

# STAYING ON TOP: CREDIT REPORTS AND SCORES

## Credit Terms

**ANNUAL FEE** - A fee assessed each year simply for having a credit card. A flat amount in addition to the interest and regardless of the amount charged.

**ANNUAL PERCENTAGE RATE (APR)** - The amount of interest you pay on an annual basis; the amount you pay lenders for the privilege of borrowing their money. By federal law this percentage must be clearly stated in the credit application. If the APR can vary periodically, the application must clearly state how it is calculated.

**BALANCE TRANSFER** - A method by which you can transfer your outstanding balance on one credit card to another credit card. This could be to your advantage if you want to consolidate your monthly payments or if the other credit card has a much lower APR. The lower APR is usually only for a limited time, and there may be a limit on how many balances you can transfer.

**CASH ADVANCE** - Cash that is a loan against the credit limit on a credit card. There is usually a fee added to your outstanding balance for this service. Also you may pay a higher interest rate on cash advances. Interest starts adding up from the moment the cash advance is made and NOT from the due date on the credit card statement for that billing period.

**CREDIT BUREAU** (Credit Reporting Agency) - Any of the three credit reporting agencies that creditors can report your account information to. Credit bureaus simply collect information about your credit applications and use. Lenders use the information provided by the credit bureaus to make decisions regarding a credit application.

**CREDIT LIMIT** - The most you can charge on a credit card account. Usually is based on the applicant's income and credit history.

**CREDIT REPORT** - Detailed record of your payment history kept by each of the credit bureaus.

**CREDIT SCORE** - Measure of credit risk calculated using information from your credit report. Generally falls between 300 and 850.

**FINANCE CHARGE** - The interest charged, in dollars, on the outstanding balance every month. A credit card application must explain how the finance charge is calculated.

**GRACE PERIOD** - Amount of time between the date of purchase and the date when interest starts being added, usually when the bill is due.

**INTRODUCTORY INTEREST RATE** - Interest rate that applies for a limited amount of time, after which another interest rate may be charged. Usually given as an incentive to new customers.

**LATE FEE** - An additional fee for payments received after the due date on the monthly credit card statement. If a payment is 30 or more days late it is reported to the credit bureau and goes on your credit report.

**MINIMUM MONTHLY PAYMENT** - The least amount you can pay on your outstanding balance and still be in good standing with the lender.

**OVER-THE-LIMIT FEE** - A fee charged for going over the credit limit for a credit card. Fee is added to the outstanding balance and interest is charged on this new balance.

**TRUTH IN LENDING ACT** - A federal law that requires lenders to clearly explain the terms of the loan/credit card from the beginning. This law also limits the amount a credit card holder is responsible for in cases of fraud or robbery to \$50.

**UNIVERSAL DEFAULT** - An increase in rates based on the way customers handle other credit accounts.