Glossary of Financial Terms

Amortization - The gradual and systematic reduction of debt by periodic payments which include both principal and interest.

Annual Percentage Rate (APR) - The total cost of credit, including interest, fees, and other charges, expressed as an annual rate.

Borrower - Any person or organization that obtains funds from another for a period of time. The borrower usually signs a note as evidence of the indebtedness.

Capital Gain (or Loss) - The difference between the price at which you buy an investment and the price at which you sell it. There are frequently complex tax implications associated with capital gains or losses.

Churning - Excessive buying and selling in a customer's account by a broker seeking to maximize commissions regardless of the client's best interests.

Diversification - The method of balancing risk by investing in a variety of securities.

Fiduciary - A person who manages assets for the benefit of another person rather than for his or her own profit.

Maturity - The time when a note, bond or other investment option comes due for payment to investors or creditors.

Negative Amortization - When a loan payment for any period is less than the interest charged over that period, so the outstanding balance of the loan increases.

Principal - The unpaid balance on a loan, not including interest; the total amount of money invested or loaned.

Securities - Financing or investment instruments (some negotiable, others not) bought and sold and traded in financial markets, such as stocks, bonds, notes, options and warrants.

Variable Rate - A variable-rate agreement, as distinguished from a fixed-rate agreement, has an interest rate that may fluctuate over the life of the loan.

Find a more detailed glossary listed on our website at www.dbo.ca.gov