

**annual fee**

A charge by some credit card companies for use of the card and services.

annual percentage rate (APR)

A rate that shows the total cost of credit annually. It includes a percentage of the principal as interest on a loan plus other costs (e.g., points on a mortgage loan, service charges).

consumer debt

Debt that has been incurred primarily for the purchase of consumer goods.

credit card

A plastic card with a magnetic stripe on one side that can be used to purchase goods and services. The issuing company records the purchases, bills the purchaser, receives payment, and subsequently settles the purchaser's debts with the providers of goods and services. Some credit cards offer cash advances to its holders.

credit rating

A formal evaluation of an individual's or business' credit history and capability of repaying obligations by a credit reporting agency. The credit rating is based on the number of outstanding debts and whether debts are being repaid in a timely manner.

disclosure statement

For credit cards, the reporting of the exact terms and conditions under which credit will be extended prior to applicant signing up for the card.

due date

On a credit card account, the date by which the minimum payment must be received every month, without incurring a late fee or other penalty.

finance charge

The cost of credit, including interest paid by a customer or a consumer for a consumer loan or credit. Under the Truth in Lending Act, the finance charge must be disclosed to the customer in writing. It may include other charges associated with credit transactions such as cash advance fees.

grace period

The time allowed for payment of a debt or loan without penalty.

installment plan

A sum of money due as one of several equal payments for a purchase spread over an agreed period of time.

minimum payment

On a credit card account or loan, a fixed percentage of the balance due which must be paid each month.

overlimit fee

A fee that is added to a credit account when the amount owed exceeds the limit on the account.

reloadable card

An electronic, stored value card that permits a user to increase the value on the card (e.g., prepaid credit card, store cash card). A **nonreloadable card** has a fixed value stored on it (e.g., disposable phone card).

revolving credit

System of retail credit (e.g., department store or bank credit cards) in which buyers make periodic payments on purchases and service charges.

The service charge is based on the outstanding balance; if the buyer pays the entire balance on time, no service charge accrues.

secured credit card

A credit card that is secured against loss by other assets (often by money placed in a savings account with the credit card company).