments directly into the account you specify at a financial institution. Most employers or benefit providers offer direct deposit.

## **Down Payment**

Initial cash payment made when something is bought on credit, such as a home or vehicle. The down payment reduces the amount of money that is financed.

## **Electronic Benefit Transfer (EBT) Cards**

Card that is automatically loaded with benefit payments. You use the card to access the money loaded on it. Some benefits programs use EBT cards to pay benefits.

## **Equity**

Value of an asset minus the liability related to that asset. It's the part of the asset you own outright. For example, if the market value of your home is \$100,000 and you still owe \$80,000 on the mortgage, your equity would be \$20,000.

## **Expenses**

Ways you save, spend, and share your income.

## **Fees**

Additional charges on loan and credit agreements, credit cards, and prepaid cards. Fees are not interest.

**Garnishment**

If you owe money, your creditors can directly take part of your income and assets, as a result of a court order. Court orders can be challenged.

**Gross Pay**

Pay or salary before taxes and other deductions are taken out (withheld).

**Housing Counselor**

Professional who provides education and counseling on the home buying process.

**Identity Error**

Type of error that may be found in credit reports. A common error is incorrect identity information (wrong name, phone number, address). Instructions to correct errors are found on the credit agency or bureau website.

**Identity Theft**

Crime that happens when someone uses your identifying information without authority.

**Income**

Money you receive from a job, benefits program, gift, or other sources.

**Individual Retirement Account (IRA)**

Account that provides tax advantages for retirement savings. The Internal Revenue Service (IRS) sets contribution and deduction limits. With a Traditional IRA, contributions typically are tax-deductible.

**Interest**

Money that a financial institution pays you for keeping money deposited with them. Interest also refers to what the lender charges you for allowing you to use its money. It's expressed as a percentage and can either be fixed or variable (adjustable).

**Mobile Banking and Online Banking**

Access to your account at a financial institution using a mobile app or browser. Usually allows you to pay bills, deposit checks, and conduct other transactions through a mobile app or an online browser. You may also be able to communicate electronically with your financial institution.

**Net Pay**

Gross pay minus deductions, such as Social Security and income tax withholdings. It's your take-home pay.

**Net Worth**

Measure of your financial stability or wealth calculated by subtracting your liabilities from your assets.

**Overdraft**

Happens when an account transaction goes through even though you do not have enough money in your account at a financial institution to cover it. May result in fees.

**Payroll Card**

Form of payment in which your employer loads a card with the amount of your net pay. Also called a pay card.

**Phishing**

When criminals make phone calls or send text messages or emails to trick you into providing personal information they can use to steal your identity. The calls, texts, or emails appear to be (but are not) from a legitimate source.

**Prepaid Card**

Card that has money deposited onto it. It is not usually linked to checking or savings accounts. Be sure to review the fees.

**Retirement Account**

Account offered by an employer that helps provide financial security for when you are retired. You elect to have money withheld from your paycheck and deposited into your retirement account. Also, some employers offer to match some or all of the money you contribute to the plan.

**Saving**

Setting aside a portion of money you earn or receive for use in the future.

