

Conventional Banking Glossary

Account Holder	Any and all persons designated and authorized to transact business on behalf of an account. Each account holder's signature needs to be on file with the bank
Adjustable Rate	A loan in which the interest rate can change during the term of the loan
Annual Percentage Rate	The yearly cost of the amount financed, including interest and any fees, expressed as a percentage rate (also called APR)
Annual Percentage Yield	A percentage rate reflecting the total amount of interest paid on a deposit account based on the interest rate and the frequency of compounding for a 365-day year
Appraisal	The act of evaluating and setting the value of a specific piece of personal or real property
Application	The process of a borrower asking for the extension of credit from a creditor
Availability Date	Bank's policy as to when funds deposited into an account will be available for withdrawal
Availability Policy	Bank's policy as to when funds deposited into an account will be available for withdrawal
Available Balance	The balance of an account less any hold, uncollected funds, and restrictions against the account
Available Credit	The difference between the credit limit assigned to a cardholder account and the present balance of the account
Assets	Any item of economic value owned by an individual
Borrower	An individual who signs a promissory note and assumes liability to repay under the terms of that note
Balance Transfer	The process of moving an outstanding balance from one credit card to another. This is usually done to obtain a lower interest rate on the outstanding balance.
Bank Statement	Periodically the bank provides a statement of a customer's deposit account. It shows all deposits made, all checks paid, and other debits posted during the period (usually one month), as well as the current balance
Bankrupt	A bankrupt person, firm, or corporation has insufficient assets to cover their debts. The debtor seeks relief through a court proceeding to work out a payment schedule or erase debts
Beneficiary	A person who is entitled to receive the benefits or proceeds of a will, trust, insurance policy, retirement plan, annuity, or other contract
Billing Date	The month, date, and year when a periodic or monthly statement is generated
Certificate of Deposit	A deposit account that pays higher interest rate than a savings account
Certificate of Release	A certificate signed by a lender indicating that a mortgage has been fully paid and all debts satisfied, also known as release of lien
Commercial Credit	A bank loan to a business
Consumer Credit	A loan from a bank, credit union or finance company to a person
Credit	A contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some later date
Credit Bureau	Agency which collects and sells information about the creditworthiness of individuals
Credit Report	A report which will contains information about a person's credit history
Credit Score	A measure of credit risk calculated from a credit report using a standardized formula
Creditor	A person or organization which extends credit to others

Conventional Banking Glossary

Checking Account	A demand deposit account subject to withdrawal of funds by check
Closing a Mortgage Loan	The consummation of a contractual real estate transaction in which all appropriate documents are signed and the proceeds of the mortgage loan are then disbursed by the lender
Collected Funds	Cash deposits or checks that have been presented for payment and for which payment has been received
Credit Limit	The maximum amount of credit that is available on a credit card or other line of credit account
Debit	A debit may be an account entry representing money you owe a lender or money that has been taken from your deposit account
Debit Card	A debit card allows the account owner to access their funds electronically. Debit cards may be used to obtain cash from automated teller machines or purchase goods or services using point-of-sale systems
Debt	A liability or obligation in the form of a loan, owed by one person to another person and required to be paid by a specified date
Debt Consolidation	A loan, usually secured with the equity in a home, used to pay off other, higher interest debts resulting in one monthly payment
Demand Deposit	A deposit of funds that can be withdrawn without any advance notice
Deposit Slip	An itemized memorandum of the cash and other funds that a customer presents to the bank for credit to his or her account
Direct Deposit	A payment that is electronically deposited into an individual's account at a depository institution
Drawer	The person who writes a check or draft instructing the drawee to pay someone else
Fixed Rate	A loan in which the interest rate does not change during the entire term of the loan
Float	The amount of uncollected funds represented by checks in the possession of one bank but drawn on other banks
Frozen Account	An account on which funds may not be withdrawn until a lien is satisfied and a court order or other legal process makes the account available for withdrawal
Guarantor	A party who agrees to be responsible for the payment of another party's debts should that party default
Inactive Account	An account that has little or no activity; neither deposits nor withdrawals having been posted to the account for a significant period of time
Individual Account	An account in the name of one individual
Insufficient Funds	When a depositor's checking account balance is inadequate to pay a check presented for payment
Interest	The term interest is used to describe the cost of using money, a right, share, or title in property
Installment Loans	A loan that is repaid with a fixed number of periodic equal-sized payments
Interest Rate	The fee charged by a lender to borrower money, expressed as an annual percentage of the principal
Ijara	A leasing agreement whereby the bank buys an item for a customer and then leases it back over a specific period
Liabilities	The monetary obligations that you owe to others
Late Charge	The fee charged for delinquent payment on an instalment loan, usually expressed as a percentage of the loan balance or payment. Also, a penalty imposed by a card issuer against a cardholder's account for failing to make minimum payments

Conventional Banking Glossary

Lease	A contract transferring the use of property or occupancy of land, space, structures, or equipment in consideration of a payment
Loan Contract	The written agreement between a borrower and a lender in which the terms and conditions of the loan are set
Loan Fee	A fee charged by a lender to make a loan (in addition to the interest charged to the borrower)
Loan Proceeds	The net amount of funds that a lending institution disburses under the terms of a loan, and which the borrower then owes
Mortgage	Security agreement where house is pledged for a loan
Minimum Payment	The minimum dollar amount that must be paid each month on a loan, line of credit, or other debt
Missing Payment	A payment that has been made but not credited to the appropriate account
Overdraft	When the amount of money withdrawn from a bank account is greater than the amount actually available in the account, the excess is known as an overdraft, and the account is said to be overdrawn
Overdraw	To write a check for an amount that exceeds the amount on deposit in the account
Over limit	An open-end credit account in which the assigned dollar limit has been exceeded
Payment Due Date	The date on which a loan or instalment payment is due. It is set by a financial institution. Any payment received after this date is considered late; fees and penalties can be assessed
Payoff	The complete repayment of a loan, including principal, interest, and any other amounts due. Payoff occurs either over the full term of the loan or through prepayments
Periodic Rate	The interest rate described in relation to a specific amount of time. The monthly periodic rate, for example, is the cost of credit per month; the daily periodic rate is the cost of credit per day
Signature Card	A card signed by each depositor and customer of a bank which may be used as a means of identification. The signature card represents a contract between the bank and the depositor
Savings Account	A deposit account that pays interest and allows for unlimited deposits and withdrawal.
Statement	A summary of all transactions that occurred over the preceding month and could be associated with a deposit account or a credit card account
Security Agreement	Loan document pledging asset for a loan
Sukuk	Similar to an asset backed bond, Sukuk is a form of commercial paper that provides an investor with ownership in an underlying asset, and a return based on this ownership
Terms	The period of time and the interest rate arranged between creditor and debtor to repay a loan
Time Deposit	A time deposit (also known as a term deposit) is a money deposit at a bank that cannot be withdrawn for a certain "term" or period of time. When the term is over it can be withdrawn, or it can be held for another term
Variable Rate	A loan in which the interest rate can change during the term of the loan
Yield	The rate of return on an investment