1
lesson

grasp [grɑ:sp]
challenging [ˈtʃælɪndʒɪŋ]
overwhelming [əʊvəˈwelmɪŋ]

Idiom

to keep on top of something

To try to fully grasp and be in control of an important aspect of our lives, which might routinely prove quite challenging or even overwhelming.

What does it mean to keep on top of something?	*"To keep on top of something" means to try to fully grasp and be in control of an important aspect of our lives, which might routinely prove quite challenging or even overwhelming.*
Use this idiom in a sentence.	*Mr. Johnson tried to keep on top of the personnel situation at the factory but some of his workers were extremely unreliable so he often had to call for temporary help.*
What other kind of situation might be called challenging?	*Managing one's personal budget might be challenging, as it sometimes proves difficult to keep on top of balancing one's income with one's spending.*
Could you give us an example of an overwhelming experience?	*Visiting an exotic country for the first time could be an overwhelming experience.*

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(second) mortgage ([ˈsekənd]) [ˈmɔːɡɪdʒ]
equity [ˈekwəti]
interest rate [ˈɪntrəst reɪt]
variable [ˈveəriəbl]
downpayment [ˈdaʊnpeɪmənt]
property [ˈprɒpəti]

Understanding personal finance and consumer credit

Few things can be as confusing to the individual as personal finance and consumer credit terminology. We all try to keep on top of our own finances and consumer credit issues, but sometimes the complexity of it all proves overwhelming.

Let us now attempt to explain in simple, easy to understand terms, some of the meanings behind the complex vocabulary so that we may quickly grasp the most important concepts.

A mortgage is a long-term loan taken from a bank used to buy properties such as a house or flat. A second mortgage is the money taken when we borrow against the equity in our house.

There are basically two types of mortgages with regard to future payments based on interest rates. The first type is a fixed rate mortgage in which the interest rate remains the same for at least the first several years. The second type is a variable rate mortgage where the interest rate is varied periodically by the lender to reflect market conditions.

What is a mortgage?	*A mortgage is a long-term loan taken from a bank used to buy properties such as a house or flat.*
Use the word mortgage in a sentence.	*I wanted to apply for a mortgage, but was disappointed to find that my bank's interest rates were so high.*
How would you define a fixed rate mortgage?	*A fixed rate mortgage is a mortgage in which the interest rate remains the same.*
Give us the definition of a variable rate mortgage.	*A variable rate mortgage is a mortgage where the interest rate is varied, that is it changes depending on market conditions.*

Why is a mortgage such an important type of loan for most people?	*A mortgage is such an important type of loan because most people would like to own their own homes but cannot afford to pay for property in cash.*
What do we mean by the term downpayment?	*A downpayment is the portion of the selling price of a house or car usually calculated as a percentage, which must be paid in cash.*
Who decides the amount of the downpayment?	*The lending institution will tell you how much of a downpayment they require when you apply for the loan.*
What do we mean when we talk about a second mortgage?	*A second mortgage is the money taken when we borrow against the equity in our house.*
How do you understand borrowing against the equity?	*As I understand it, borrowing against the equity means that the sum of your downpayment together with the amount of the mortgage that you've already paid off can secure your second mortgage.*
A family bought a house three years ago for $100,000. The house has not since gone up or down in value. When they bought it, they had made a downpayment of 20%. What would be the amount of the second mortgage they could take if they had already paid off 10% of the first mortgage?	*If the family had bought a house for $100,000, making a downpayment of 20%, and the house's value hadn't changed and they had already paid off 10% of the first mortgage, the family could now take out a second mortgage in the amount of about $28,000.*
How did you calculate it?	*I calculated the equity in their house.*

Idiom

"to be upside down"

This idiom is used to explain the situation of a car or house buyer being in "negative equity", meaning that the amount of money he still owes on his car loan or mortgage is more than the vehicle's or house's current market value.

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Give us the definition of the idiom "upside down".	*This is the idiom used to explain the situation of a car or house buyer being in "negative equity" with regard to the car or house he owns.*
What do you precisely mean by the term negative equity?	*Negative equity means that the customer owes more to the bank on his car loan or mortgage than his property is currently worth on the market.*
Use the idiom "upside down" in a sentence.	*Frank knew that he was seriously "upside down" on his car loan, as the balance of his loan was over $9000, and all the dealers he visited told him that his car was only worth $6500.*
How much does negative equity amount to for Frank from that example?	*The negative equity amounts to $2500.*

stockmarket analyst [stɒkˈmɑːkɪt ˈænəlɪst]
shares [ʃeəz]
stock [stɒk]
inflation rate [ɪnˈfleɪʃn reɪt]

Idiom

make an educated guess [ˈedjukeɪtɪd ges]

When an individual or institution does not have enough hard facts or totally reliable information to predict something in the future with complete accuracy, but does have enough data to be reasonably certain of the outcome.

What is an educated guess?	*An educated guess occurs when an individual or institution does not have enough hard facts or totally reliable information.*
Use this idiom in a sentence.	*Based on his research, the stockmarket analyst was willing to make an educated guess that our company's share price would increase by about 25% next year.*

How is it possible that stockmarket analysts are able to make educated guesses?	*Stockmarket analysts are trained in collecting, comparing and reporting on market data, as well as in situation analysis and trend monitoring, which enables them to make educated guesses about companies' condition and macroeconomic factors, such as inflation rates in the future.*
What is the inflation rate?	*The inflation rate is the rate at which money is losing its value and consequently the prices for goods and services are rising.*
Why can mortgages only be offered in countries with stable economies and relatively low rates of inflation?	*Mortgages can only be offered in countries with stable economies and low rates of inflation because when a bank grants a mortgage, it is essentially making an educated guess as to what interest rates will be twenty or thirty years from now.*

unsecured loan [ʌnsɪˈkjʊəd ləʊn]
collateral [kəˈlætrəl]
co-signer / guarantor [kəʊˈsaɪnə / gærənˈtɔː]
creditor / lender [ˈkredɪtə] / [ˈlendə(r)]
credit report [ˈkredɪt riˈpɔːt]
credit history [ˈkredɪt ˈhɪstri]

What do we mean when we refer to an unsecured loan?	*An unsecured loan is a loan taken from a bank not requiring collateral, which is usually offered only to a customer with an excellent credit history.*
Is a personal loan an example of an unsecured loan?	*Yes, it is an unsecured loan because a personal loan, which is designed for you to use any way you like, does not require collateral.*
Why would a bank only offer this type of loan to a customer with an excellent credit history?	*Since the loan requires no collateral, the bank must be extremely confident that the borrower will repay it. That's why personal loans are only granted to customers with an excellent credit history.*

And what if somebody doesn't have any credit history and wants to borrow money from a bank for the first time?	*If a client wants to borrow money for the first time, the creditor will normally require a co-signer, who has a well-established credit history, to guarantee the repayment of the loan.*

secured loan [sɪˈkjʊəd ləʊn]
foreclosure [fɔːˈkləʊʒə]
repossession [riːpəˈzeʃn]
default on a loan [diˈfɔːlt]
charge off / a charge-off [tʃɑːdʒ ɒf]

What is a secured loan?	*A loan requiring collateral, which the bank may keep if the customer does not repay it is called a secured loan.*
Is a car loan an example of a secured loan?	*Yes, it would be considered a secured loan because in the case of a car loan, the car itself is the collateral which the bank may keep if the customer does not repay the loan.*
Is this basically what happens in the case of a repossession?	*Yes, it is because if you don't repay your car loan for several months, the bank has the right to take away or "repossess" your car.*
What happens to a homeowner in the unfortunate case of a foreclosure?	*In the unfortunate case of a foreclosure, the bank legally takes back the person's house or flat because he hasn't paid his mortgage for a number of months.*
What does it mean when a person defaults on a loan?	*When a person defaults on a loan it means that from the bank's point of view, the person either has not made a reasonable effort to repay it or is simply unable to repay it.*
Use the word default in a sentence.	*Although his credit history has always been outstanding, Mr. Lewis now has no choice but to default on his personal loan as he has been unemployed for over a year.*
When would a lender decide to charge off a loan?	*A lender might decide to charge off a loan when it is obvious that the amount the borrower defaults on is impossible to collect.*

How does a charge-off influence a borrowers prospects for other loans?	*A charge-off has a very negative influence on a borrower's credit record, making it very difficult to obtain other loans in the future.*

judgment [ˈdʒʌdʒmənt]
court order [kɔːt ˈɔːdə]
bankruptcy [ˈbæŋkrʌpsi]
assets [ˈæsets]
cut back on [kʌt bæk ɒn]
tax lien [tæksˈliːən]

What is a judgment?	*A judgment is a court order demanding that you repay money owed to your creditors.*
What happens when an individual goes before a court to declare bankruptcy?	*When an individual goes before a court to declare bankruptcy, he tells the court that he has no money left to pay his creditors, and understands that the court has the right to use his remaining assets to repay his debts.*
Create a sentence using the word bankruptcy.	*Mr. Smith found it necessary to declare bankruptcy after his building supply business failed due to the recession.*
Why might a building supply business go into bankruptcy during a recession?	*A building supply business might go into bankruptcy during a recession because in hard times people usually cut back on their spending, and would be much less likely to buy or build new homes.*
What is a tax lien?	*A tax lien is a court ordered action taken by governmental authorities against people who have not paid their tax bills over a period of time.*
What would the court order essentially say in the case of a tax lien?	*In the case of a tax lien the court order would essentially say that these governmental authorities now have the legal right to seize any of the person's assets, including houses, cars, stocks, cash, etc.*
Do you think this process is fair?	*Yes, I think it's fair because all people are obligated to pay taxes, and unless people who don't pay them are punished, many others would also choose not to pay.*