

Beginning with A

Acceleration Clause - provision allowing the lender to ask for full payment at once, if loan installments are not paid when due.

Automatic Clearing House (ACH) - a computer-based facility that settles payments and deposit transactions between member financial institutions.

Adverse action - (1) refusal to grant credit in the amount or under the terms requested, or (2) termination of an account, or (3) refusal to increase the amount of an existing credit line when the applicant requested it in accordance with the creditor's procedures, or (4) an unfavorable change in terms that affects only some of the debtors.

Advice - the credit union's written acknowledgment to its members of a debit or credit transaction affecting that member's account.

Amortization - the gradual reduction of a debt by means of equal periodic payments sufficient to liquidate the debt at maturity.

Annual Percentage Rate - (APR) - finance charge over a full year, expressed as a percentage of reflecting all costs of the loan as required by the Truth-in-Lending Act..

Annual Report - a formal financial statement issued yearly by a corporation which shows assets, liabilities, revenues, expenses and earnings.

Appraisal - the opinion of value reached by an appraiser based upon knowledge, experience and a study of pertinent data.

Appraisal Fee - charge for estimating the value of collateral being offered as security.

Appreciation - the increase in the value of an asset which is due to economic and other conditions as distinguished from increases in value due to improvements or additions made to it.

Asset - anything owned by an individual, a business, or a credit union which has commercial or exchange value.

Audit - An official investigation to verify that all assets, liabilities, income and expenses of a financial institution are correctly stated. The audit of an institution's operation also serves to inhibit fraud and errors, and determines the accuracy of accounting and bookkeeping procedures.

Automated Teller Machine (ATM) - equipment used by a member to obtain financial services, generally activated by a plastic card, push-button and a personal identification number for each user.

Automatic Funds Transfer - A procedure that allows the transfer of funds from one account to another. The credit union has special forms that members can complete which authorize the credit union to have funds automatically transferred to the member's accounts from another financial institution..

Average Daily Balance - A method used to determine interest on a loan balance. Purchases and advances for the month are added to the outstanding balance, and then credits are subtracted. The result is divided by the number of days in the month.

Beginning with B

Balloon Payment - any payment that is more than twice the amount of any other regularly scheduled equal payment.

Bankrupt - a debtor who is judged legally insolvent and whose remaining property is administered for distribution among his creditors.

Basis Point - a unit of measure for the change in interest rates that is equal to .01 percent (for example: 100 basis points equal 1%).

Bearer - the person actually holding a legal instrument, such as a check, payable to "bearer" or endorsed in blank.

Beneficiary - a person who is entitled to the balance in an account upon the death of the owner (trustee) of the account.

Bond - (1) an interest-bearing certificate of debt, usually issued by a government or corporation, by which the issuer obligates itself to pay the principal amount at a specified time and to pay interest periodically. (2) A legal contract by which an insurance company agrees to pay, within stated limits, for financial loss caused by the default or dishonest acts of a third party.

Broker - a member of a stock exchange firm or an exchange member who handles orders to buy and sell securities and commodities for a commission.

Bylaws - the rules adopted by the shareholders and Board of Directors to define the field of membership, set the par value of shares and give the general method by which corporate functions are to be operated.

Beginning with C

Canceled Check - a check that has been paid against the maker's account by the drawee bank and has been stamped with the paid date and the word "paid" on the face of the check.

Cash Advance - a cash loan from a financial institution; obtained with a credit card (i.e., VISA) or a check that accesses a line of credit.

Cash Item - an item (usually a check) that a credit union accepts for immediate credit to an account or that they will exchange for cash.

Cashier's Check - A check drawn by a financial institution on its own funds. The maker and the drawee bank are the same.

Certificate of Deposit (CD) - An instrument that is issued by the credit union in the name of the member stating that a certain sum of money is on deposit and that the member agrees to keep this money at the credit union for a certain period of time. CDs vary widely in amount and term, and the rate of interest depends on both of these factors.

Charge Off - to treat as a loss.

Certified Check - the drawee bank guarantees a personal or business check for which payment. Proof of the guarantee is shown when the bank stamps the word "certified" on the face of the check.

Check Clearing - the process of sending checks through the nation's banking system for delivery to drawee financial institutions for final payment against the makers' checking accounts.

Check Hold - Practice used by most financial institutions to ensure checks on deposit will, in fact, be paid by the drawee bank. It was developed to protect consumers and financial institutions from fraud and bounced checks. This system is employed by the credit union. Checks held in members' accounts earn interest during the hold period.

Check Routing Symbol - the number in the upper right hand corner of a check in fraction- like figures that designates the Federal Reserve district of the drawee bank, the Federal Reserve office through which the item may clear, and the state in which the drawee bank is located.

Check Truncation - The practice of storing checks at the credit union rather than returning them to the member. When a check first enters the check clearing process, the information on the check is captured and transmitted by computers to the drawee bank. The check itself is not sent through the nation's check clearing system. All account transaction information is included on a member's monthly statement. Members may request copies of specific checks.

Closed-End Credit - credit contracts that specify the time period over which the loan or sales contract will be repaid, the total amount due, and the number of payments and due dates on which they fall.

Closing Costs - the expenses incurred by sellers and buyers in the transfer of real estate ownership.

Collateral - Property belonging to the borrower that is signed over to the credit union to sell if the loan is not repaid. Collateral can be securities, such as stocks, bonds or physical property, such as a home or a car..

Collateralized Loan - loan in which member owns collateral free and clear (i.e. car, boat, recreational vehicle).

Collected Funds - funds deposited in the bank for which payment has been received, and which are available for the depositor's use.

Co-maker - a person, other than the borrower, who signs a note in order to give additional protection to the creditor granting the loan, because of the uncertain credit quality of the borrower.

Commercial Loan - a short-term loan made to a business, which is repayable with interest due, either in a lump sum or in a series of payments.

Common Bond - a unifying factor or characteristic among persons that simultaneously links them together and distinguishes them from the general public.

Compound Interest - interest added to the principal and itself begins to earn interest.

Consolidation Loan - combining several debts into one loan usually to reduce the annual percentage rate or the dollar amount of payments made each month, extending them over a longer period of time.

Correspondent Bank - A bank that maintains an account relationship with another bank or exchanges services with another bank. Correspondents frequently clear checks for each other or participate in large loans, thus sharing the risk.

Co-signer - a person who guarantees the payment of a loan for another person.

Credit - (1) a bookkeeping entry that increases the balance in a member's account (deposits and dividends are examples of credit entries). (2) an arrangement to receive cash, goods or services now and pay for them in the future.

Credit Authorization - verification of the validity of a credit card and the balance allowable on the purchaser's credit line.

Credit Bureau - an organization that gathers information about a consumer's creditworthiness and to which a financial institution may apply for such information about a prospective borrower.

Credit Card - an instrument or device, whether known as a credit card, credit plate or any other name; issued (with or without a fee) by an issuer for the use of the cardholder in obtaining money, goods, services, or anything of value; and that creates a liability by the card user in favor of the issuing institution.

Credit Disability Insurance - insurance that provides loan payments to be made on behalf of a borrower who is temporarily disabled and loan balances to be paid off if the member is permanently disabled.

Credit Limit - maximum amount of credit available to a consumer on a specific account at any one time.

Credit Rating - the estimate of the amount of credit that can be extended to a borrower without undue risk based on the borrower's past credit experience.

Credit Report - a report to the lender on the credit standing of the borrower, used to help determine creditworthiness.

Credit Scoring System - a quantitative, statistical evaluation method used to establish a credit applicant's creditworthiness.

Credit Union - a cooperative financial institution that provides consumer financial services for members of a specified group as defined by its charter (CUs may be federally or state chartered).

Creditworthiness - an evaluation of a consumer's ability and willingness to repay a debt.

CUSO - (Credit Union Service Organization) - an organization established primarily to serve the needs of its credit union owner and whose business relates to the daily operations of the credit union it serves.

Beginning with D

Data Processing - the manual or electronic processing of all daily bookkeeping type transactions, which provides detailed reports for internal departments and customers.

Debit - A bookkeeping entry that decreases the balance of a member's account. Checks posted to an account, and entries to an account for the payment of service charges are examples of debit entries.

Debit Card - a card used for banking transactions at automatic teller machines or point-of-sale terminals.

Declining Balance - the decreasing amount owed on a debt as monthly payments are made.

Deed - a formal, written agreement transferring title of a real estate property from one person to another.

Deed of Trust - a deed placed in trust by the borrower with a third party, as security for the lender.

Demand Deposit - checking account funds that are subject to withdrawal at anytime on demand by a member's written demand (usually a check).

Direct Deposit Service - a process that credits a member's bank account directly for a payment due the member without the use of a check; e.g., a monthly Social Security payment.

Disposable Income - take-home pay or net pay.

Disclosure Statement - an itemized list of all charges giving total cost of credit.

Dividend - a share of earnings distributed to shareholders of a credit union.

Dormant Account - a member account that has had no deposit or withdrawal activity for a certain time period.

Draft - a signed, written order, which is addressed by the maker to the drawee, to pay a sum of money to a third person, the payee.

Beginning with E

Endorsement - the payee's signature on back of the check, which shows that the payee has received payment for the amount of the check, and is responsible for recourse if necessary.

Equity - in real estate, the difference between fair market value and current indebtedness; also referred to as the owners interest.

Escheat - The process whereby a credit union is required to turn over unclaimed members' account balances to the state for safe keeping. Unclaimed balances are determined by the length of time (varies by state) the account has been in a dormant status.

Escrow Account - the segregated trust account in which funds are held by the lender for payment of taxes, insurance, mortgage insurance, lease payments, etc.

Executor - an individual or a bank named in a will whose function is to distribute the funds and property in an estate to the rightful heirs.

Beginning with F

Federal Credit Union Act - a federal law enacted in June 1934 that allowed federal credit unions and established methods for their chartering, supervision and examination.

Federal Reserve System - the central banking system in the United States that issues money and performs services on behalf of financial institutions and the federal government.

Fiduciary - one who holds property in trust under the terms of a trust agreement.

Finance Charge - the total amount of interest that will be paid on a loan when the loan is repaid according to schedule.

Float - the amount of money, represented by checks deposited to an account, that the credit union cannot use immediately because of the time it takes to process checks through the banking system.

Forgery - the making or alteration of a document or instrument with the intent to defraud.

Beginning with G

Government Bonds - obligations of the U.S. Government, regarded as the highest grade securities issues.

Grace Period - a period of time after a due date not subject to late charges or cancellation penalties.

Beginning with H

Hold - a restriction on all or part of a members' balance, usually placed by a teller until a cashed or deposited check has cleared.

Beginning with I

Inactive - an account that has had no deposit or withdrawal activity for some time.

Index - regularly published statistical measure of widely accepted rates that changes periodically.

Individual Accounts - only the member is permitted to make transactions on the account.

Individual Retirement Account (IRA) - A retirement savings account for individuals. Deposits may be tax-deductible. These contributions cannot exceed specific amounts without penalties.

Interest - The amount paid for the use of money. Thus, financial institutions pay savings depositors interest for the use of the funds on deposit, and borrowers pay financial institutions interest for the use of the money advanced to them.

Beginning with J

Joint Accounts - Both the member and the joint owners may make deposits and withdrawals on the account. However, only the primary owner can negotiate loans on the account.

Joint Owner - Any person authorized by the primary owner to transact business on the account, i.e., deposits and withdrawals.

Beginning with L

Liabilities - all claims against a corporation, which include salaries, wages, dividends declared payable, accrued taxes payable.

Lien - A legal hold or claim of one person on the property of another or security for a debt or charge. The right given by law to satisfy a debt.

Liquidity - In credit union terms, that portion of total assets not held in fixed assets and not loaned to members. These are the funds for which the credit union must make investment decisions.

Loan to Value Ratio - the relationship between the amount of a mortgage loan and the appraised value of the security, expressed as a percentage of the appraised value.

Beginning with M

Magnetic Ink Character Recognition (MICR) - A language that is universally used by bankers on checks, consisting of Arabic-type numbers printed on the bottom of each check. The special ink used in printing these numbers is capable of being magnetized when processed through automated check processing equipment.

Maker - person who signs a check or note; person who promises to pay an obligation when due.

Margin - amount paid by the customer when using a broker's credit to buy or sell a security.

Market Price - last reported price at which the stock or bond sold, or the current quote.

Maturity - the date when a note or other obligation becomes due and payable.

Member - a person holding at least one credit union share who has the opportunity to receive the credit union's financial and related services and has a right to vote at the annual meeting.

Mortgagee - a person or firm to whom property is conveyed as security for a loan (lender).

Mortgagor - One who borrows money, giving as security a mortgage or deed of trust on real property (borrower).

Beginning with N

NCUA - National Credit Union Association is an independent federal financial regulatory agency responsible for chartering, supervising, examining and insuring all federal credit unions. Additionally, it insures the member accounts of those state chartered credit unions which choose, or are required by state law, to have federal insurance.

Beginning with O

On-line - data processing operations that have direct access to a computer, giving the user direct and immediate access to the computer system via terminal devices.

Open-End Credit - a credit plan under which a creditor allows an applicant to make purchases or obtain loans up to a pre-approved limit without negotiating a new contract each time.

On-Us-Check - a check that is drawn on our own credit union.

Overdraft - a negative balance in an account caused by the amounts of checks or withdrawals being posted to the account exceeding the balance.

Beginning with P

Payee - the person to whom a check or other obligation is payable.

Payroll Deduction - allows members to send part of their pay, retirement, insurance or investment checks directly to any account.

Periodic Rate - a rate of finance charge imposed for a given amount of time.

Personal Identification Number (PIN) - a member's secret identification number that must be used when accessing an automated teller machine (ATM).

Point-Of-Sale Terminal (POS) - computer terminal that enables a bank customer to access account funds at the place a sale is made, usually a supermarket or retail store.

Points - A loan discount, which is a one-time charge, used to adjust the yield on the loan to what market conditions demand. Each point equals 1% of the principal amount.

Postdated Check - A check dated in the future. The check is not acceptable for processing until that date has been reached.

Power of Attorney - a legal document authorizing a person to act as an agent for another person.

Pre-authorized Payments - Free service which provides members with a convenient method of paying fixed amount, recurring bills; primarily mortgage payments and insurance premiums. Funds are automatically withdrawn from the member's Share Draft account each month to honor these payments. The combined account statement serves as the record of payment.

Prepayment Penalties - charges assessed to a borrower if an account is paid off before the due date.

Primary Residence/ Principal Residence - the residence of the borrower which is intended to be occupied on a permanent basis.

Prime Rate - the interest rate, that is charged by commercial financial institutions for loans made to those larger business borrowers that have the highest credit ratings, it is usually the best rate available.

Principal - the actual amount of a loan before finance charges and other charges are added or deducted.

Private Mortgage Insurance (PMI) - insurance written by a private company protecting the mortgage lender against loss occasioned by a mortgage default.

Promissory Note - a written promise made by one person to pay another person a certain sum of money on demand or at a future date.

Beginning with R

Refinance - revising the terms of a loan contract.

Revolving Account - line of credit that may be used repeatedly up to a certain specified limit.

Beginning with S

Secured Loan - a loan containing a provision that, upon default, certain pledged property may be claimed by the lender as payment of a debt.

Service Charge - A fee for service. In financial institutions, this is usually the charge applied against a members' account for maintaining a particular service.

Share Savings Account - This main savings account establishes membership and must be opened for each individual before he/she may use any other credit union service. The account must be opened with a \$5.00 initial deposit.

Simple Interest - a method of calculating interest on outstanding balances that produces a declining finance charge with each payment of the installment loan.

Split Deposit - a deposit in which a portion is credited to the depositor's account and the balance is taken in cash.

Stop Payment - a member's order not to pay a specific check or draft that has been issued. The order may be oral or written.

Beginning with T

Thrift Institution - thrifts include mutual savings banks, savings and loan associations and credit unions.

Traveler's Checks - special checks sold with an insurance feature that protects the buyer against loss if the checks are lost, stolen, or destroyed.

Treasury Bills - short-term U.S. Treasury securities issued in minimum denominations of bank as a corporation may administer property for its customers when authorized to do so. Trusts are usually created under wills, by court orders, or by agreement and usually having maturities of three, six or twelve months.

Trust - A trust exists when one person holds property for the benefit of another.

Truncation - checks are stored and not returned to the member.

Beginning with U

Uncollected Funds - that part of the members' balance for which checks deposited have not cleared for payment.

Unsecured loan - a loan granted, based on a borrower's creditworthiness and signature; not secured by collateral.

Beginning with V

Variable-Rate Loan - a loan plan where the interest charged, over the life of the loan, may vary in accordance with an index that is readily verifiable by the borrower and beyond the control of the lender.

Variable-Rate Mortgage - a mortgage with an interest rate that fluctuates during the life of the mortgage.

Beginning with W-Z

Wire Transfer - the transfer of funds to another location through a correspondent bank by telephone or telegraph.

Yield - The effective real rate of interest paid on a savings account or CD. The effective rate (yield) increases as the frequency of compounding of interest increases.