[Words in italics are separately defined in this glossary.]

**Acceleration.** When a creditor claims the total balance of a loan is due immediately. This cannot usually occur unless you have fallen behind on payments. In the case of a home mortgage, receipt of a letter stating that a loan has been “accelerated” is normally an important warning sign of foreclosure.

**Amount Financed.** The amount of money you are getting in a loan, calculated under rules required by federal law. This is the amount of money you are borrowing after deduction of certain loan charges that the Truth in Lending Act defines as “finance charges.” You should think of the amount financed as the real amount you are borrowing. You will find the amount financed for a loan on the “disclosure statement” that is given to you when the loan papers are signed.

**Annual Percentage Rate.** The interest rate on a loan expressed under rules required by federal law. It is more accurate to look at the annual percentage rate (as opposed to the stated interest rate) to determine the true cost of a loan, because it tells you the full cost of the loan including many of the lender’s fees. You will find the annual percentage rate for a loan on the “disclosure statement” that is given to you when the loan papers are signed.

**Answer.** In a lawsuit, this is a legal document that the defendant must file to respond to the claims being raised. There are often short time deadlines to file an answer. Failure to file an answer can result in a default judgment.

**Arrears.** The total amount you are behind on a debt. Usually the amount of all back-payments plus any collection costs.

**Assignment.** The transfer of a mortgage or deed of trust to another party usually evidenced by a document showing that the current mortgage holder (assignor) assigned its rights to the new holder (assignee).

**Attachment.** A legal process that allows a creditor to “attach” a lien to property that you own. Depending on state law, almost any kind of property may be subject to attachment, including your home, automobile, bank accounts, and wages. Once a lien is attached to the property, you may face further collection action on that property, including execution, garnishment, or foreclosure.

**Auto/Car Title Loan.** A short-term loan secured by a borrower’s car title.

**Automatic Stay.** An automatic end to credit collection activity. Filing bankruptcy is the only way to get this protection.

**Bankruptcy.** A legal process available in all states that allows you to address your debt problems according to a set of special rules while getting protection from continued collection activity.

**Bond.** Amounts required by a court order to protect a party to a lawsuit while the case proceeds. A bond may be required in some circumstances to pursue an appeal.

**Chapter 7 Bankruptcy.** See liquidation.

**Chapter 13 Bankruptcy.** See reorganization.

**Closing.** The process of signing loan papers which obligate the borrower to repay a loan. This term is associated with the signing of a mortgage loan. It is also called the settlement.

**Collateral.** Property put up to secure a loan. If you have given a creditor collateral, that creditor can normally take and sell the collateral if you are not able to repay the loan. A creditor with collateral is normally known as a “secured creditor.”

**Collection-Proof.** Also known as “judgment-proof,” this term is applied to people or businesses with property of minimal value, which can be entirely protected by exemptions. If you are collection-proof, it is difficult or sometimes impossible for any creditor to force you to pay a debt.

**Complaint.** A document beginning a lawsuit. A complaint normally includes a statement of all of the claims being raised by the person bringing the lawsuit.

**Cosigner.** A person who agrees to be responsible for someone else’s debt. A cosigner is normally responsible for paying back a debt just as if he or she had received the money.
Counterclaim. A response to a lawsuit in which the person being sued raises legal claims against the person (or business) which started the case. For example, if you are sued by an automobile seller who claims you did not pay for a car, you might counterclaim that the car was a “lemon.”

Credit Bureau, also called “consumer reporting agency” or “credit reporting agency.” This is a company that receives information about a consumer’s credit history and keeps records that are available to those seeking data about that consumer.

Credit Insurance. Insurance designed to pay off a borrower’s mortgage debt if the borrower dies or is otherwise incapable of meeting the loan obligation.

Credit Report, also called a “consumer report” or a “credit record,” is the information about a consumer that a credit bureau has on file that it can report to others. The report includes the credit history and current status of a consumer’s monthly payment obligations and public information such as bankruptcies, court judgments, and tax liens.

Credit Score. A credit score (sometimes called a “FICO” score), is a number that summarizes your credit history. The purpose of the score is to help lenders evaluate whether you are a risky borrower.

Creditor. Any person or business to whom you owe money.

Cure a Default. If you have defaulted on a debt, this is a process for correcting the default. Most often, a “cure” refers to getting caught up on missed payments (paying the arrears). A cure may also be called reinstatement.

Debt Collector. The most common use of this term applies to anyone who collects debts. However, under the federal Fair Debt Collection Practices Act or “FDCPA,” the term “debt collector” only applies to collection agencies and lawyers (or their employees) that are collecting debts for others. State laws may cover other types of collectors.

Debt Consolidation. Refinancing debt into a new loan. In the mortgage lending context, relatively short-term, unsecured debt is often rolled into long-term mortgage loans, putting the home at greater risk.

Debt Management Plan. Debt management plans are offered by many credit counseling agencies. Through debt management plans (DMPs), consumers send the credit counseling agency a monthly payment, which the agency then distributes to the consumer’s creditors. In return, the consumer is supposed to get a break, usually in the form of creditor agreements to waive fees and to lower interest rates.

Debt Settlement. Negotiation and settlement services are different from debt management services (see Debt Management Plan) mainly because the debt settlement agencies do not send regular monthly payments to creditors. Instead, these agencies generally maintain a consumer’s funds in separate accounts, holding the money until the agency believes it can settle a consumer’s debts for less than the full amount owed.

Debtor. Any person who owes money to another. In bankruptcy, the term “debtor” refers to the person who begins a bankruptcy case.

Debtor’s Examination, also known as “post-judgment process,” “asset examination,” and “supplementary process.” This is normally a court ordered proceeding in which a debtor must appear in court or in an attorney’s office to answer questions about current income and assets from which a judgment may be collected. In many states, failure to appear at a debtor’s examination can result in an arrest warrant.

Deed. An instrument that transfers ownership from the seller to the buyer upon the closing of the sale.

Deed in Lieu. An agreement to turn real estate over to a lender as an alternative to foreclosure.

Deed of Trust. In some states, this is the term used for a pledge of real estate as collateral. It is similar to a mortgage.

Default. Failing to meet the requirements of an agreement. Most defaults involve failure to make required payments. However, other types of defaults are possible, including failure to maintain necessary insurance and failure to keep collateral in proper condition.

Default Judgment. A judgment in a lawsuit against a party who did not meet legal requirements in connection with the case.
The most common reason for a default judgment is failing to file an *answer* or other necessary papers before deadlines specified by law.

**Default Rate.** The interest rate the creditor will charge once the borrower defaults on the loan. If a default interest rate is listed in a loan contract, it will always be higher than the contract interest rate.

**Defendant.** In a lawsuit, this is the person or business that is being sued.

**Defense.** A legal reason why a court should not award any or all of what is requested in a lawsuit. For example, a statement that the money is not owed is a defense to a collection lawsuit.

**Deficiency.** The amount a debtor owes a creditor on a debt after the creditor seizes and sells the *collateral*. A deficiency arises when the collateral is sold for less than the amount of the debt. Normally, a creditor must bring a lawsuit to collect a deficiency.

**Discharge.** A document that ends a debtor’s legally enforceable obligation to pay a debt. It is common to get a discharge of a mortgage debt after the mortgage is fully paid off. In addition, most bankruptcies result in a discharge at the end of the case that applies to many debts.

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