



**LA JOYA AREA**  
F E D E R A L  
**CREDIT UNION**

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### **Accrued Interest**

Interest that accumulates on the unpaid principal balance of a loan. [Back to Top](#)

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### **ACH**

Automated Clearing House [Back to Top](#)

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### **APR**

Annual Percentage Rate [Back to Top](#)

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### **ATM**

Automated Teller Machine [Back to Top](#)

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### **Borrower**

The person who receives a loan. [Back to Top](#)

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## **Capitalization**

The process of adding unpaid interest to the principal loan amount, thereby increasing the balance that future interest accrues on and the total amount to be repaid.

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## **Credit union?**

A credit union is a cooperative, not-for-profit financial institution organized to promote thrift and provide credit to members. It is member-owned and controlled through a board of directors elected by the membership. The board serves on a volunteer basis and may hire a management team to run the credit union. The board also establishes and revises policy, sets dividend and loan rates, and directs certain operations. The result: members are provided with a safe, convenient place to save and borrow at reasonable rates at an institution which exists to benefit them, not to make a profit.

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## **Credit unions beginnings.**

The first credit union cooperatives started in Germany over a century ago. Today, credit unions are found everywhere in the world. The credit union movement started in this country in Manchester, New Hampshire. There, the St. Mary's Cooperative Credit Association, a church-affiliated credit union, opened its doors in 1909. Today, one in every three Americans is a credit union member.

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## **Credit union owners?**

Most financial institutions are owned by stockholders, who own a part of the institution and intend on making money from their investment. A credit union doesn't operate in that manner. Rather, each credit union member owns one "share" of the organization. The user of credit union services is also an owner, and is even entitled to vote on important issues, such as the election of member representatives to serve on the board of directors.

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## **Credit union purpose.**

The primary purpose in furthering their goal of service is to encourage members to save money. Another purpose is to offer loans to members. In fact, credit unions have traditionally made loans to people of ordinary means. Credit unions can charge lower rates for loans (as well as pay higher dividends on savings) because they are nonprofit cooperatives. Rather than paying profits to stockholders, credit unions return earnings to members in the form of dividends or improved services.

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## **Consolidation**

Refinancing multiple loans into one new loan with a new repayment term and interest rate.

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**Cosigner**

A creditworthy party, other than the borrower, who assumes responsibility for repaying a loan in the event the borrower does not pay.

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**Credit Bureau**

The institution that tracks and reports the manner in which borrowers repay their loans. This information becomes part of each borrower's credit record.

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**Default**

Failure to repay a loan according to the terms of the promissory note. [Back to Top](#)

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**Disbursement**

Loan funds issued by a lender through check (normally made to the borrower). [Back to Top](#)

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**Disclosure Statement**

A document listing the principal amount of the borrower's loan, fees that have been deducted, the interest rate, the total amount of indebtedness (principal and interest), and repayment rights and responsibilities.

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**Extension**

An authorized period of time during which the loan holder allows the borrower to postpone repayment because of financial difficulty.

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**Interest**

A charge for the use of borrowed money calculated upon a percentage of the outstanding principal loan amount.

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**Loan**

Money lent to a borrower that must be repaid with interest. [Back to Top](#)

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**Membership**

A credit union exists to serve a specific group of people, such as a group of employees or the members of a professional or religious group. This is called a "field of membership." The field of membership may include where they live, where they work, or their membership in a social or economic group.

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## **NCUA**

All savings accounts are insured up to \$100,000 by the NCUA, the National Credit Union Administration, an agency of the federal government.

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## **Prepayment**

Paying off a loan, in part or in whole, before it is due. [Back to Top](#)

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## **Promissory Note**

A legal document signed by the borrower listing conditions under which the money is borrowed, and the terms under which the loan must be repaid to the lender.

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## **Secondary Market**

An organization established to purchase real estate loans from lenders, which enables lenders to make new loans.

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