**Glossary OF Commonwealth Bank**

ABN (Australian Business Number) - a number issued by the Australian Tax Office (ATO) to registered businesses in Australia. This number must be displayed on official paperwork and transactions for tax purposes.

Account balance - see balance.

Account number - a unique number that the bank allocates to your account.

Accruals basis - transactions that are recorded when there has been an actual exchange of goods or services. Also known as Invoice Basis.

Accrued interest - interest that is owed, but isn't yet due to be charged or paid.

Acquisitions - includes items an individual buys, such as goods, services or equipment, for their enterprise.

Additional repayments - any money paid into a loan in addition to the prescribed minimum repayments.

Adjustment note - generally issued by a supplier and gives details of changes to consideration for a supply. This needs to be obtained from a supplier before an adjustment to claim additional input tax credits for an acquisition can be made.

Adjustments - in conveyancing, expenses which are calculated on settlement day, such as council rates and water charges, that the vendor has paid for but not used and which the buyer has not used but will be billed for.

Administration fee - a monthly fee that is charged by a bank for providing services and managing an account.

Advice - a statement of opinion or recommendation that may influence a person in making a decision.

Advocate - an individual who acts or speaks on your behalf, particularly when communicating with authorities.

Affordability (housing) - measured by the Housing Affordability Index and determines the ratio of average household disposable income in an area to the income required to meet payments of a typical home. The higher the number, the more affordable property is.

All Ordinaries index - measures the overall performance of the Australian share market and is made up of the weighted share prices of about 500 of the largest Australian companies.

All-in-one loan - allows you to use money from a loan account for day-to-day purchases. The longer spare funds stay in the account, the more you'll save in interest.

Allotment - a portion of land.

Amortisation period - the time you have to repay a loan at the arranged terms.

Amount due - the amount of money that has to be paid on an outstanding account.

Annuity - a regular payment over a set period of time during the life of an individual.

Application fee - a fee charged for setting up a loan.

Appraised value - the estimated value of a property used as security for a loan.

APR (Annual Percentage Rate) - the rate at which interest is charged on money that is owed over a one year period. Interest is usually calculated daily and may be charged monthly, quarterly or annually.

Arrears - the amount of money that has not been paid by its due date.

ASIC (Australian Securities and Investments Commission) - an Australian government body that regulates banks and other financial companies.

Asset (Secured) - an asset that has been provided by you to secure a loan.

Asset allocation - the total amount of money you invest in different asset classes like shares and property. It is generally determined by your Risk Profile.

Assets - any property, money or goods you own from which a benefit can derive.

ASX (Australian Stock Exchange) - Australia's biggest stock exchange where shares in public companies, bonds and other securities are traded.

At call - money which is "at call" can be withdrawn from an account immediately.

ATM (Automatic Teller Machine) - a machine found in a variety of public places that can be used to withdraw funds from your account, usually 24 hours a day.

ATM card - a card that provides access to your account via ATM and EFTPOS facilities. See debit card, ATM and EFTPOS.

ATO - Australian Taxation Office.

Attribution - rules which determine when a GST liability or an input tax credit entitlement arises in respect of a supply.

Automatic deduction - see direct debit

Balance - the amount of money in your bank account.

Balance (Final/Closing) - the amount of money in a bank account at the end of a certain period of time.

Balance (Prior/Opening) - the amount of money in your account at the beginning of a certain period of time.

Balance sheet - an enterprise's statement of its assets, liabilities and net equity.

Balance transfer - the transfer of whole or part of the outstanding balance of your credit card from one financial institution to your credit card at another financial institution.

Balanced trust - these invest in a wide selection of investment markets, including shares, listed property trusts and government securities.

Balloon payment-a large repayment, usually made at the end of an agreement to pay off a loan.

Bank - a financial institution authorised under the 1959 Banking Act which offers a variety of financial products and services.

Bank cheque - a cheque that is drawn by a bank rather than by a customer and can be purchased for cash and a small fee.

Bank draft - similar to a bank cheque but usually drawn in a foreign currency for an overseas payment.

Bank fees - charges made by a bank in return for their products and services.

Bankruptcy - a legal process affecting individuals who are unable to pay their debts. A bankrupt person gives control of most of the debts and assets to a bankruptcy trustee who then decides which assets (if any) can be sold to pay off the debts.

BAS (Business Activity Statement) - used by businesses to report their tax entitlements and obligations, including the amount of GST they have received and paid.

Basic variable home loan - a home loan at a variable rate lower than standard variable loan but generally with fewer features.

Basis points - one basis point equals 0.01% interest. For example, 25 basis points equals 0.25%.

Benchmark indices - used by fund managers and larger investors to measure the performance of a share portfolio across different indices.

Beneficiary - an individual or organisation that is entitled to receive the benefits generated by an asset which is legally registered in the name of another party, such as a trustee.

Bill of sale - a written agreement where the original owner retains possession of goods but ownership is transferred. Used as security for a debt.

Blue chip stock - shares in a well established company that is highly regarded in financial circles.

Body corporate - a self-elected council of owners of the units in a strata building, formed to manage the building and common areas. Also known as the "Owners' Corporation".

Bond - a document recording a loan for a fixed period of time at a fixed rate if interest.

Borrower - a person who has borrowed money from a bank or other lender. Also called a debtor.

BPAY® - a service that allows Australians to pay their bills using their credit cards or from their bank accounts using internet banking or phone banking. BPAY® is registered to BPAY Pty Ltd ABN 69 079 137 518.

Branch - a place of business where a bank's products and services are provided to their customers during normal business hours (usually 9.30am to 4pm). Some are also open on Saturdays.

Break costs - charges for paying off a (generally fixed interest) loan before the end of its term.

Bridging loan - a short-term loan that plugs the financial gap between buying a new property and selling an old one.

BSB (Bank State Branch) - a unique number which identifies both the bank and the branch of a particular bank in Australia.

Building society - a financial services organisation which provides services similar to a bank but owned by its members.

Bureau de Change - provides services for exchanging foreign cash and travellers cheques.

Capital - the value of assets such as a house, property and business.

Capital gain - the amount you make in profit when you sell an asset for more than you paid for it. Also known as Capital Growth.

Capital Gains Tax - a Federal tax on any profit you make on the sale of an asset acquired and sold after September 1985 (but does not include the primary residence).

Capital guaranteed - an investment where your money is guaranteed, usually by a bank, government body or life insurance company.

Capitalising (or capitalised) interest - where interest owed is accrued and added to the total debt rather than being paid on a regular basis.

Capped loan - has an interest rate that can't exceed a set level for a set period, but can drop.

Card issuer - the bank, building society or other financial institution which provides your credit or debit cards.

Cash - money in the form of notes and coins.

Cash advance - a cash loan which is withdrawn using a credit card. A transaction fee may apply and interest is charged from the date the cash advance is taken until it is paid back.

Cash basis - an accounting method in which transactions are recorded only once a payment or receipt of cash is made.

Cash management trust - a unit trust where investors pool their money into a fund that invests in market instruments which are normally only available to professional investors. A form of managed fund.

Caveat - Latin for 'beware' - usually seen in a contract clause that outlines a particular requirement or as an instrument recording a claim against title of land.

Caveat emptor - Latin for 'buyer beware'.

Certificate of title records - ownership of a property, detailing land dimensions, ownership details and any encumbrances. This is required for the owner to lease, sell or dispose of a property.

Chattels - personal property. Real chattels are buildings and fixtures, personal chattels are clothes and furniture.

Cheque - a written direction from one person (the drawer) to a bank to pay a sum of money to the person or organisation named on the cheque (the payee). If crossed 'Not Negotiable', the cheque can only be deposited into the bank account of the person named on the cheque.

Cheque account - an account which offers access to your money by writing cheques. If you do not have enough money in your account the cheque may not be paid and you may be charged fees.

Chosen obstacle - an obstacle to saving money that occurs as a result of a choice that you have made, such as buying a new car.

Cleared funds - the amount of money in an account that is available for you to access. Cheques deposited into your account may take up to five working days to clear - until then they are called uncleared funds.

Co-borrower - an individual who borrows money jointly with you. Each individual is jointly and separately responsible for the repayment of the loan. Therefore, if one person does not pay the other person will be required to pay the full amount of the loan.

Collared rate - a variable rate with a fixed upper and lower limit.

Combination loan - see split loan.

Commission - an incentive-based reward or sum of money paid to a salesperson.

Common property - part of a land or building in a strata plan which does not form part of any unit and is used by everyone, not just one individual, for example, stairways, driveways and carpark.

Company fund - a superannuation fund only available to people working for that company.

Company title - a form of title which involves ownership of shares in a company which owns the land and building.

Comparison rate - helps you identify the true cost of a loan. It takes into account the interest rate, loan set-up costs, the term of the loan, and any other up-front or ongoing fees associated with a loan.

Compound interest - interest that is paid on both the accumulated interest as well as on the original principal.

Conditional pre-approval - a process which provides an initial estimate of how much can be borrowed based on information supplied to the bank. Also known as Approval in Principle.

Consideration - generally means any payment made in return for a supply. Consideration also includes an agreement to do or not do something in relation to a supply of goods or services.

Construction loan - a loan used to fund the building of a new property.

Consumer - an individual who buys or uses products or services.

Consumer Credit Code - the law that regulates consumer lending transactions in Australia. Lenders such as banks are obliged to tell you what your rights and obligations are in any transaction. Credit transactions made predominately for business or investment purposes are not governed by the Consumer Credit Code.

Contract - a legally enforceable agreement.

Contract of sale - outlines the terms and conditions for the purchase or sale of a property.

Conveyancer - an individual who facilitates the conveyancing process.

Conveyancing - the legal process of transferring ownership of property from the seller to the buyer.

Cooling off period - a period of time, usually between 24 hours and 14 days, during which an individual or organisation can decide not to continue with a contract. Cooling off periods vary between states in Australia.

Covenant - terms and conditions defining how a block of land or the buildings on it must be used.

CPI (Consumer Price Index) - a method of periodically measuring the prices of a group of everyday goods and services like bread, milk and bus fares. This monitors the relative cost of living over time and can also be used to measure inflation.

Credit - money that a lender gives a borrower based upon a promise to pay it back in the future. A person taking either secured or unsecured credit usually has to pay interest on the borrowed money plus fees and charges in addition to the principal payment.

Credit card - a plastic card that gives you access to money that the bank has agreed to lend you for a certain period of time. See credit and credit limit.

Credit card limit - the maximum amount of credit that the bank will extend to you on a single credit card.

Credit file - a file that is kept by a credit agency (such as Veda Credit Advantage) which shows your credit history. If you have failed to meet your repayment obligations in the past and defaulted on a loan or credit card, your credit file may show a 'default'. Defaults may make it difficult for you to borrow money from some lenders.

Credit history - see credit file.

Credit limit - the amount that a bank will lend you for a loan or a credit card.

Credit rating - a 'credit rating' is a popular misconception. Rather than a rating, an individual's credit file shows their credit history including any defaults. Depending on a lender's finance approval criteria, one or more defaults may result in refusal to lend money.

Credit report - a report by an authorised credit reporting agency which details your credit history. A lender needs permission from you to obtain a credit report. Also known as a Credit Reference.

Credit union - a co-operative organisation that provides loans to its members.

Creditor - someone who is owed money. The opposite to debtor.

Creditor (Secured) - a creditor who holds an asset belonging to the borrower/debtor as security for the repayment of a loan.

Creditor (Unsecured) - a creditor who has provided a loan to a debtor and there is no security, such as a bank providing a credit card.

**D**

Date of issue - the date a bill or account was created.

Debenture - a type of fixed interest security, issued in return for medium and long term investment of funds.

Debit - most commonly a withdrawal from a bank account.

Debit card - permits direct access to a bank account through ATMs and EFTPOS. See also ATM card.

Debt - an obligation by an individual or organisation to pay a specific amount of money to another individual or organisation.

Debt - money that is owed. Also known as Liability.

Debt to equity ratio - the amount of the loan compared to the value of the property or asset purchased, expressed as a percentage. Also known as Loan to Value Ratio (LVR).

Debtor - someone who owes money. The opposite of creditor.

Deed - a legal document detailing an agreement or obligation regarding a property.

Default - occurs when a person fails to meet the terms or requirements of a signed contract, such as not making scheduled repayments on a loan.

Default rate - the interest rate used when payments are not made or the facility goes above its limit.

Deferred annuity - an annuity where income payments are deferred until a specified date in the future.

Deferred establishment fee - if your loan was established prior to 21st March 2011  a deferred establishment fee may be payable if you choose to repay your loan in full within four years from the start date of the loan.

Defined benefits fund - a type of super fund which is sponsored by an employer. Employees' benefits are dependant on factors such as average salary, length of service and years of membership in the fund.

Defined contribution fund - a superannuation fund which defines its member's payable contribution. Members are given all contributions, including interest - but less taxes and other expenses.

Dependant - a person who relies on another especially for financial support, for example a child or non working spouse.

Deposit - money that is used to secure the purchase of an item or an amount of money put into a bank account.

Deposit bonds - guarantees that the buyer of a property will pay the full deposit by an agreed date.

Deposit guarantee - a substitute for a cash deposit which can assist when purchasing a property. The buyer is required to pay the full purchase price at settlement.

Depreciation - the writing-down of the cost of an asset over its estimated life.

Direct debit - an electronic payment that is made directly from a bank account, usually at a specified time on a pre-requested date.

Discharge fee - see mortgage discharge fee.

Diversification - the degree to which an investment portfolio is spread across options such as property, shares and bonds.

Dividend - when the profits of a publicly listed company are distributed to shareholders.

Draft - see bank draft.

Draft forms of agreement - provide a basic form of agreement that can be adapted by each party's legal representatives.

Drawdown - occurs when the approved loan funds are provided by a lender.

Drawdown date - the date a drawdown occurs.

**E**

Early termination charges - fees incurred by paying off a loan early.

Easement - the right to use a passage of land which is owned by someone else.

Economic costs - charges for paying off a (generally fixed interest) loan before the end of its term. Also known as Break Costs.

EFTPOS (Electronic Funds Transfer at Point of Sale) - a facility that lets you use your ATM card (debit card) to purchase goods, pay for services and withdraw cash at participating establishments.

Electronic banking - allows withdrawals, deposits and transfers to be completed and account information to be obtained electronically using telephone or internet banking, ATMs or EFTPOS.

Encumbrance - an outstanding liability or charge on a property.

End loan - the loan amount left after you sell your existing home and pay the proceeds towards your bridging loan.

Enterprise - covers commercial activities undertaken for financial reward or profit. Enterprise does not include the hobbies or interests.

Equity - the difference between an asset's current market value and any debt or claim against it, i.e. the value of an investment less any loan amount outstanding.

Equity loan - a loan secured by the part of the value of an asset (usually a house) which you own.

Equity mortgage - a loan secured by the part of the value of an asset (usually a house) which you own.

ERIC - Effective Rate of Interest plus Costs.

Establishment fee - a fee charged for setting up your loan account.

ETIA - Early Termination Interest Adjustments.

ETP (Eligible Termination Payment) - lump sum funds received when retiring or changing employment. ETPs can include payments from a superannuation fund, approved deposit fund, deferred annuity and 'golden handshakes.'

Excess usage charge - can occur if you use EFTPOS or ATMs more than a certain number of times in a month. Does not apply to all bank accounts.

Exchange of contracts - the Contract of Sale (or Offer of Acceptance in WA) is prepared in duplicate, usually by the seller's solicitors or conveyancer. The original is signed by the seller and a copy is forward to the buyer for their signature. Once both copies are signed, contracts are exchanged and the buyer and seller each receive a copy signed by the other. Each party is then legally bound to proceed with the purchase of the property, subject to the terms of the Contract of Sale or Offer of Acceptance.

Exit fees - see break costs.

Expenses - your everyday expenditure, such as food, transport, housing, clothing and entertainment.

Facility agreement - see loan agreement.

Finance company - provides loans to customers, usually at higher interest rates than banks, building societies and credit unions.

Financial Services Guide - provides you with information to assist you in making an informed decision on whether you want to use the products or services of a financial services provider.

First Home Owner's Grant - a grant available to Australians who are buying or building their first home and have not previously owned a home, either jointly, separately or with another person.

Fittings - any items that can be removed from a property without causing damage.

Fixed interest - an interest rate that is set for an agreed term.

Fixed term deposit - money placed with a bank or other financial institution for a fixed period at a pre-agreed rate of interest.

Fixed term loan - a loan that you must repay within a certain time.

Fixtures - any items that would cause damage to a property if removed. These can only be removed if agreed in the Contract of Sale, and any damage must be repaired by the seller.

Floating loan - see variable interest and fixed interest.

Foreign exchange - changes one currency into another. This can be in cash, cheques or as part of a payment.

Formal loan approval - when the home lender provides confirmation that a loan is formally approved and all conditions of the Loan Offer have been satisfied.

FOS (Financial Ombudsman Service) - a free and independent dispute resolution service that considers complaints about Australian banks, insurers and other financial services providers.

Franked dividend - a dividend distributed by an Australian company out of profits on which company tax has been paid.

Franking credit - represents the tax paid by a company on its profits before paying dividends to shareholders.

Freehold - the property and the land it stands on belong to the owner until they choose to sell it.

Frequent flyer program - offered by many airlines to reward customer loyalty. Traditionally, the further you fly and the more money you spend, the more points you earn.

FTRA (Financial Transaction Reports Act) - the law that requires information to be collected by specified organisations, including banks, from their customers. For example, to open a bank account, the FTRA requires Australian banks to perform a 100 point check on the customer and to keep that information. See 100 point check.

Funds transfer - moving funds between bank accounts.

**G**

Garnishee - a court order to divert someone's money or property to someone else, either wholly or partly.

Gazumping - when a seller accepts an offer to buy a property but exchanges contracts with someone else who makes a higher offer.

Gearing - the ratio of your own money versus borrowed money in an investment. A 'highly geared' property has a high ratio of borrowed funds to owner's funds.

General insurance - any insurance that is not life insurance, such as home and contents or car insurance.

Government charges - these vary for each state and territory and include stamp duty, transfer of land and mortgage registration fees.

GST (Goods and Services Tax) - a tax levied on the supply of goods and services.

Guarantee - a legal contract accepting responsibility for discharging another's liabilities, such as the payment of a debt.

**H**

HECS (Higher Education Contribution Scheme) - a loan available to eligible Australian students to cover all or part of their education. It is repayable later according to how much money you earn.

Holding deposit - a refundable deposit put down by a buyer to show goodwill that they will complete the purchase.

Home financing - money borrowed from the bank to purchase a home including interest on borrowed money, account fees, and other costs associated such as government fees and charges.

Home loan - a loan to finance the purchase of property or real estate to be used for your home. See mortgage.

Honeymoon rate - a special, low interest rate for a specified period on a loan. It allows you to make further repayments during this period to reduce the amount you owe. Also known as an Introductory Rate.

ILR (Indicator Lending Rate) - the base rate which dictates interest rates for variable rate overdrafts and term loans.

Inclusions - items sold with a property, e.g. lights, stove, fridge.

Income - the total amount of money you earn, including wages, rental income, interest and government allowances. For a business or a company, income is revenue less expenses.

Industry superannuation fund - a fund that generally provides lower fees and higher returns and caters for workers from a particular industry, e.g. construction, building and health workers.

Inflation - the process where the price of goods and services rises over time.

Input tax credit - when you pay GST on taxable supplies for use in your business, you can usually claim these amounts back from the ATO.

Input taxed supplies - supplies which do not have any GST charged on them. The supplier is not entitled to input tax credits on these acquisitions.

Interest - the amount a lender charges a borrower for the use of the lender's money, or the amount earned through depositing funds with a financial institution in an interest bearing facility.

Interest adjustment - an adjustment sometimes made by banks or other financial institutions, which arises when a customer seeks to break a fixed term contract (either for a loan or a term deposit).

Interest in advance - Pay next years interest in advance and claim it as a deduction in tax this year.

Interest only loan - a loan where your repayments go towards repaying the interest for a specified period, rather than repaying the principal amount of the loan.

Interest only period - is the time during which the borrower only pays the interest on the loan.

Interest rate - what a borrower pays for the use of money they do not own, usually paid as a percentage rate over the period of the loan term.

Internet banking - using the internet to conduct transactions and manage your finances. You will need to register with your bank to use internet banking.

Introductory rate - a low interest rate offered at the start of a loan for a specified period of time. At the end of the period the interest rate converts to a standard variable rate. Also known as a Honeymoon Rate and Introductory interest rate.

Inventory - a complete list of items included with a property.

Investment club - a group of individuals who meet on a regular basis and pool their funds together for investment purposes.

Investment loan - a loan used specifically for investment purposes, such as the purchase of an investment property.

Investor - someone who lends money or buys assets with the intention of making a profit over time.

Invoice - a bill that needs to be paid for products or services received.

**J**

Joint debt - when two or more people borrow money or incur a debt together. Unless the contract limits the amount each party must pay, the lender can recover payment of the whole amount from either party.

Joint income - the gross income of the borrowers in a joint mortgage.

Joint tenants - hold property equally between two or more people. If one party dies, their share passes to the survivor/s.

**K**

**L**

Land tax - State Government tax paid by owners of investment property over a certain value and owner-occupiers with properties valued above a higher threshold.

Land transfer fee - State Government tax based on the selling price of a property (usually around $60).

Lease - an agreement where a party is granted a legal right to use or occupy a property belonging to another party for a specified period in return for payment.

Legal entity - an individual or organisation that has the capacity to be held legally accountable such as an individual person, a corporate body or an incorporated body.

Liability - See debt.

Lien - the right to use property as security for a debt or loan.

Line of credit - a flexible ongoing loan arrangement with a specified limit.

Liquidity - the measurement of how quickly and easily an asset can be converted into cash with no or minimal loss.

LMI (Lenders Mortgage Insurance) - insurance taken out by a lender to protect itself from default by a borrower. Generally required for home loans with a Loan to Value Ratio (LVR) above 80%.

Loan - money that is lent to a person for an agreed term. At the end of the term the money must be repaid, usually with added interest.

Loan agreement - a formal contract between a borrower and a lender which sets out the terms and conditions of the loan. Also known as a Facility Agreement.

Loan approval fee - a fee payable once a loan has been approved by a lender.

Loan maintenance fee - an ongoing management fee charged over the life of the loan. Normally charged monthly.

Loan offer - an offer of finance which sets out the full terms and conditions of the credit contract, including any special conditions you must satisfy before a lender will advance you credit.

Loan pre-approval letter - a letter from a home lender that, based on information provided by you, states how much they would be prepared to lend you, and some of the terms and conditions that would apply. It is generally not an absolute guarantee of loan approval.

Loan repayment - regular loan payment installments as per contract, extra loan payments within contract terms and conditions, or final loan repayment in full.

Loan security duty - see mortgage stamp duty.

Loan term - is the period of time over which you have to repay the loan.

LVR (Loan to Valuation Ratio)- the amount of the loan compared to the value of the property or asset purchased, expressed as a percentage. Also known as Debt to Equity Ratio.

Low documentation loan - a loan generally for self-employed people who may not have the financial documents normally required to obtain a loan.

Lump sum payment - a single, usually large payment towards a loan in addition to your regular scheduled repayments.

Managed funds - an investment fund that pools money into a variety of investments such as shares, listed property trusts, bonds and cash.

Margin - the difference between the lender's interest indicator rate and the rate the borrower pays.

Margin call - when the listed prices of shares or units fall below a level that would cover a lender's loan to you, then the lender will ask you to contribute the difference.

Market value - an estimate of the highest price a buyer would pay for a property.

Master trust - enables a number of companies or individuals to combine their superannuation business under a common trust deed.

Maturity - the date a debt or investment must be paid in full.

Minimum repayment - the minimum amount required to be paid on an invoice or a loan.

Money order - an order for the payment of a specified amount of money, usually issued and payable at a bank or post office. Similar to a bank draft.

Monthly service fee and monthly account fee - a fee which is charged each month to maintain your account and varies depending on the type of account.

Mortgage - the charge or assignment of property to secure the payment of a debt and where the property is redeemable upon payment.

Mortgage broker - a person or company that will help you find the most appropriate home loan. Mortgage brokers may charge a fee for their services or be paid a commission from the lender.

Mortgage discharge fee - administration fee covering the cost of finishing a loan secured by a mortgage.

Mortgage insurance - used by lenders to cover themselves against loss caused by borrowers defaulting on their mortgage, which the lender is unable to recover by selling the property.

Mortgage intermediaries - companies and individuals that market and sell loans provided by mortgage originators.

Mortgage offset account - see offset account.

Mortgage originator - lender who sources securitised funds to sell them on as loans.

Mortgage protection insurance - protects a borrower's loan repayments if they can't pay them due to illness or redundancy, for example.

Mortgage registration fee - a State Government charge for registering a mortgage document (usually around $100).

Mortgage Stamp Duty - a State Government tax based on the dollar value of a mortgage.

Mortgagee - the lender of funds to buy property secured by a mortgage.

Mortgagor - the person borrowing money with a mortgage.

Mutual fund - a professionally managed pool of money contributed by a group of individuals and invested in a range of securities.

**N**

Negative gearing - a potential tax advantage that occurs when the return from an investment property doesn't cover the maintenance costs and mortgage interest costs.

Net amount payable or refundable - calculated at the end of each tax period by offsetting total input tax credits against the total GST payable.

Net income - your income after taxes and deductions are subtracted from your gross income.

Net worth - simply put, this is the value of your assets less how much you owe on them.

Not Negotiable - these words are written on a cheque or bill of exchange to ensure that the proceeds are only paid to the person named.

Novated lease - an agreement where an employer agrees to meet the repayments of a lease while the employee remains employed, such as a car lease. The employee then sacrifices part of their salary to cover the cost of the finance.

**O**

Off the plan - buying a property - usually an apartment - from seeing the plans, before it is even built.

Offer to purchase - a legal agreement specifying the price for the purchase of a property.

Offset account - a savings account that is linked to a home loan. The interest charged on the loan is offset against the interest earned on the savings, thereby reducing it. 100% offset occurs when the interest earned and paid are the same.

Offshore account opening - the process of opening a bank account from outside Australia.

Old system title - a collection of all the title documents going back to the original owner. Also known as Common Law Title.

Online account opening - the process of opening a bank account using the internet.

Option to buy - a legally binding document giving someone the right to buy something - usually within a specific period - at a specific price.

Ordinary shares - the most common type of share that represents an equity in a company.

Original documents - paperwork or documents that display original signatures and have not been reproduced, i.e. not photocopied or faxed.

Overdraft - an extension of credit created by drawing more funds from a bank account than the balance permits.

Overdrawn - when a sum of money is taken out of a bank account which exceeds the account balance or overdraft limit. Fees are usually charged for overdrawn accounts and any dishonoured cheques or direct debits.

Overdue - an amount of money that has not been paid by the due date and is still outstanding.

Overseas account opening - see offshore account opening.

Over-the-counter - banking transactions that are done in a branch.

E (Price to Earnings Ratio) - indicates the number of times the price covers the earnings per share over a twelve month period.

P.A. (Per Annum) - for the year. For example, if the interest rate on a term deposit is 6% p.a., the depositor will be paid 6% in interest on the outstanding balance each year.

Password - a code known only to the customer for accessing personal information and services such as NetBank and telephone banking.

Passed in - at auction, a property is 'passed in' if the highest bid hasn't reached the vendor's reserve price.

Pay anyone - facility that allows funds to be transferred by the internet or phone banking to another individual or organisation.

Payable - the money that needs to be paid on a loan account, including fees and expenses.

PAYG (Pay As You Go) - a system for reporting and withholding amounts of money for income tax purposes. If you have employees, you're required to withhold tax from payments you make to them.

PDS (Product Disclosure Statement) - a document (or group of documents) which describes a financial product or service, including the features, benefits, cost and associated risks.

Pension - a regular payment made to an individual from a superannuation fund, the Department of Social Security or the Department of Veterans Affairs.

Personal fund - a superannuation fund for individual personal consumers.

Personal loan - a type of loan that is used for purchases like a car, boat or a holiday. Money is lent to you for a fixed period, at a variable or fixed rate of interest and repayments are calculated at the start of the loan.

Phone banking - a convenient way to check your accounts, perform transactions, transfer money, change your personal details, pay bills and apply for new products and services over the phone.

PIN (Personal Identification Number) - a four to six digit number used as a security access code for your bank accounts when you use phone banking, an ATM or EFTPOS.

Portability - a feature which allows you to sell your house and move to a new one without having to refinance.

Portfolio / property portfolio - a group of investments which could include investments in financial and/or property markets.

Positive gearing - occurs when you borrow to invest in something that makes more money than it costs you in interest and fees.

PP (Periodical Payment) - a series of payments from an account made weekly, fortnightly, monthly, quarterly or annually.

Preference shares - shares that rank before ordinary shares in the event of liquidation of the issuing company. They usually receive a fixed rate of return.

Prepayment - additional payment(s) made under a loan that are over and above the payments specified under the loan contract.

Principal - the amount of capital deposited or borrowed, upon which interest is paid or charged.

Principal and interest loan - a loan where the principal and the interest are repaid together for the term of the loan.

Private banking - a service provided by most banks to customers with more specialised banking requirements.

Private sale - a property sold directly by the owners, not through an estate agent.

Private treaty sale - unlike auction, buyers negotiate on the price of a property set by the seller.

Property value - the value of a property. When taken as security for a loan this value is determined by the lender.

**Q**

Quarter - a period of three months. A business should submit a Business Activity Statement every quarter, for example.

Quick deposit - a service which allows you to simply drop your cheques off at a branch without having to wait to be served.

Rate of return - the percentage change in the value of an investment in an asset (or portfolio of assets) over a specified time period.

Relationship balance - the aggregate of a customer's account balances (selected accounts only) held with the Commonwealth Bank. The Relationship Balance is calculated on the second last business day of the month.

RCTI (Recipient Created Tax Invoice) - a tax invoice issued by the recipient of the supply rather than the supplier.

Rebate - an amount of money that is returned or refunded.

Receipt - a record showing that a payment has been received or an invoice has been paid. They usually have a reference number and detail the amount of tax that is included in the payment. See Invoice.

Records - financial documents and paperwork.

Redraw facility - allows access to additional repayments made on a variable rate loan.

Reducible - something that can be brought down, such as prices.

Reducible interest - loan interest that is calculated on the principal owed each day. You pay less interest as the principal amount decreases.

Refinancing - replacing or adding to an existing mortgage to obtain a lower interest rate, consolidate debts or lengthen maturities etc.

Registered entity - an entity that is registered for GST.

Render - to present a bill or invoice for payment.

Rental guarantee - a guaranteed level of return on an investment property specified by a developer.

Rental income - any payment a property owner receives for the use or occupation of their property.

Repayment - money paid by a borrower to a lender. Principal and interest repayments include both the interest due and a component of the principal amount borrowed.

Repayment frequency - refers to the regularity of loan repayments over a period of time which the borrower must make as indicated in their loan contract.

Repayment holiday - if a borrower is ahead with their rescheduled payments, an agreement may be reached between the lender and borrower which excuses the borrower from making scheduled repayments for a certain period.

Repossession - occurs when a borrower cannot repay a loan and the lender takes possession of any assets or investments that have been provided as security.

Requisitions on title - where a buyer makes a legal request for more details about the title of a property from the vendor.

Reserve price - vendor's minimum price acceptable at auction.

Right of way - the right to cross a property or a general pathway across land.

Rights issue - an offer made to shareholders to buy new shares in the same company, usually below the existing market price.

Rise and fall clause - clause in a building contract that allows the final costs to change depending on changes in costs of materials or wages.

Risk - exposure to the chance of loss when investing over time. Lower risks are normally associated with lower returns.

Risk grade - calculated by a bank to assess how secure a loan or investment is likely to be. The higher the risk grade, the higher the annual percentage rate that is likely to be charged by the bank.

Risk profile - the amount of risk you are prepared to take for the prospect of earning a higher return.

Rollover - the renewal of a loan or continuation of a deposit, usually including a revision of the interest rates. Also used to describe the transfer of Eligible Termination Payments.

**S**

Savings - money that is set aside for use at a later time. See term deposit.

Savings account - a day-to-day bank account which provides easy access to your savings.

Scammer - a person or an organisation that aims to cheat consumers.

Search - an investigation of the title of a property to confirm ownership and to find out if there are encumbrances on the title.

Secondary cardholder - another individual who is provided with a credit card against a Commonwealth Bank customer's credit card account. The original customer remains liable for any transactions on their own card or the secondary card. Secondary card holders cannot be held liable for the account.

Securitisation - turning a pool of diverse assets such as various home loans into a bond or other security which investors can buy and trade.

Security - an asset - usually the property purchased with the loan funds - that can be sold by a lender if the debt is not repaid in full.

Servicing - meeting principal, interest and other payments on a loan.

Settlement - the transaction that completes the sale. Monies are handed over in exchange for relevant documents. The purchaser can then take legal ownership of the property.

Settlement date - the date when the new owner makes a final payment and takes possession of a property.

Settlement fee - a fee payable to a financier for their attendance/involvement in a settlement.

Shareholder - someone who provides a portion of a company's capital and then receives a share of the company's profit in the form of dividends.

Simple interest - interest that is only paid on a set principal and not re-invested.

SOA (Statement of Advice) - your formal record of the products and/or services we recommend to you, based on our understanding of your needs, objectives and financial circumstances.

Solicitors' mortgages - mortgages offered through solicitors firms, usually at higher rates and shorter terms than other lenders.

Split Loan - where various loans are used to fund the same property. May have a portion variable, fixed or even a portion as a line of credit.

Split rate - a loan where a portion of the balance is at a fixed interest rate and a portion is at a variable interest rate.  The split rate is applied to home loans to offer a balance of flexibility and security.

Stamp Duty - a State or territory government tax (based on where the property is situated) payable by the borrower and assessed on the amount  secured by the mortgage. The higher the amount secured by the mortgage the greater the Stamp Duty on  the Mortgage that is payable.

Standard variable rate loan - a home loan, usually with more comprehensive features than a basic variable loan. Fixed rate loans often revert to the standard variable rate at the end of their fixed term.

Statement - a written record which summarises all the transactions that have occurred on your account, including fees charged and interest paid.

Stepped - different interest rates which are paid on different amounts in the same account, e.g. 3% p.a. on amounts up to $10,000 and 3.5% p.a. on amounts over.

Strata title - gives ownership of a 'unit' of a larger building and membership of the body corporate.

Stratum title - similar to a Strata Title, except the owner becomes a shareholder in the company that manages the common area, not just a member.

Superannuation - a tax-effective form of savings where money is set aside for retirement. Employers are required to contribute a proportion of an individual's salary or wage to a superannuation fund. This money is then invested and becomes available to retirees.

Susceptibility report - highlights the likelihood of future pest infestations in a property.

SWIFT - acronym for Society for Worldwide Interbank Financial Telecommunications,an international consortium of member banks operating a worldwide system for transfer of money and messages.

Switching - when a borrower changes from one loan type to another, e.g. from a Variable Rate Loan to a Fixed Rate Loan.

Tax audit - an examination of your tax affairs by the Australian Taxation Office to ensure you have adhered to tax laws.

Tax File Number (TFN) - a nine digit number issued by the Australian Taxation Office to Australian residents and registered companies to identify them for taxation purposes.

Tax invoice - a document issued by a supplier showing a price and the amount of GST (if any). It must include the supplier's ABN.

Tax period - an accounting period of one or three months (depending on annual turnover) which applies to GST and Business Activity Statements. Quarterly tax periods end on 31 March, 30 June, 30 September and 31 December. Monthly tax periods end on the final day of each month.

Taxable supplies - include most goods and services sold by an enterprise. However, GST-free or input taxed supplies are not taxable.

Telegraphic transfer - allows you to send money to any bank account worldwide. Transfers usually take two to five working days.

Teller - a staff member in a bank branch who can help you with your banking.

Tenants in common - the holding of property by two or more people. If one dies, it is divided according to law.

Term - a period of time, such as the time in which a loan must be repaid.

Term deposit - a savings account that offers a guaranteed interest rate in return for committing funds for a set period.

Terms and conditions - details which outline specific obligations of each party with regards to a contract, transaction or product.

Title fees - may be charged by the Land Titles Office for title search, transfer of property ownership, registration of the new mortgage and discharge of the old one.

Title search - an investigation of the title of a property to confirm ownership and to find out if there are encumbrances on the title.

Torrens title - a system of recording ownership of land. See certificate of title.

Transactions - movements of money, such as deposits, withdrawals or transferring between bank accounts.

Transfer - a document confirming a change of ownership as noted on the Certificate of Title then registered with the Land Titles Office.

Transfer - to move money from one bank account to another.

Trust - an entity created to hold assets for the benefit of certain individuals or groups and managed by a trustee.

Trust account - an account usually used by professionals such as lawyers, accountants and stockbrokers to manage their clients' money.

**U**

Unconscionable conduct - behaviour considered to be unreasonably excessive, unfair or unjust.

Underwriting - is the practice of an Underwriter accepting the risk of an insurance contract on behalf of the insurer, minimising the insurer's exposure to loss.

Unencumbered - a property free of liabilities, encumbrances or restrictions.

Unsecured loan - a loan given by the lender on an unsecured basis, such as a credit card.

Utilities - a business generally under government regulation that provides an essential service, such as an electricity and water.

Valuation - a professional opinion of the property's value, written as report for the lender.

Value - in a GST context, value is the price excluding GST.

Variable interest - where the interest rate may go up and/or down during the term of the loan.

Variable interest rate - a rate that generally goes up and down according to the fluctuations in market rates.

Vendor statement - a list of their property's material particulars, made by the seller for the buyer.

**W**

Will - a legal document stating how you wish your possessions to be distributed after your death.

Withdrawal - to take money out of a bank account.

**X**

**Y**

Yield - the annual return on an investment, expressed as a percentage.

**Z**

Zoning - local authority guidelines which stipulate how land should be used.