Debt Terms Word Search

Answer Key

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10 Terms & Definitions

DEBT
Debt is money borrowed from a lender with an agreement to repay it — usually with interest — over time. Common forms include mortgages, student loans, car loans, and credit card balances. While debt can be a useful financial tool (buying a home, education), high-interest debt can

PRINCIPAL
The principal is the original amount borrowed before any interest accumulates. When you make loan payments, part goes toward interest and part reduces the principal balance. Early in a mortgage, most of your payment goes to interest; later, more goes to principal. This is called

INTEREST
Interest is the cost of borrowing money, expressed as an annual percentage rate (APR). Lenders charge interest as compensation for the risk of lending. High-interest debt (credit cards at 20%+) can be financially devastating. Understanding compound interest helps borrowers grasp

APR
Annual Percentage Rate (APR) is the yearly cost of borrowing, expressed as a percentage. APR includes the interest rate plus any fees, making it a more complete measure of loan cost than the interest rate alone. Always compare APRs when shopping for loans or credit cards.

MINIMUM
The minimum payment is the smallest amount you can pay on a debt each month without incurring a penalty. Credit card minimum payments are typically 1-3% of the balance or $25-35 — whichever is greater. Paying only minimums on high-interest debt is financially destructive, as most

CONSOLIDATION
Debt consolidation combines multiple debts into a single loan — ideally at a lower interest rate — simplifying repayment and reducing total interest paid. Balance transfer credit cards, personal loans, and home equity loans are common consolidation tools. Consolidation helps when

AVALANCHE
The debt avalanche method prioritizes paying off debts with the highest interest rates first, while making minimum payments on all others. This mathematically minimizes total interest paid, making it the most efficient strategy on paper. Once the highest-rate debt is paid off, yo

SNOWBALL
The debt snowball method prioritizes paying off the smallest debt balances first, regardless of interest rate. Once a debt is fully paid, you roll its payment to the next smallest. The snowball method trades mathematical efficiency for psychological momentum — early wins keep you

SECURED
A secured debt is backed by collateral — an asset the lender can seize if you default. Mortgages are secured by your home; car loans by your vehicle. Because the lender has collateral, secured loans typically offer lower interest rates than unsecured debt. Defaulting on secured d

DEFAULT
Loan default occurs when a borrower fails to make required payments for an extended period — typically 90-180 days depending on the loan type. Default triggers serious consequences: credit score damage (100+ point drop), collection activity, wage garnishment, asset seizure, and p