

Glossary of Key Credit and Lending Terms

Term	Definition
Accounts in good standing	Credit accounts that have a positive status, meaning that they are open accounts with no past due balance.
Active account	A credit account that is open with recent activity (payments) having occurred within the last six months.
Adjustable rate	A loan in which the interest rate can change during the term of the loan. (opposite of fixed rate and also called variable rate.)
Adverse action notice	A lender's notice to refuse credit on the terms requested in a credit application, such as APR or credit limit. Under the Fair Credit Reporting Act, creditors must disclose with a notice the reason why credit was denied. The adverse action notice can also refer to a lender's decision to reduce a credit limit or end a credit agreement.
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 Chapter 7 bankruptcies can remain on a credit report for more than seven years.
Alternative data	Alternative data refers to the inclusion of non-financial payment reporting data in credit files, such as telecom and energy utility payments.
Amortization schedule	The schedule of payments for paying off a loan. An amortization schedule breaks down the payments into interest and principal.
Annual percentage rate	The yearly cost of the amount financed, including interest and any fees, expressed as a percentage rate (also called APR.)
Applicant	The person or business applying for credit.
Application	A person's request for credit. Applicants typically fill out a form and provide any information that the creditor requires for to determine whether or not to grant the credit. This information may vary based on the type and amount of credit requested.
Authorized user (Credit card)	A person who has permission to use and/or carry another person's credit card, but isn't legally responsible for paying the bill.
Automated Clearinghouse (ACH)	An electronic funds transfer network that enables direct money transfers between participating bank accounts and lenders.
Available credit	The unused portion of an open line of credit, such as a credit card or a revolving loan (such as a home-equity line of credit). Available credit is the difference between the total amount of the credit line or limit, and the amount that has already been borrowed.
Balance	The total amount of money owed on a loan. It includes unpaid balances from previous months, purchases, cash advances, fees, interest, transaction charges, and credits. Also known as outstanding balance. Also see debt.
Bankruptcy	The process by which a person discharges debt they cannot repay as promised. There are two common types of personal bankruptcy: Chapter 7 and Chapter 13. Chapter 7 is a "straight bankruptcy" and gets rid of all debts (except some taxes and maybe alimony payments) at the price of a total liquidation of assets. Chapter 13 is a "wage earner repayment plan" and allows a borrower with a reliable income to pay off bills over a 36 to 60 month period. When a person files for bankruptcy, a record of the filing appears on the borrower's credit report for up to 10 years.

Term	Definition
Borrower	The person who owes money to a lender. The borrower is legally responsible for paying the loan (installment or revolving). Once a credit application is approved, the applicant becomes a borrower. Also known as debtor.
Bureau	See <i>credit bureau</i> .
CDFI	See <i>Community Development Financial Institution</i> .
CFPB	See <i>Consumer Financial Protection Bureau</i> .
Charge-off	Action of transferring accounts deemed uncollectible to a category such as bad debt or loss. Collectors will usually continue to collect payments once they are charged off (see Collection Agency), but the accounts are no longer considered part of a company's receivable or profit picture.
Co-borrower/ Co-signer	One of several people responsible for repaying a loan. Once the loan application is approved, co-applicants become co-borrowers.
Collateral	Assets pledged by a borrower to secure a loan or other credit, and subject to seizure in the event of default. (also called security.)
Collection account	Refers to the status of an account owed to a creditor once it has been charged off and transferred from a routine debt to a Collection Department of the creditor's firm or to a separate professional debt collecting firm.
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 in-house collection agency. A collection agency is often hired after a company has made multiple attempts to collect its receivables or after an account has been charged off.
Community Development Financial Institution	A community-based specialized financial institution that serves low income people or businesses, or work in economically distressed communities, often working in market niches that may be underserved by traditional financial institutions. Community Development Financial Institutions provide a unique and wide range of financial products and services that help customers build wealth and achieve the goal of participating in the ownership society. Also known as <i>CDFI</i> .
Consolidation loan	A loan usually obtained for the purpose of reducing the number of bills to pay by consolidating all of a consumer's revolving debt into a single account.
Consumer	A person who uses credit for personal, family, or household purposes.
Consumer credit	A debt that someone incurs for the purpose of purchasing a good or service for personal, family, or household purposes. This includes purchases made on credit cards, lines of credit and some loans.
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.

Term	Definition
Consumer Financial Protection Bureau	A regulatory agency charged with overseeing financial products and services that are offered to consumers. The agency is divided into several units: research, community affairs, consumer complaints, the Office of Fair Lending and the Office of Financial Opportunity. These units work together to protect and educate consumers about the various types of financial products and services that are available. Also known as CFPB.
Credit builder loan	Installment loans most commonly offered by credit unions and nonprofit financial institutions with the sole purpose of helping people build credit. These are usually small loans with 6-12 month terms. Instead of receiving money at the time the loan is made, the borrower's loan funds are generally held in a locked savings account until they repay the loan. Borrowers' payments are reported to at least one credit bureau.
Credit building	The act of establishing and maintaining ACTIVE credit accounts (trade lines) that are reported by creditor(s) to one or more of the major credit bureaus.
Credit bureau	A credit-reporting agency that is a clearinghouse for information on the credit rating of individuals or firms. The three largest credit bureaus in the U.S. are Equifax, Experian, and TransUnion. Also known as credit reporting agency, credit repository.
Credit card	A type of revolving account that can be used to make purchases of goods and services and repay over time. The lender charges interest on the amount owed (borrowed), unless the cardholder pays the balance in full at the end of each month. The lender also may charge fees such as a late payment and/or overlimit fee. APR and fees are set by the lender.
Credit counseling	Personalized counseling services that provide guidance and support for those who are generally facing some immediate financial difficulties affecting their ability to repay debt. The objective of most credit counseling is to help avert bankruptcy or foreclosure, as well as provide basic education on financial management. Many accredited counseling services also offer Debt Management Plans and negotiate with creditors on behalf of the borrower to reduce interest rates and late fees.
Credit education	The process by which consumers improve their understanding of credit products, concepts and risks, and through information, instruction and coaching, develop the skills and confidence to become more aware of financial risks and responsibilities.
Credit history	Information pertaining to a consumer's past usage and payment of credit on credit accounts, often summarized in a credit report.
Credit invisible	A consumer who does not have any credit history with one of the major credit bureaus. Also known as no-hit credit file.
Credit limit	The maximum dollar amount a borrower may charge on his/her revolving credit account. Some lenders set separate limits for purchases and cash advances. Spending more than the credit limit will make the account overlimit, which may cause the lender to charge an overlimit fee and/or cancel account privileges. Also known as <i>credit line</i> , <i>line size</i> .
Credit rating	See <i>Credit score</i> .
Credit remediation	See <i>Debt management</i> .
Credit repair	Traditionally, counseling focused on a specific tactic that disputes every negative tradeline on an individual's credit report regardless of whether a consumer recognizes the debt as his or her own. The term "credit repair" is a red flag for the credit bureaus.

Term	Definition
Credit report	A report obtained from a credit bureau, containing a consumer's up-to-date credit history plus additional information such as age, address, marital status, employment history and other details that may help creditors judge creditworthiness. The credit history includes balance, credit limit and payment information for all accounts (past and present, joint and individual), credit applications made in the past, and public records such as judgment liens, bankruptcy filings, and tax liens. Credit bureau reports are usually requested either by prospective lenders or by consumers themselves. Apartment rental agencies, insurance companies and hiring employers may also request credit reports.
Credit reporting agency	See <i>Credit bureau</i> .
Credit repository	See <i>Credit bureau</i> .
Credit score	A number used by lenders as an indication of how likely a consumer is to repay his/her loans. Credit scores are generated by a credit scoring model utilizing the data from a credit report. Also known as <i>credit rating</i> .
Credit scoring model	A complex mathematical formula used to assess a consumer's creditworthiness from his/her credit report. The formula is developed using statistical techniques and millions of credit profiles. The model generates a credit score used by lenders to make consistent and objective credit decisions. While the credit bureaus all have several credit scoring models in their systems, many large lenders develop their own proprietary models.
Credit terms	The terms associated with a credit account. They include APR, credit limit, payment schedule, and fees (such as late-payment, over-limit, or annual fees.)
Credit utilization	The percentage of a consumer's available credit that he or she has used. The credit utilization ratio is a key component of your credit score. A high credit utilization ratio can lower your score, while a low credit utilization ratio can raise your score. FICO's credit-scoring formula assumes that consumers who use more of their available credit are riskier borrowers than those who use less of their available credit.
Current	The payment status of accounts with no past due amount. Making all required monthly payments on time maintains a current payment status on the account. This is the opposite of delinquent. Do not confuse current with present (now) or open (available for transactions). Also known as <i>paid on time</i> , or <i>paid as agreed</i> .
Data furnisher	Data furnishers are typically creditors, lenders, utilities, debt collection agencies and the courts (i.e. public records) that a consumer has had a relationship or experience with. Data furnishers report their payment experience with the consumer to the credit bureaus.
Date opened	The date when a loan was originally initiated by a lender
Date reported	The date when account information (including payment status) is reported by the lender to the credit bureau(s).
Debt management	Any strategy that helps a debtor to repay or otherwise handle their debt better. Debt management may involve working with creditors to restructure debt or helping the debtor manage payments more effectively. Also known as credit remediation.
Debt-to-income ratio	A ratio that compares an individual's debt payments to the income he or she generates. This measure is important because it helps determine if the borrower is able to repay the loan.

Term	Definition
Debtor	See <i>Borrower</i> .
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	The payment status of accounts with a past due amount. Paying late or missing payments makes the account become delinquent. A special payment status is assigned to the account to indicate how many payments are late: an account that is 30 days delinquent has missed one month of payment; an account that is 60 days delinquent has missed two consecutive months of payment, etc. The lender may charge a higher APR to delinquent accounts, particularly for serious delinquencies such as 90 days or more. Delinquent is the opposite of current. Also known as in default, late, past due. Also see <i>default</i> .
Derogatory	A negative reference appearing on credit reports, such as public records and severe delinquencies. An account gets a derogatory status when the consumer repeatedly fails to make the required payments and the account is turned over for special handling, such as collections, chargeoff, repossession, etc.
Dispute	See <i>Consumer dispute</i> .
Fair Credit Reporting Act	The act regulates the collection of credit information and access to an individual's 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 as the enforcement authority for the provisions of the act. Also known as FCRA.
Fair Isaac Corporation	A major analytics software company that provides products and services to both businesses and consumers. The Fair Isaac Corporation, better known as FICO, widely used consumer credit scores that financial use in deciding whether to lend money or issue credit.
FCRA	See <i>Fair Credit Reporting Act</i> .
Federal Trade Commission	An independent federal agency whose main goals are to protect consumers and to ensure a strong competitive market by enforcing a variety of consumer protection and antitrust laws. These laws guard against harmful business practices and protect the market from anti-competitive practices such as large mergers and price-fixing conspiracies. Also known as FTC.
FICO	See <i>Fair Isaac Corporation</i> .
FICO® Score	A FICO® score is a type of credit score created by the Fair Isaac Corporation. Lenders use borrowers' FICO® scores along with other details on borrowers' credit reports to assess credit risk and determine whether to extend credit. FICO® scores take into account various factors in five areas to determine credit worthiness: payment history, current level of indebtedness, types of credit used, length of credit history and new credit accounts.
Fixed rate	A loan in which the interest rate does not change during the entire term of the loan. (opposite of adjustable rate.)

Term	Definition
Foreclosure	A legal procedure, initiated by a creditor that has the purpose of having the property sold to collect on a loan in serious delinquency. Foreclosure can only happen in secured loans since it is the collateral that is used to repay the creditor. This typically happens for mortgages when three or more payments have been missed. Foreclosure is one of the types of derogatory information that appears on credit files (and lowers credit ratings.)
FTC	See <i>Federal Trade Commission</i> .
Garnishment	A court-ordered procedure by which a creditor receives funds from a borrower's paycheck to assure repayment of debt.
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.
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. Also known as <i>hard pull</i> .
Hard pull	See <i>Hard inquiry</i> .
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.
IDA	An Individual Development Account (IDA) is an asset building tool designed to enable low-income families to save towards a targeted amount with the help of additional funds to match their contributions. Savings are usually used for building assets in the form of home ownership, post-secondary education and small business ownership.
Individual account	A credit account for which only one person is responsible for repaying the debt. Additional cards may be issued to other people (generally family members), but only the person who has applied for credit is legally responsible for it. This is the opposite of a joint account.
Inquiry	The record of a request for a credit report. Most inquiries are made by prospective lenders for the explicit purpose of making a credit decision. However, insurance companies, potential employers, or rental housing agencies may also request credit reports as long as the consumer authorizes them. By filling out an application, consumers typically authorize the company to pull their credit report from one or more credit bureaus. See also: <i>hard inquiry</i> , <i>soft inquiry</i> .
Installment credit	A credit account in which the debt is divided into amounts to be paid successively at specified intervals.
Joint account	A credit account for which two or more people are responsible. All account holders can use the account and all assume legal responsibility to repay any debt accumulated on the account.

Term	Definition
Judgment	A court order.
Lender	The person or company a borrower owes money to. The name of the creditor for each account appears in credit reports and billing statements. The term issuer often specifically refers to credit card lenders. Often used synonymously with the term "Creditor."
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, such as taxes, 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	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.
Loan	A sum of money borrowed from a creditor, to be repaid with interest.
Loan loss reserve	The portion of a lender's cash or cash equivalents holdings set aside to cover estimated potential losses in its loan portfolio.
Loan term	Agreed time period for loan repayment.
National Consumer Assistance Plan	An initiative launched by the three nationwide consumer credit reporting companies—Equifax, Experian and TransUnion—to make credit reports more accurate and to make it easier for consumers to correct any errors on their credit reports. Also known as <i>NCAP</i> .
NCAP	See <i>National Consumer Assistance Plan</i> .
Net income	The monthly income a borrower receives after deducting any Federal and/or State payroll taxes.
Net worth	The resulting value between your assets and liabilities.
No-hit credit file	See <i>Credit invisible</i> .
Open account	An account that is available for debit (such as purchase) and credit (such as payment) activity.
Paid as agreed	See <i>Current</i> .
Paid on time	See <i>Current</i> .
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.
Principal	The amount of debt, exclusive of interest, remaining on a loan.
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.
Refinancing/restructure	The process of paying off an existing loan and establishing a new loan.

Term	Definition
Rent reporting	Regular monthly reporting of tenant rent payments to at least one of the major consumer credit bureaus for inclusion on consumer credit reports.
Rent reporting for credit building	The pairing of rent reporting with credit/financial coaching and/or education and asset building programs for the purpose of supporting residents to build credit as a foundational asset and leverage improved credit to achieve financial goals.
Revolving account	Credit that is available up to a predetermined maximum limit so long as a customer makes regular payments.
Secured credit card	A credit card secured with a cash deposit. The deposit is paid by the cardholder and may be lost if the account becomes delinquent. The credit limit is based on the amount of the deposit and usually is similar to the deposit amount. As a result, this type of account presents very little risk for the lender and is therefore much easier to obtain. It is often used by people who are either new to credit or trying to improve their poor credit rating. APR on a secured credit card is usually higher than on an unsecured credit card, and many fees may apply (application fee, processing fee, annual fee, late fee, overlimit fee, etc.).
Security/Secured loan	Assets pledged by a borrower to secure a loan. (also called collateral.)
Soft inquiry	A credit report check that does not affect an individual's credit score. Also known as <i>soft pull</i> .
Soft pull	See <i>Soft inquiry</i> .
Statute of limitations	The statute of limitations is a rule that sets a time limit within which a creditor may sue you for payment of a debt. The length of time that a creditor has to sue you on an unpaid debt varies from state to state. In some states, it's four years. In other states, it might be longer.
Terms	Refers to the debt repayment terms of your agreement with a creditor, such as 60 months, 48 months, etc.
Thick file	A "thick file" is when one has a credit history with several accounts of different types. For example, the credit history could include credit cards, installment loans and a mortgage.
Thin file	A credit report that contains very little account information, usually because there are no or few accounts with no or limited history. Individuals with thin files may have no credit score.
Trade line	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.
Type	This refers to the type of credit agreement made with a creditor; for example, a revolving account or installment loan.
Underwriting	The process of extending credit under terms (such as APR and fees) that match the risk profile of the borrower.
Unsecured	Backed not by collateral but only by the integrity of the borrower.
VantageScore	A consumer credit-scoring model, created through a joint venture of the three major credit bureaus (Equifax, Experian, and TransUnion).