Regular charge account: a 30 day charge, usually a limit of $500 or a $1000. At the end of the 30-day period, you receive a bill for the entire amount. No interest is charged, but you have to pay in full. If you do not, interest will be charged.

Revolving charge account: allows you to make additional purchases on a credit card even if you have not paid the previous month's bill in full. You must make a minimum payment each month and interest is charged on the remaining balance. If balance is paid in full each month, no interest is charged.

Previous balance- amount owed on the previous statement.

Finance charges- the amount of money paid in interest each month on unpaid balances. Whatever amount paid each month is applied to the finance charge before coming off the balance.

Annual percentage rate (APR)- percentage borrower is charged in interest on his/her balance. These can change from month to month.

Average daily balance- usually used to calculate the amount of interest; the balance is added up and divided by the number of days to find the average.

Grace period- the amount of time the company allows to pay off a balance before charging interest; doesn't apply to balances carried from month to month.

Minimum payment- the lowest payment the company will allow for a month.

Credit limit- this is the most money you are allowed to purchase or borrow.

Annual fee- fee charged by some companies to be paid each year for use of the card.

Late fee- charge if you pay after the due date. Average fee is $30.

Lost or stolen card procedures-

- must be reported immediately
- Some companies hold consumer responsible for everything charged by a thief before the card was reported stolen!
- If a family member uses a card without permission, credit card holders must take court action to be released from the charges!

Cash advances- cash borrowed from a credit card (Higher-than-normal finance charges or special fees are often charged for such transactions).

Cash advance fee- a charge for borrowing money from a credit card; can be a flat rate or a percentage of the amount of cash received.

Getting Ready to borrow

Interest: amount of money the borrower must pay for the use of someone else's money.

Installment debt- type of loan repaid with equal payments, or installments, over a specific period of time.

Checklist for buying on credit:
1 Do I really require the item?
2. If I pay cash, what will I be giving up that I could buy with this money?
3. If I borrow or use credit, will the satisfaction I get from the item I buy be greater than the interest I must pay?
4. Have I done comparison shopping for credit?
5. Can I afford to borrow or use credit now?

Mortgage- A loan undertaken for the purchase of a home ; there are various types: fixed rate, adjustable rate, and hybrid.

Secured loan: a loan backed by collateral.

Unsecured loan: not guaranteed by anything other than a promise to repay.

Cosigner: person who signs a loan contract along with the borrower and promises to repay the loan if the borrower does not.

Responsibilities of a Borrower:

1. If you do not repay your debt, the bank or business that lent you the money can hire a collection agency to help get the money loaned to you.
2. If you never pay off the debt, that loss gets passed on to other consumers in the form of higher interest rates.
3. If you do not repay you will have a bad credit history, which will mean other creditors can deny you or charge you a higher rate of interest.
4. Keep a record of all your charges.
5. What if you lose control of your debt?
    - Make a list of everything you owe.
    - Establish a budget.
    - Concentrate on paying the high-interest credit cards first, paying more than the minimum payment each month.

Bankruptcy: inability to pay debts based on income received. Should be done as a last resort. Stays on your credit for 7-10 years, making it very difficult to reestablish credit and borrow funds. Can even result in people not willing to rent to you, give you a cell phone plan and your car insurance **premiums** (amount to be paid for an insurance policy) will be high.