

Video 1: Credit Fundamentals

Chapter 4: Glossary terms

Credit

The ability to obtain money for borrowing, based on the trust that payment will be made in the future

Credit limit

The maximum amount of money a lender (like a bank or credit card company) allows you to borrow or spend on credit

Debt

Money that was borrowed and is owed or due

Installment Credit

A type of loan where you receive a lump sum of money upfront, and repay it with fixed, regular payments over a set period of time, i.e., student loans or car loans

Interest

The cost of borrowing money, expressed as a percentage of the amount that you owe. It is also money you earn when you lend or save money

Revolving Credit

A type of credit that allows you to borrow money, pay it back, and then borrow again (up to a certain limit) without having to apply for a new loan each time, i.e., credit cards and lines of credit