A

Accounts in Good Standing: Credit accounts that have a positive status and should reflect favorably on one's creditworthiness.

Active Account: Bank or credit account with frequent and regular transactions.

Age-off: While positive information can stay on a credit report indefinitely, negative information will eventually 'age-off,' or disappear from a credit report. Most negative information will remain on a credit report for up to seven years. Some court rulings such as bankruptcies and judgments usually remain on a credit report for more than seven years.

Alternative Credit Data: Non-traditional data (i.e. utility bills, mobile phone bills, and rent payment) used as a means of incorporating individuals lacking traditional data (i.e. credit cards, mortgages, and student loans) into mainstream credit.

Amortizing Loan: A loan that is paid off in regular installments over a period of time.

Annual Percentage Rate (APR): The annual rate that is charged for borrowing (or made by investing), expressed as a single percentage number that represents the actual yearly cost of funds over the term of a loan. This includes any fees or additional costs associated with the transaction.

Asset building: Strategies that increase financial and tangible assets, such as savings, homeownership, and entrepreneurship.

Association of Independent Consumer Credit Counseling Agencies (AICCA): A member-supported national association representing non-profit credit counseling companies that provide consumer credit counseling, debt management, and financial education services.

Authorized User: A person, other than the cardholder, that has the right to use a card (i.e. credit card, debit card, etc.) but has no obligation to pay it. The account displays on the credit reports both the cardholder and the authorized user.

Automated Underwriting System (AUS): A computer-generated loan underwriting system. Using completed loan application information; an automated underwriting system retrieves relevant data, such as a borrower's credit history, and arrives at a logic-based loan decision. Some applications may be referred to manual underwriting, and some inputs - such as income and assets - must be verified at a later date.

B

B2B: Business to business commerce transactions, such as between a manufacturer and a wholesaler.

B2C: Activities of businesses serving end consumers with products and/or services.

B2G: An e-business term for transactions between businesses to government(s) over the Internet.

Balloon Payment: A loan that requires a single, lump-sum payment at the end of the loan term.

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Bank underwriting: a credit analysis preceding the granting of a loan; it is based on credit information furnished by the borrower, such as: 1) employment history, salary and financial statements; 2) publicly available information, such as the borrower's credit history, which is detailed in a credit report; and 3) the lender's evaluation of the borrower's credit needs and ability to pay.

C

Capacity: One of the “Five C’s of credit,” capacity is assessed by weighing a borrower’s earning ability and the likelihood of continuing income against the amount of debt the borrower carries at the time the application for credit is made.

Capital: A person or business’ total amount of cash and/or assets.

CDFI: A private sector financial institution that focuses on personal lending and business development efforts in local communities. CDFIs can receive federal funding through the U.S. Department of the Treasury by completing an application. They can also receive funding from private sector sources such as individuals, corporations and religious institutions.

Certified Credit Counseling Agency: An organization that provides individual and confidential financial counseling; they often produce debt management plans or other tools.

Charge-Off: Action of transferring accounts deemed uncollectible to a category such as bad debt or loss. Collectors will usually continue to solicit payments, but the accounts are no longer considered part of a company’s receivable or profit picture.

Civil Action: Any court action against a consumer to regain money for someone else. This may be a wage assignment, child support judgment, small claims judgment or a civil judgment.

Collateral: An item of value pledged against a loan balance – generally seen in secured loans from a bank or credit unions; the lender has a right to seize this property and sell it if you default on your loan.

Collection Agency: Companies hired by lenders to recover funds that are past due or accounts that are in default. The lending company itself may also have a division or subsidiary that acts as its collection agency. A collection agency is often hired after a company has made multiple attempts to collect its receivables.

Collection Account: Refers to the status of an account owed to a creditor when it has been transferred from a routine debt to a Collection Department of the creditor’s firm or to a separate professional debt collecting firm.

Conditions: One of the “Five C’s of credit,” it refers to the conditions of the loan, such as the interest rate and the amount of principal, that influence the lender’s desire to finance the borrower.

Consolidation Loan: A loan obtained for the purpose of reducing the number and amount of bills owed by consolidating the bills into one loan payment. The consumer pays off several bills with the proceeds from one loan and is left with one consolidated monthly payment.

Consumer Credit: a debt that someone incurs for the purpose of purchasing a good or service. This includes purchases made on credit cards, lines of credit and some loans.

Consumer Credit Counseling Service: Organizations which help consumers find a way to repay debts through careful budgeting and management of funds. These are usually nonprofit organizations, funded by creditors. By requesting that creditors accept a longer pay-off period, the counseling services can often work out a successful repayment plan. Consumer Credit Counseling Service has offices throughout the United States that can be located by calling 800-388 CCCS (2227)

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Consumer Dispute: If a consumer believes an item of information on their credit report is inaccurate or incomplete, they may challenge, or dispute the item. Credit bureaus are mandated to investigate, correct and/or remove any inaccurate information or information that cannot be verified. Under the Fair Credit Reporting Act, both the credit reporting company and the information provider are responsible for correcting inaccurate or incomplete information in credit reports.

Credit Builder Loan: A loan that helps build/establish a credit history; generally, these loans are small, help build credit relationships with community lenders, are reported to the credit bureaus, and replace asset-stripping/costly alternatives (i.e. payday loans).

Credit Bureau: A credit-reporting agency that is a clearinghouse for information on the credit rating of individuals or firms – often called a credit repository or a consumer reporting agency. The three largest credit bureaus in the U.S. are Equifax, Experian, and TransUnion.

Credit Repair: Traditionally, counseling focused on developing debt management plans.

Credit Union: Member-owned financial co-operative. These institutions are created and operated by its members and profits are shared amongst the owners.

D

Data Provider: An entity that provides information about consumers to a credit rating agency, also known as a "furnisher" of information under the FCRA. The responsibilities of information providers are found in Section 623 of the FCRA and § 611 governing procedures in case of disputed accuracy.

Debt-to-Available-Credit Ratio: The amount of money a person has in outstanding debt, compared to the amount of credit available on all of the individual's credit cards and credit lines. The higher a person's debt to available credit, the more risky the individual appears to potential lenders.

Debt-to-Income Ratio: A ratio that compares an individual's debt payments to the income he or she generates. This measure is important becomes it helps determine if the borrower is able to repay the loan.

Default: A designation on a credit report that indicates a person has not paid a debt that was owed. Accounts usually are listed as being in default after several reports of delinquency. Defaults are a serious negative item on a credit report.

Delinquent: Accounts classified into categories according to the time past due. Common classifications are 30, 60, 90 and 120 days past due. Special classifications also include charge-off, repossession, transferred, etc.

Discharge: Granted by the court to release a debtor from most of his debts that were included in a bankruptcy. Any debts not included in the bankruptcy; alimony, child support, liability for willful and malicious conduct, and certain student loans cannot be discharged.

Dispute: see 'Consumer Dispute'

E

e-Oscar: A web-based, Metro 2 compliant, automated system that enables Data Furnishers and credit reporting agencies (CRAs) to respond consumer credit history disputes in a streamlined and efficient manner. E-Oscar is a communication tool – a credit bureau will open a case in e-Oscar when it receives a consumer

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dispute to communicate the dispute to the creditor in question who is then responsible to re-verify the information being disputed and log their re-verification response through e-Oscar.

Earned Income Tax Credit (EITC): A tax credit for low-income workers; even workers whose incomes are too small to have paid taxes may be eligible to receive the EITC.

Equal Credit Opportunity Act: A Federal law, which prohibits creditors from discriminating against credit applicants on the basis of sex, marital status, race, color, religion, age, and/or receipt of public assistance.

Equity:
1. A stock or any other security representing an ownership interest.
2. In the context of real estate, the difference between the current market value of the property and the amount the owner still owes on the mortgage. It is the amount that the owner would receive after selling a property and paying off the mortgage.

F

Fair and Accurate Credit Transactions Act: (FACT Act) The federal law (2003) that establishes consumers' rights to obtain credit reports from credit bureaus, free, once a year. The act led to the establishment of the website, www.annualcreditreports.com, which provides the access to the three major credit bureaus. The act gives consumers the right to place an alert on their credit reports if they suspect fraud.

Fair Credit and Reporting Act: (FCRA) The act that regulates the collection of credit information and access to your credit report. It was passed in 1970 to ensure fairness, accuracy and privacy of the personal information contained in the files of the credit reporting agencies. It requires that any person or entity requesting your report must demonstrate a permissible purpose for the information before it is released. It also designates the Federal Trade Commission (FTC) as the enforcement authority for the provisions of the act.

FICO Score: FICO is an acronym for the Fair Isaac Corporation, the creators of the FICO score. The FICO score range is between 300 and 850. In general, a FICO score above 650 indicates that the individual has a very good credit history. Individuals with scores below 620 may find it more difficult to obtain financing at a favorable rate.

Five C's of Credit: A method used by lenders to determine the credit worthiness of potential borrowers. The system weighs five characteristics of the borrower, attempting to gauge the chance of default. The five C's of credit are: Character, Capacity, Capital, Collateral, & Conditions

Fixed-Rate Loan: A loan which has a fixed interest rate – a rate of interest that will not change over the term of the loan.

Forbearance: A postponement of loan payments, granted by a lender or creditor, for a temporary period of time. This is done to give the borrower time to make up for overdue payments.

G

Grace period: A provision in most loan and insurance contracts which allows payment to be received for a certain period of time after the actual due date. During this period no late fees will be charged, and the late payment will not result in default or cancellation of the loan. A typical grace period is 15 days.

Guarantor: The individual responsible for paying a bill.

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H

Hard Inquiry: A type of credit report check that is reported and may affect an individual's credit score. A hard inquiry occurs when an individual applies for any type of credit, such as a mortgage, credit card or auto loan. The reason a hard inquiry may lower an individual's credit score is because someone who has recently applied for new credit is seen as a potentially riskier borrower.

HUD Certified Housing Counseling Agencies: agencies throughout the US, sponsored by HUD, that provide advice on buying a home, renting, defaults, foreclosures, and credit issues

I

Individual Development Account (IDA): A savings account for lower income individuals where savings are matched by private or public funds; they are typically used for a specific purpose such as education, purchasing a first home, or starting a business.

Installment Credit: A credit account in which the debt is divided into amounts to be paid successively at specified intervals.

J

Judgment: A court order to pay a certain amount of money; a judgment stays on a credit report for seven years from the date it is issued.

L

Lien: A legal document used to create a security interest in another property. A lien is often given as a security for the payment of a debt. A lien can be placed against a consumer for failure to pay the city, county, state or federal government money that is owed. It means that the consumer's property is being used as collateral during repayment of the money that is owed.

Line of Credit: (LOC) An arrangement between a financial institution, usually between a bank and a customer, that establishes a maximum loan balance that the bank will permit the borrower to maintain. The borrower can draw down on the line of credit at any time, as long as he or she does not exceed the maximum set in the agreement.

M

Major Banks: Refers to the major financial institutions.

Major Credit Bureaus: Typically refers to the three largest credit bureaus in the US, which are Equifax, Experian, and TransUnion.

Microenterprise Development Organization: (MDO) A nonprofit organization that provide business development services to people who are currently operating – or are interested in starting – a microenterprise.

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Metro2: A standardized electronic format for reporting consumer data; all consumer credit data providers to the four major credit bureaus (Equifax, Experian, Innovis and TransUnion) are required to submit their data electronically in Metro2 format.

Microcredit: A small loan (typically <$35,000) available to individuals to help them become self employed; also known as "microlending" or "microloan."

Microenterprise: A small business that employs a small number of employees. A microenterprise will usually operate with fewer than 10 people and is started with a small amount of capital. Most microenterprises specialize in providing goods or services for their local areas.

N

National Foundation for Credit Counseling (NFCC): A non-profit organization representing member agencies that provides free or low-cost individualized, confidential credit counseling in-person, by phone, or on-line. Personal assistance is offered to help people in stressful financial situations as well as those seeking financial education, increased financial literacy, or trying to reach specific financial goals, and is provided by trained Certified Consumer Credit Counselors.

National Foundation for Consumer Credit (NFCC): A non-profit organization that seeks to educate consumers about credit and borrowing. One of the major services provided is counseling for consumers who have taken on too much debt, with the goal of keeping consumers from declaring bankruptcy; they also help consumers work out payment plans and reduce their overall debt load.

O

Obsolescence: A term used to describe how long negative information should stay in a credit file before it is not relevant to the credit granting decision. The FCRA has determined the obsolescence period to be 10 years in the case of bankruptcy and 7 years in all other instances. Unpaid tax liens may remain indefinitely, although Experian removes them after 15 years.

Opt In: The ability of a consumer who has opted out to have their name re-added to prescreened credit and insurance offer lists, direct marketing lists and individual reference service lists. Consumers who have previously opted out of receiving prescreened offers may have their names added to prescreened lists for credit and insurance offers by calling 888-521-8688.

Opt Out: The ability of the consumer to notify credit reporting agencies, direct marketers and list compilers to remove their name from all future lists. Consumers may opt out of prescreened credit and insurance offer lists by calling 888-521-8688.

P

Payday Loan: A short-term loan borrowed at a very high rate of interest. These loans are also called cash advance loans or check advance loans.

Permissible Purposes: There are legally defined permissible purposes for a credit report to be issued to a third party. Permissible purposes include credit transactions, employment purposes, insurance underwriting, government financial responsibility laws, court orders, subpoenas, written instructions of the consumer, legitimate business needs, etc.

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Predatory Lending: Unscrupulous actions carried out by a lender to entice, induce and/or assist a borrower in taking a mortgage that carries high fees, a high interest rate, strips the borrower of equity, or places the borrower in a lower credit rated loan to the benefit of the lender.

Prepaid Card: A card issued by a financial institution that is preloaded with funds and is used like a normal credit card. A prepaid credit card works in the opposite way of a normal credit card, because instead of buying something with borrowed funds (through credit), you buy things with funds that have already been paid. This card functions like a gift card.

Public Record Data: Included as part of the credit report, this information is limited to tax liens, lawsuits and judgments that relate to the consumer's debt obligations.

R

Repossession: A creditor's taking possession of property pledged as collateral on a loan contract on which a borrower has fallen significantly behind in payments.

Revolving Account or Revolving Line of Credit: Credit that is available up to a predetermined maximum limit so long as a customer makes regular payments.

Risk-Based Pricing: The practice of setting or adjusting the interest rate and other terms of credit provided to a particular consumer based on the consumer's credit data and other factors used to measure risk.

Risk-Based Pricing Rule: issued by the Federal Reserve Board and the Federal Trade Commission, requires any company that uses a credit report or score in connection with a credit decision – including companies such as banks, mortgage bankers, auto lenders, retailers, and public utilities – to send notice to a consumer when, based on a credit report or score, the company grants credit on "material terms that are materially less favorable than the most favorable terms available to a substantial proportion of consumers." *See* 12 C.F.R pt. 222, 16 C.F.R pt. 640.

Risk Scoring Models: A numerical determination of a consumer's creditworthiness. Tool used by credit grantors to predict future payment behavior of a consumer.

S

Small Business Association (SBA) Intermediary: Non-profit organizations that received direct loans from SBA intermediaries for the purpose of making small business loans of up to $200,000. Currently, SBA is seeking experienced intermediaries to assist small business concerns in areas suffering from a lack of credit due to poor economic conditions or changes in the financial market. SBA's Intermediary Lending Pilot (ILP) Program aims to help business owners start and grow successful enterprises.

Small Business Association (SBA) Microloan: Small, short-term loans for small business concerns and certain types of not-for-profit child-care centers. The SBA makes funds available to specially designated intermediary lenders, which are nonprofit community-based organizations with experience in lending as well as management and technical assistance; these intermediaries make loans to eligible borrowers. The maximum loan amount is $50,000, but the average microloan is about $13,000.

Secured Card: An alternative to a credit card, the secured card requires a cash deposit which becomes the credit line for that account. Funds are "secured" in a savings account to be used for payment in case you are unable to make your payment. Typically, the credit limit is generally the amount in the savings account and

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most range from $300-$1,000. For example, if you place $500 in your account, you will have a $500 credit limit.

Secured Consumer Loan: a loan in which the borrower pledges some asset (e.g. a car or property) as collateral for the loan.

Security: real or personal property that a borrower pledges for the term of a loan. Should the borrower fail to repay, the creditor may take ownership of the property by following legally mandated procedures.

Service Credit: agreements with service providers. You receive goods, such as electricity, and services, such as apartment rental and health club memberships, with the agreement that you will pay for them each month. Your contract may require payments for a specific number of months, even if you stop the service.

Soft Inquiry: A credit report check that does not affect an individual's credit score. A soft inquiry is also called a soft pull.

Subprime Credit: General term for borrowings of subprime debt, or loans made to people with less-than-perfect credit or short credit histories. Subprime credit includes the original borrowing itself, as well as any derivative products such as securitizations that are based on subprime loans and then sold to investors in the secondary markets.

T

Terms: Refers to the debt repayment terms of your agreement with a creditor, such as 60 months, 48 months, etc.

Tradeline: An account listed on a credit report. Each separate account is a different trade line. A tradeline describes the consumer's account status and activity. Tradeline information includes names of companies where the applicant has accounts, dates accounts were opened, credit limits, types of accounts, balances owed and payment histories.

Transaction fees: Fees charged for certain use of your credit line; for example, to get a cash advance from an ATM.

Truth in Lending Act: Title I of the Consumer Protection Act – requires that most categories of lenders disclose the annual interest rate, the total dollar cost and other terms of loans and credit sales.

Type: This refers to the type of credit agreement made with a creditor; for example, a revolving account or installment loan.

U

Unbanked: A term for individuals who do not use banks or banking institutions in any capacity. Unbanked persons generally pay for things in cash or else purchase money orders. The FDIC defines unbanked as those without an account at a bank or other financial institution and are considered to be outside the mainstream; according to a December 2009 FDIC study, approximately 9 million people in the US are considered unbanked.

Underbanked: An individual or business that heavily relies on checks and cash as a mean of funding rather than bank related methods such as credit cards or loans. According to a December 2009 FDIC study, approximately 21 million people in the US are considered underbanked.

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Unsecured Credit: A loan that is issued and supported only by the borrower's creditworthiness, rather than by some sort of collateral; unsecured credit loans are sometimes called signature loans.

V

Variable Rate: An annual percentage rate that may change over time as the prime lending rate varies or according to your contract with the lender.

Victim Statement: A statement that can be added to a consumer's credit report to alert credit grantors that a consumer's identification has been used fraudulently to obtain credit. The statement requests the credit grantor to contact the consumer by telephone before issuing credit. It remains on file for 7 years unless the consumer requests that it be removed.

W

Wage Assignment: A signed agreement by a buyer or borrower, permitting a creditor to collect a certain portion of the debtor's wages from an employer in the event of default.

Withdrawn: A decision to not pursue a bankruptcy, a lien, etc. after court documents have been filed.

Writ of Replevin: A legal document issued by a court authorizing repossession of security.

Abbreviations

AICCCA	Association of Independent Consumer Credit Counseling Agencies
AUS	Automated Underwriting System
B2B	Business to Business
B2C	Business to Consumer
B2G	Business to Government
CDFI	Community Development Financial Institution
EITC	Earned Income Tax Credit
FACT Act	Fair and Accurate Credit Transactions Act of 2003
FCRA	Fair Credit and Reporting Act
FICO	'Fair Isaac Corporation' Credit Score
HUD	Department of Housing and Urban Development
IDA	Individual Development Account
LOC	Line of Credit
MDO	Microenterprise Development Organization
NFCC	National Foundation for Credit Counseling or National Foundation for Consumer Credit
SBA	Small Business Administration

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