

Apply for Credit: Key Terms

Annual Percentage Rate (APR) — the cost you pay each year to borrow money, including fees, expressed as a percentage

Balance transfer fee — a fee charged to transfer an outstanding balance to a different credit card

Compounding frequency — how often interest is calculated

Credit — money available for you to borrow that you have to pay back within a certain time period, usually with interest

Credit application — a request to borrow money

Credit card — a plastic card that allows you to make purchases without cash

Credit card fraud — the unauthorized and illegal use of a credit card

Credit card utilization ratio — the amount of credit you're using divided by the total credit available to you.

Credit report — a record of your past borrowing and repayment

Credit score — a three-digit number calculated from your credit report that reflects how likely you are to repay your debts

Equal Credit Opportunity Act (ECOA) — a law that prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age, or because an applicant receives income from a public assistance program

Fair Credit Reporting Act (FCRA) — a law that promotes the accuracy, fairness, and privacy of information in the files of consumer reporting agencies

Fair Debt Collection Practices Act — a law that prohibits debt collectors from engaging in unfair, deceptive, or abusive practices while collecting debts

Hard inquiries — requests by lenders after you apply for credit (these inquiries will impact your credit score)

Inquiry — a request to look at your credit file

Installment credit — when you borrow a fixed amount of money and agree to make regular payments until the loan is paid off

Interest — the cost of borrowing money

Late payment fee — a fee charged if you do not make the needed payment on a debt by the due date

Loan length — the length of time it will take for a loan to be completely paid off when the borrower is making regular payments.

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Open credit — a type of credit with which the amount due is usually different each billing cycle, and that amount is typically due in full

Overbalance fee — a fee charged when you exceed the credit limit on your credit card

Predatory lending — any action that tempts, deceives, or coerces borrowers to take out a loan that carries high fees, high interest rates, and/or places the borrower at a disadvantage

Revolving credit — when you borrow money up to your credit limit, pay it back over time, and borrow again as needed

Soft inquiries — reviews of your credit file, including reviews of existing accounts by lenders and your requests for your annual credit report (these will not affect your credit score)

The Fair Credit Billing Act (FCBA) and the Electronic Fund Transfer Act (EFTA) — laws that establish procedures for resolving mistakes on credit billing and electronic fund transfer account statements