



## COMMON CREDIT TERMS AND DEFINITIONS

GENERIC TERM	DEFINITION
Accrued Interest	Interest that has been accumulated since the last loan repayment
Amortization	The reduction of debt through regular payments, or the reduction in value of an asset through depreciation
Balloon Payment	The final payment on a debt, which is much larger than the standard payments.
Bankruptcy	The discharge or forgiving of one's debts by a federal court. There are different types of official bankruptcy under federal law.
Collateral	Items of value that are pledged as security for a loan. If the loan is not paid, the items are forfeited.
Compound Interest	A method by which interest is calculated on the principal amount and on the interest that was earned earlier.
Consolidation Loan	A loan that combines and refinances other obligations to achieve smaller monthly payments, usually at a lower interest rate or for a longer term.
Consumer Credit	Credit extended for personal, family, or household purposes
Credit	The ability to borrow money from a lender, also the ability to purchase goods and pay for them later.
Credit Bureau	A firm that maintains credit reports on individuals and the use or abuse of the credit extended to them.
Credit Rating	An evaluation of the credit history of an individual or firm to determine if worthy of the extension of additional credit.
Delinquency	Failure to pay on an obligation when due.
Fixed Rate Loan	A loan or mortgage in which the interest rate is determined at the beginning of the term and stays constant throughout.
Garnishment	A court order requiring an employer to deduct monies from a person's pay check, or, which deducts monies from a financial institution account for a specific purpose.
Interest	The cost of credit; usually a percentage of the total loan that is charged for the benefit of using the funds borrowed.



## COMMON CREDIT TERMS AND DEFINITIONS

GENERIC TERM	DEFINITION
Judgment	A court order requiring that some person or firm pay an amount of money or surrender property to another.
Lien	A claim by a creditor or other party against an asset. If an obligation is not fulfilled, the property may be seized through a court order to satisfy the lien.
Line of Credit	An amount of credit that a financial institution makes available to a business or consumer during a specified period of time.
Loan	<ul style="list-style-type: none"><li>• In general, the use of something of value for a period of time by someone other than the owner;</li><li>• An agreement to borrow money, most often in writing and for a specific period of time, at a stated interest rate and repaid according to a specified plan.</li></ul>
Mortgage	A type of debt in which the borrower gives the lender a lien against the property until the funds are paid back. When involving personal property as opposed to real estate, the term is "chattel mortgage".
Net Worth	The value of an individual or business, determined by subtracting all liabilities from all Assets.
Overdraft	Cheque account with a pre-approved line of open-end credit usually on fluctuating balance with an approved limit.
Post-dated Cheque	A cheque issued for a date later than the day on which it is written; the recipient should not deposit it prior to the written date.
Lease Asset Finance	Interest that is determined at the time a loan is granted, and which is added to the amount borrowed, the total of which is paid in equal instalments over term of facility granted.
Pre-payment	The ability to pay the balance of an extension of credit before it is due.
Principal	The amount of money borrowed.
Promissory Note	A written promise to pay a certain sum under terms acceptable to both the borrower and the lender.
Refinancing	Entering into a new credit agreement which replaces one or more prior agreements.
Repossess	The seizing of collateral by a financial institution or merchant because of non-payment, usually with the intention of selling it to recover at least a portion of the loan balance.



## COMMON CREDIT TERMS AND DEFINITIONS

GENERIC TERM	DEFINITION
Revolving Credit	A credit account to which additional purchases may be made, to which finance charges are assessed on any outstanding balance, and which may be paid in full at any time.
Right to Cancel	Under certain circumstances, the consumer's right to cancel a contract within a specified period of time.
Right to Redeem	The right of a consumer to buy back, within a specified period of time, an item of collateral that was seized for non-payment.
Secured Credit Card	A card for which the financial institution requires a collateral deposit to be kept to cover purchases made with the card (also called a collateralised credit card).
Service Charge	Any of a number of different fees charged by financial institutions that help defray the costs of processing checking and savings account transactions.
Unsecured Loan	A loan for which no collateral is taken as security.
Variable Rate	A periodic rate that may change based on some type of index. If the rate is subject to change, this must be disclosed to you in writing.
Acceptance Date	The date of acceptance of Letter of Offer by customer.
Account Controller	An individual officer with responsibilities of maintaining end-to-end relationship and account management of set of customer groups.
Approval Date	The date on which the credit proposal is approved.
Approved Amount	A facility with a limit provided to a customer with a contractual obligation on the part of HFC to provide credit.
Arrears	Amount of repayment not met on due dates.
Availability Date	The date on which the facility becomes available for use by the customer. (Terms and conditions precedent met, fees paid and credit limit recorded.
Bad Debt	A debt, or part of a debt, will be deemed bad and should be written off if : <ul style="list-style-type: none"><li>▪ Interest is not being charged on it</li><li>▪ On the basis of a commercial assessment, it is considered there is little or no likelihood that the debt, or any part of it, will be recovered from the debtor.</li></ul>



## COMMON CREDIT TERMS AND DEFINITIONS

GENERIC TERM	DEFINITION
Business Unit	A designated Branch or Asset Writing Point within HFC which has a direct relationship with part of a customer group and is responsible for discussing and negotiating ongoing credit requirements with the customer and preparing credit.
Capital	For a sole trader or partnership, capital is known as proprietorship. For a company, it is known as shareholder's funds. It consists of paid up shares and reserves.
Collection Costs	Those external costs that have been or will be incurred by HFC in connection with the recovery of a debt (other than those associated with the physical sale and realisation of specific assets) such as legal and related costs of actions to discover or gain control of assets, to pursue guarantors etc, and which are chargeable against the customer in terms of our documentation.
Credit Commitment	The amount of Total Credit Exposure accepted in approving a particular credit facility with a limit provided to a customer. This mostly applies to un-drawn portion of the loan, recorded from approval date, until either : <ul style="list-style-type: none"> <li>▪ Contractual arrangements for a credit limit are completed (full availability date)</li> <li>▪ Refusal or non acceptance of facility offer by customer.</li> </ul>
Credit Exposure	The aggregate amount assessed as owing by a customer arising from : <ul style="list-style-type: none"> <li>▪ Direct credit risks (including capitalised income payments)</li> <li>▪ Indirect credit risks (guarantees, contingent liabilities etc)</li> </ul>
Credit Facility	An arrangement under which a product involving credit risk is made available to a customer. A facility : <ul style="list-style-type: none"> <li>▪ Has a recorded credit limit;</li> <li>▪ May be committed or uncommitted;</li> <li>▪ May have security;</li> <li>▪ May be simple (single account) or complex multiple accounts or sub facilities) account:</li> <li>▪ A mechanism for recording credit facility outstanding and is usually identified by a unique number provided to the customer;</li> <li>▪ Product;</li> <li>▪ A marketing term for accounts with similar credit or marketing attributes.</li> </ul>
Credit Limit	The maximum amount of credit available under an approved credit facility recorded from availability date until : <ul style="list-style-type: none"> <li>▪ Maturity of contractual term;</li> <li>▪ Repayment or clearance by customer;</li> <li>▪ Cancellation or reduction by HFC within contractual terms.</li> </ul>
Credit Policies	Defines the HFC'S desired outcomes of credit activities and govern the actions and procedures to be undertaken.



## COMMON CREDIT TERMS AND DEFINITIONS

GENERIC TERM	DEFINITION
Credit Principles	The fundamental Code of Credit Conduct (as endorsed by the Board Credit Sub-Committee) applicable to all HFC's credit related business activities across the network.
Credit Procedures	The processes through which policy objectives are to be pursued. This is provided as a step by step guide.
Credit Risk	<p>The risk that payment will not be received due to the temporary or permanent insolvency of the debtor or the debtor's unwillingness to pay. The potential for loss inherent in undertaking credit exposures. It may include :</p> <ul style="list-style-type: none"> <li>▪ Direct credit risk that a customer's debt will not be repaid on time and in full;</li> <li>▪ Indirect credit risk that a customer's obligation will become a direct credit risk and not be repaid on time and in full;</li> <li>▪ Market replacement risk-the potential replacement cost of the cash flows associated with transactions involving interest rate, exchange rate or other market related contracts;</li> <li>▪ Settlement risk that a customer to whom we have delivered assets or money does not make the anticipated reciprocal payment of money or delivery of assets;</li> <li>▪ Political risk that the actions of a sovereign or interim government (such as nationalisation or expropriation or other separate events such as war or natural disaster) prevent parties in a particular country from settling their debts and obligations to HFC;</li> <li>▪ Environmental risk is Credit Risk if a customer's viability and repayment ability are threatened because of failure to comply with environmental laws or standards. Our operational risk if HFC as voluntary owner or involuntary owner or controller of a polluted property incurs similar liability.</li> </ul>
Current Assets	Cash and other types of assets that are reasonably expected to be converted to cash, sold or consumed by a business entity within its operating cycle (if this is discernible) or with 12 months of the balance sheet date.
Current Liabilities	Obligations of the entity that are reasonably expected to be settled with the entity's operating cycle (if this is discernible) or with 12 months of the balance sheet date.
Customer	<p>A unique legal entity for whom credit exposure is undertaken; may mean either :</p> <ul style="list-style-type: none"> <li>▪ A customer being an individual, a partnership, a firm, a company, or an entity of some other kind;</li> <li>▪ A customer group is a combination of two or more customers</li> </ul>
Depreciation	That portion of the cost (or other value) of fixed or non-current asset's accounting or 'book value' is periodically reduced to reflect the economic value of the asset which reduces by a combination of wear and tear from use, age or obsolescence. The amount is assigned to expense over a period of time.



## COMMON CREDIT TERMS AND DEFINITIONS

GENERIC TERM	DEFINITION
Doubtful Debts	Represents that amount owing by a customer to HFC, repayment or recovery of which is considered uncollectible.
Excess	The amount by which outstanding exceeds the documented credit limit or amount of outstanding if no limit is approved. This applies to current/cheque accounts.
Extraordinary Items	Any item which is not central to core business and considered more of a strategic nature i.e. where a large section of the business or closure of a branch has occurred.
Facility Term	<i>Original term to maturity:</i> The period between the date the facility commenced and the date the contractual obligation crystallises or expires. Remains constant over the life of the facility. <i>Remaining term to maturity:</i> The period between the reporting date and the date the contractual obligation crystallises or expires. Decreases over the life of a facility.
Intangible Assets	Assets that usually do not have a physical existence and derive value from the rights that possession confers on their holders e.g. goodwill patents.
Investments	Assets held for investment purposes rather than for use in the normal activities of entity.
Irregularity	Any deviation from the approved terms and conditions of a facility, including ; <ul style="list-style-type: none"><li>▪ Payment defaults</li><li>▪ Non compliance with covenants and other risk controls .</li></ul>
Liquidity	The ability of a entity to satisfy its short-term financial obligations; also refers to the average length of time it takes to convert a non-cash assets into cash.
Reserves	These are funds that belong to the shareholders. There are two types of reserves. Capital and Revenue. Only revenue reserves are used to pay a cash dividend. Capital reserves can be used to write off losses and issue bonus shares.
Share Capital	Comprises the values of shares actually paid up by the shareholders as against the authorised capital. Thus the shareholders are liable to pay full value of the share as deemed necessary.
SWOT	Strengths Weaknesses, Opportunities and Threats.
Working Capital	The excess of current assets over liabilities.