Hi everyone, Jerry Manor here. Today on SeaComm Money Matters Financial terms everyone should understand part 1

Interest and the Interest rate

Interest earned is like bonus money your credit union or bank pays you just for keeping money in an account, such as various types of savings accounts. You can also earn interest on investments. Interest owed, on the other hand, is what you pay when you borrow money—like when you take out a loan. The interest rate is the percentage paid when money is borrowed or made when money is lent.

Compound interest

Compound interest is interest earned on top of interest—it's calculated on both the principal amount and any previously earned interest. Simple interest, on the other hand, is only applied to the principal amount. Compound interest can help someone build wealth and earn more on their investments over time. How much you earn is determined by the rate and how often the interest is compounded and added to the amount you have on deposit.

Annual percentage rate (APR)

Annual percentage rate (APR) represents the yearly price you pay to borrow money. It includes the interest rate plus other costs, such as lender fees, closing costs and insurance. If there are no lender fees, the APR and interest rate may be the same.

Annual percentage yield (APY)

Annual percentage yield represents the amount you earn on your money including compounding of interest in a year. APR and APY allow consumers to compare loans and deposit products to get the best possible deal.

Amortization

Amortization refers to the process of paying off a loan over time in equal installments on a set schedule. Each month, a borrower will typically pay off part of the principal amount and part of the interest until the total amount is paid back in full.

Lien

A lien is the legal right to an asset in the settlement of a debt. For instance, a mortgage involves a lien because the house serves as collateral for the loan. If the homeowner fails to pay their debt, the house could be seized. Similarly, if a homeowner doesn't pay their taxes, the IRS could place a tax lien on the property.

Credit Report

A credit report is a statement that has information about your credit activity and current credit situation such as loan paying history and the status of your credit accounts. There are three major credit bureaus, the organizations that compile credit reports. Experian, Equifax and Trans Union. Credit reports contain personal information, information on credit accounts, collection items, public records and inquiries, a list of lenders and others who have accessed the report.

Credit score

A credit score is a reflection of a person's creditworthiness and how likely they are to pay back their debts on time. Credit scores are used in lending decisions and can affect other things, too—like rental applications and insurance premiums. FICO® and VantageScore® are the two credit-scoring companies that provide some of the most commonly used scores. The higher the credit score, the better.

We'll stop there and continue on with more financial terms you should know next week on SeaComm Money Matters.

Have a great weekend!