

Math for Financial Literacy © 2013

Chapter 8: Loans—Glossary

529 plan. College savings plan that requires payments be made over time for use in the future.

amortization table. Schedule that shows the amount of interest and principal for each payment so a loan can be repaid within a specific period of time.

amount financed. Cost that will be covered by a loan after a down payment is made.

bankrupt. When a person or entity is unable to pay debts as the payments are due.

bankruptcy. Court order that excuses the debtor from having to repay some or all of his or her debts.

collateral. Any asset that is pledged as security for a loan.

down payment. Amount a borrower pays up front.

early repayment. Borrower pays off the installment loan sooner than the original term.

exact interest method. Method by which interest is calculated that uses the exact length of the term divided by 365 to get an exact fraction of the year.

foreclosure. When the ownership interest in a piece of real estate is transferred to the lender.

Free Application for Federal Student Aid (FAFSA). Form issued by the federal government that is used by post-secondary schools to determine a student's need for financial aid.

grant. Funding that does not have to be repaid.

installment loan. Loan for which payments are made at predetermined intervals.

level payment plan. Repayment plan that is designed to have the same payment amount in each installment.

lien. Legal agreement giving the lender the right to claim assets of a borrower if it is necessary to repay a loan.

merit-based scholarship. Scholarship that a student earns based on ability or performance.

ordinary interest method. Method for calculating interest that assumes each month has 30 days, for a total of 360 days in the year.

pawnshop. Business that offers loans requiring personal property as collateral.

payday loan. Short-term loan designed to be repaid when the borrower gets his or her next paycheck.

principal. Initial amount of a deposit or loan.

promissory note. Written promise, or contract, to pay back a loan.

scholarship. Amount of money awarded to a student that must be used toward payment for college.

single-payment loan. Loan that is repaid in one payment with interest.

term. Length of time money will be borrowed.

title. Document that legally establishes ownership of property, such as an automobile or real estate.

title loan. Loan in which the lender takes possession of the title of a person's car as collateral until a short-term loan is repaid.