

St. Martin's Credit Union

DICTIONARY



Some Terms To Be Familiar With When Visiting Us

Accounts Payable

Records of the amounts credited to others for goods and services purchased, and the amounts paid for those purchases.

Accounts Receivable

Records of the amounts charged to others for goods and services sold, and the amounts received.

Accruals

An accounting method of recognizing income in the period it is earned.

Affidavit

A written statement made under oath before an authorized official.

Allowance for Loan Losses (also called Loan Loss Provisioning)

A contra asset account established and maintained by periodic charges to operating expenses to provide a balance for absorbing possible future loan losses in a credit union's loan portfolio.

Amortization

Provision for repayment of a loan in periodic payments over a stated period of time.

Annual Percentage Rate (APR)

Finance charge over a full year, expressed as a percentage reflecting ALL costs of the loan. (Many financial institutions display their APR in their advertisements.)

Applicant

One who applies for membership, employment or a loan.

Application for a Loan

A questionnaire calling for information used to determine whether a member is eligible for a loan.

Appraisal

An estimate of value of property.

Appraisal Fee

Charge for estimating the value of collateral being offered as security.

Appraised Value

A valuation made by an approved or licensed appraiser based on facts, assumptions and techniques that the appraiser considers appropriate.

Asset

Something of value that can be used to repay debt.

Assignable

Capable of legally being transferred.

Assignment

Transfer of a note or property legally from one party to another.

Assignor

The maker or originator of an assignment.

Automated Teller Machine (ATM)

Unstaffed equipment used by a customer to obtain financial services, generally activated by a plastic card, push buttons, and a personal identification number for each user.

- B -

Balance Sheet

A condensed list of assets and liabilities showing net worth or deficit on a given date.

Balloon Payment

Any payment which is more than twice the amount of any other regularly scheduled equal payment.

Bank Credit Card

A credit card issued by a bank, enabling the borrower to buy goods and services or obtain a cash loan from banks honoring that card. (i.e., Visa® and MasterCard®)

Bankrupt

A debtor who is judged legally insolvent and whose remaining property is administered for or distributed among creditors.

Beneficiary

The person designated to receive the proceeds of a life or accident insurance policy or similar benefit of a transaction.

Board of Directors

An organized group of persons who control or govern the affairs of an institution or association. These persons are normally elected at an Annual General Meeting.

BORROWER

One who receives funds with the expressed intention of repaying the loan in full.

Budget

A financial plan serving as an estimate and control over future operations.

Business Loan

A loan made to a person for business purposes using some part of the business as collateral for the loan, such as inventory or stock.

Bylaws

The rules adopted by the shareholders and board of directors which define the field of membership, set the par value of shares, and give the general method by which corporate functions are to be carried on.

- C -

Certificate of Deposit (CD, Time Certificate)

A money market instrument which is a marketable receipt for funds deposited in a financial institution for a specific period of time and at a specified rate of interest.

Charge Account

Line of credit that may be used repeatedly up to a certain specified limit.

Chattel

A document offering personal property as security for payment of a debt.

Claim

Demand for payment under an insurance contract, bond or legal judgment.

Closing Statement

An accounting of funds in a real estate sale.

Collateral

Something of value pledged to assure loan repayment and subject to seizure upon default.

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.

Confederation

A membership organization primarily made up of independent credit union leagues located in a specific geographical area.

Consolidation Loan

Combining several debts into one loan usually to reduce the annual percentage rate or the dollar amount of payments made each month.

Cooperative

An institution that is owned jointly by those who use its services. Credit unions are cooperatives that work solely for the benefit of their members.

Co-signer

Individual who signs on the loan, yet does not receive any benefit from the transaction.

Credit

An arrangement to receive cash, goods or services now and pay for them in the future.

Credit Application

The method, by either written form or verbal interview, of obtaining information about a borrower who is seeking credit.

Credit Bureau

An organization which 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 which creates a liability by the card user in favor of the issuing institution.

Credit Committee

The group of credit union members which has the responsibility to approve or disapprove all requests from members for loans as received by the credit union.

Credit History

A continuing record of a borrower's debt commitments and debt payments.

Credit Investigation

An inquiry undertaken by a lender to verify information supplied by a borrower on a credit application.

Credit Life Insurance

Insurance issued on the lives of borrowers to cover payment of loans in case of death.

Credit Rating

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

Credit Risk

The possibility of loss to a lender resulting from nonpayment by a borrower.

Credit Union

A voluntary, not-for-profit cooperative organized by a group of people having a common bond, and democratically administered to encourage thrift among its members, create a source of credit at low rate, and provide maximum service at minimum cost.

Creditor

A person or a business who, in the ordinary course of business, regularly extends or arranges for the extension of consumer credit or lends money.

Creditworthiness

An evaluation of a consumer's ability and willingness to repay a debt.

Current Asset

An asset which may be converted into cash on short notice, such as stocks and bonds and savings deposits in a bank.

Debit Card

A plastic card issued by financial institutions which, upon use, immediately debits the customer's deposit account. Because no billing process is involved, it tends to reduce float. Contrast with credit card.

Debt Collector

Anyone, other than a creditor or the creditor's attorney, who regularly collects debts for others.

Debtor

One who owes something to another person, an organization or an institution.

Declining Balance

The decreasing amount owed on a debt as monthly payments are made.

Default

Failure to perform that which is required by the terms of a credit agreement.

Defer

To delay payment to a future time.

Deficit

The amount by which total losses exceed total income.

Delinquent

A credit account which is past due and for which no satisfactory repayment arrangement has been made.

Demand Deposit

Deposits payable on demand, drawn against by payment mechanism with no prior notice of withdrawal needed.

Direct Payroll Deposit

Movement of net-pay funds (usually electronically) from the account of the employer to an account of an employee at a designated institution. When used in conjunction with an Automated Clearing House the net pay can be credited to any account in any participating financial institution electronically.

Disability Insurance

Coverage which generally provides non-occupational benefits to a worker for accident or sickness not covered by the Worker's Compensation laws.

Discharge of Lien

Recorded release of a lien when debt has been repaid.

Disclaimer Statement

An agreement in which one party relinquishes any interest in another party.

Disclosure Statement

An itemized list of all charges giving total cost of credit.

Disposable Income

Take-home pay or net pay.

Dividend

A share of earnings distributed to shareholders of a credit union.

Dormant Account

A savings account in which there has been no member activity for a specified period of time.

Down Payment

A cash sum required at the outset of a credit transaction, which together with the outstanding loan balance comprises the total cost.

Due Date

A day of the month by which payment must be made.

Durable Goods

Commodities which serve consumers over an extended period of time, such as cars.

- E -

Education Fund

A fund comprised of credit union investments used for training and travel costs.

Equity

The amount of money property is worth above and beyond the amount owed on it.

Escrow

Funds to be paid by a second party to a third party for expenses on property held by the first party; for example, funds held by a financial institution-often collected together with monthly mortgage payments-to meet tax bills and insurance premiums.

Examination

The periodic examining of books and records by the credit union regulatory agency.

Examination Fee

The cost of periodic examination of books and records of a credit union by a regulatory agency.

Exempt Security

That property which cannot be used as security for a loan.

Expiration Date

The date a contract terminates.

Extension

Agreement with the lender to allow the borrower, who may be having financial difficulties, to make smaller payments on an outstanding debt over a longer period of time.

- F -

Fair Value

As used in this guide, the amount that a debtor could reasonably expect to receive for assets in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale.

Financial Statement

A written report giving facts on the income and expenses of an association for a specific period of time.

Fixed Asset

A long-lived economic resource acquired to benefit future activities.

Fixtures

Any attachment to a building which is considered legally a part of it.

Float

Funds credited to one account, but because of the time involved in the clearing process, have not been deducted from the account that was written against.

Foreclosure

A legal procedure taken by a lender under the terms of a mortgage agreement to have a property sold and the proceeds applied to the payment of a defaulted loan.

- G -

Grace Period

A period of time after a due date when payment is not subject to late charges.

Gross Income

Total Earnings prior to deductions for taxes, health insurance, employee benefit plans, etc.

Guarantor

A person or organization who promises to answer for the debt or default of another.

- H -

Home Equity Loan

A first or second mortgage loan that allows the borrower to use the portion of equity in his or her residence to increase borrowing capacity.

- I -

Insolvency

The inability of a person to repay all current obligations due at any given time.

Instrument

A legal document, contract, note or written agreement.

Interest

The charge for a financial loan; usually a percentage of the amount loaned.

Investment

Anything acquired for the purpose of producing income or a profit, or in credit unions, surplus cash deposited in other organizations to draw interest or dividends.

- J -

Joint Account

A credit arrangement for two or more people, enabling all to use an account and assume liability to repay.

- L -

Late Charge

An additional charge a borrower is required to pay as penalty for failure to pay a regular installment of a loan when due.

Late Payment

A payment on which an additional charge may be imposed, since it was made after the due date.

League

A membership group of credit unions in a given area formed to promote and develop the credit union movement in that area.

Leasehold Agreement

An agreement entered into by the credit union for office facilities that are rented or occupied usually on sponsoring company premises.

Lessee

One who rents real or personal property from a lessor for a fee, called rent.

Lessor

One who owns real or personal property which is leased.

Letter of Understanding and Agreement (LUA)

A negotiated agreement between a regulatory agency or agencies and a credit union's board of directors concerning the credit union's problems, actions to be taken, and a timetable to complete each action.

Liability

A debt or legal responsibility to repay debt in full.

Lien

A claim which one person has upon property of another person, as security for debt.

Line of Credit

The dollar amount a lender is making available to a borrower, which may or may not be borrowed.

Liquidity

In credit union terms, that portion of total assets not held in fixed assets nor loaned to members. These are the funds for which the credit union must make investment decisions.

Liquidity Reserves

Reserves held by an institution to guarantee the availability of funds to meet expected claims against it as members' drafts are presented for payment.

Loan Fee

The amount charged by the lender for granting a loan, often referred to as points, acquisition credits, or initial service charge. Loan fees are generally stated as a percent of the face amount of the loan.

Loan Officer

A credit union official who acts on member loan applications within the limits of the credit union's lending policies.

Loan Protection Insurance

Insurance which pays the balance of an insured member's loan upon the death of the borrower.

- M -

Maturity Date

Date on which final payment is due.

Member

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

Minimum Balance Account

An account which requires the holder to maintain a specified balance in the account for at least an entire dividend period.

Minor

A person who has not reached the age at which the law recognizes a capacity to make contracts.

Monetary Reserves

Reserves required by the Federal Reserve to be held against various types of deposit accounts as a tool of monetary policy.

Mortgage

A legal instrument by which a borrower gives a creditor a lien on property as security for a loan; the lien created by the instrument.

Mortgage Note

The legal contract in which the borrower agrees to repay a loan secured by a real estate mortgage, and stipulates the conditions of repayment.

Mortgagee

A person to whom property is mortgaged.

Mortgagor

A person who mortgages property.

- N -

Negotiable

Capable of being legally transferred from one person to another.

Net Income

The balance remaining during a given period after all operating expenses have been deducted from total income.

Net Loss

The deficit remaining when operating expenses exceed total income for a given period.

Net Worth

Difference between total assets and total liabilities.

Non-Negotiable

Not capable of being legally transferred from one person to another.

Note

A written document which is a recognized legal evidence of debt, promising payment of a specified sum of money on a certain date.

Notice Account

An account which requires the holder to give written notice of the intent to withdraw.

- O -

Obligation

A debt.

Online

Data processing term for operations that have direct access to a computer giving the user direct and immediate access to the computer system via terminal devices.

Outstanding

Unpaid.

- P -

Passbook

A book issued to members which serves as a current statement of account showing all transactions the member makes.

Passbook Savings Account

A savings account where funds can be added or withdrawn at any time.

Payment

Total sum of money borrowed, plus all finance charges, divided by the number of months in the term of the loan.

Payroll Deduction

An agreement entered into between employer and employee which allows the employer to deduct a given amount from the employee's salary to be transferred to the credit union or other organization.

Payroll Deposit

A system that enables firms to pay their employees, without writing payroll checks, by direct deposit of funds to the employee's account at a financial institution.

PEARLS (Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity, Signs of Growth)

PEARLS is a financial performance monitoring system designed to offer management guidance for credit unions and other savings institutions. PEARLS is also a supervisory tool for regulators. As a management tool, PEARLS signals problems to managers before the problems become detrimental. For Boards of Directors, PEARLS provides a tool to monitor management's progress toward financial goals. For regulators, PEARLS offers indicators and standards to supervise the performance of savings institutions.

Per Annum

For each year or for a year.

Personal Loan

A loan which is secured by anything other than a first mortgage on real estate property.

Planning Session

A process involving credit union volunteers and key management staff in which vision and mission statements and specific steps to attaining future credit union goals are determined.

Pledge

To transfer personal property to a creditor as security for a debt.

Point-of-Sale (POS)

Systems designed to accomplish Electronic Funds Transaction functions for retail establishments. POS systems enable the merchant to do any or all of the following functions through on-site terminals: (1) Credit authorization, which includes insuring a card's validity and the adequacy of a customer's credit for a particular purchase; (2) debit authorization, which is ascertaining that a customer's account contains sufficient uncommitted funds to cover a purchase; (3) electronic debiting of a customer's credit account and crediting of the merchant's account; (4) electronic transfer of funds from the customer's account to the merchant's account.

Portfolio

A list, distribution, or grouping of the income-earning securities, loans or accounts of a financial institution.

Premium

(1) Something offered free or at a reduced price as an incentive to save; (2) an amount paid, often in addition to interest, to obtain a loan; (3) the amount paid or payable, often in installments, for an insurance policy.

Principal

The actual amount of a loan before finance charges and other charges are added or deducted.

Promissory Note

A note issued as evidence of an agreement with a lender. Interest is paid on a promissory note, which is also referred to as a certificate of indebtedness.

- Q -

Quorum

The number of persons, members represented, or directors who may legally transact business of a meeting called for that purpose.

- R -

Rebate

Portion of unearned interest returned to borrower if loan is repaid before the date designed for full payment.

Refinance

Revising the terms of a loan contract.

Refund

A portion of a finance charge returned to the borrower for paying a loan in full before maturity.

Regular Reserve

An appropriation of undivided earnings to provide for the financial stability of the credit union.

Repossession

Act of reclaiming durable goods purchased on credit, for which payment is past due.

Rescission

Cancellation of a contract.

Reserve

Money or assets allocated to various accounts to protect any depreciation in asset value or bad debt losses.

Retained Earnings

Generally, the earnings reported in the equity section of a credit union's statement of financial condition. Retained earnings include undivided earnings, statutory reserves, and other appropriations as designated by management or regulatory authorities.

- S -

Salary Assignment

An agreement permitting a lender to collect a certain portion of a borrower's salary from the borrower's employer if payment is not made as specified in the credit contract.

Schedule Payment

Payment due at specified time, such as installment payments in a credit agreement.

Second Mortgage

A mortgage on real estate which already has a first mortgage.

Security

Something of value pledged to assure loan repayment and subject to seizure upon default.

Service Charge

Finance cost related to certain conditions of a credit contract, such as the fee when over drafting is activated.

Settlement

The striking of a balance between two or more parties having mutual dealings with one another and the payment of the debt balance by the debtor to the creditor.

Share

A given amount of money a person deposits with a credit union to become a member which confers ownership rights, has a stated par value and pays dividends.

Share Account

An account which does not require the holder to maintain a minimum balance greater than the par value of a share or to give notice of intent to withdraw.

Simple Interest

A method of calculating interest in which the amount of the interest is computed on the outstanding principal balance of a loan for each given period.

Statement of Account

A detailed listing given to an account holder periodically showing the transactions made and final balance as of a given date.

Statutory Reserve

An appropriation of undivided earnings that includes the regular reserve or a reserve required by the Central Bank of Belize.

Supervisory Committee

A credit union committee established to protect the financial welfare of the members by examining the affairs of the credit union, performing an annual audit and reporting to regulatory agencies or the Membership as required.

- T -

Term

Length of time designated for total repayment of loan.

Third-Party Payment

Payments whereby a depository intermediary transfers a depositor's funds to a third party upon the negotiable or nonnegotiable order of the depositor.

Time Deposit

A deposit which may not be withdrawn unless stated time or notice requirements are met.

Title

Legal ownership.

Title Search

A check of public records to determine current ownership of a parcel of real estate.

- U -

Undivided Earnings

The total accumulated earnings of a credit union which are available, if necessary, to pay dividends to members.

Unsecured Loan

A loan granted on the basis of a borrower's creditworthiness and signature; not secured by collateral.

- W -

World Council of Credit Unions (WOCCU)

An international organization of national and regional credit union leagues and confederations which facilitates and coordinates the development of credit unions around the world.

Note: This list does not claim to be complete or exhaustive of all the terms used at our credit union. It will therefore be amended and updated from time to time. Kindly contact us for any suggestions to enhance its usefulness to you, our members.

Sincerely,

SMCU Education Officer 2012