# Loan
# BASICS

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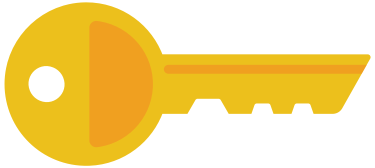
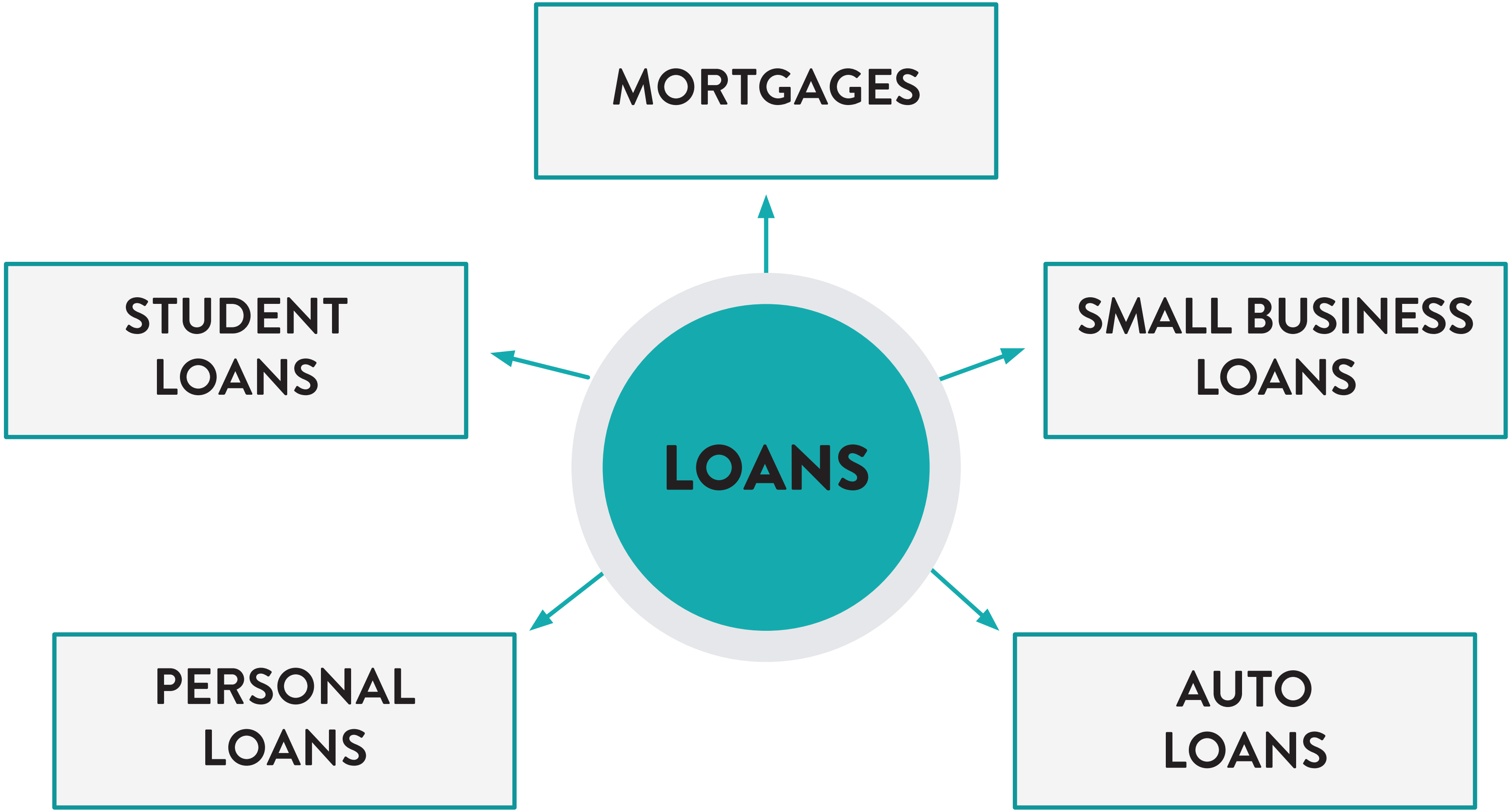
- IT'S A -
MONEY THING®



**Loans are the gatekeepers to some of our biggest goals.**

They help cover large purchases that people generally can’t afford upfront.


MORTGAGES
STUDENT LOANS
SMALL BUSINESS LOANS
LOANS
PERSONAL LOANS
AUTO LOANS

*Loan*

# TERMINOLOGY

$5,000

4.99% APR

48 months

**Principal**

Interest

Term

The amount of money borrowed on a loan.

*(It can sometimes refer to the amount of debt, exclusive of interest, remaining on a loan.)*

| $5,000 | 4.99% APR | 48 months |
|---|---|---|
| **Principal** | **Interest** | **Term** |
| The amount of money borrowed on a loan. | The amount charged by a lender to a borrower for the use of the money. | |
| *(It can sometimes refer to the amount of debt, exclusive of interest, remaining on a loan.)* | *(Often shown as an **Annual Percentage Rate (APR)**. The APR represents the yearly cost of the loan, including fees.)* | |

## $5,000

### Principal

The amount of money borrowed on a loan.

*(It can sometimes refer to the amount of debt, exclusive of interest, remaining on a loan.)*

## 4.99% APR

### Interest

The amount charged by a lender to a borrower for the use of the money.

*(Often shown as an **Annual Percentage Rate (APR)**. The APR represents the yearly cost of the loan, including fees.)*

## 48 months

### Term

The time period in which you agree to pay back your loan.

*Secured vs. Unsecured*

# LOANS

Loans can either be secured or unsecured, depending on whether or not they’re protected by **collateral.**

**Collateral** is something valuable that the lender can seize as a form of repayment if the borrower **defaults** on his or her loan.

*Property, vehicles and investments are all common forms of collateral.*

## SECURED LOAN

- Requires **collateral**
- Tends to have **lower interest**
- Usually **longer term**

## UNSECURED LOAN

- **No collateral** required
- Tends to have **higher interest**
- Usually **shorter term**

*Ways to lower your*

# INTEREST RATE


# SECURE YOUR LOAN

*Secured loans tend to have lower interest because they're less risky to the lender.*

## ONLY BORROW WHAT YOU NEED

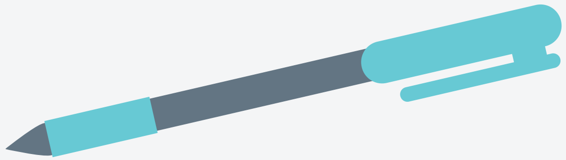
*The more you borrow and the longer the term, the higher the interest rate will be.*

## BOOST YOUR CREDIT SCORE

*Higher credit scores qualify you for lower rates on your loan.*

## KNOW WHAT LENDERS LOOK FOR

*Things like a solid employment history, no outstanding debt and a good relationship with your financial institution can all help.*



## GET A CO-SIGNER

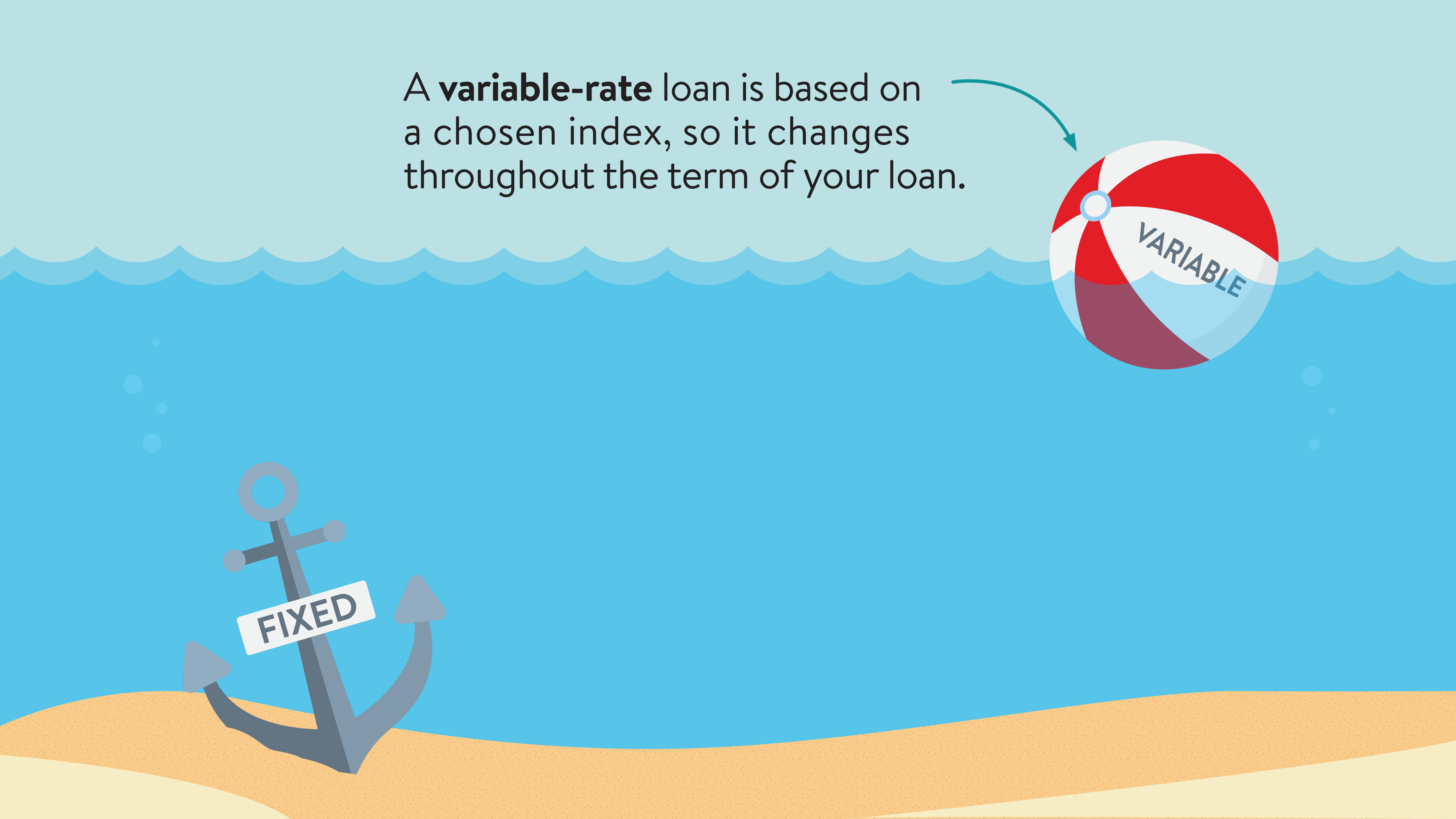
*If you default on your loan, your co-signer takes on the debt as if it were their own.*

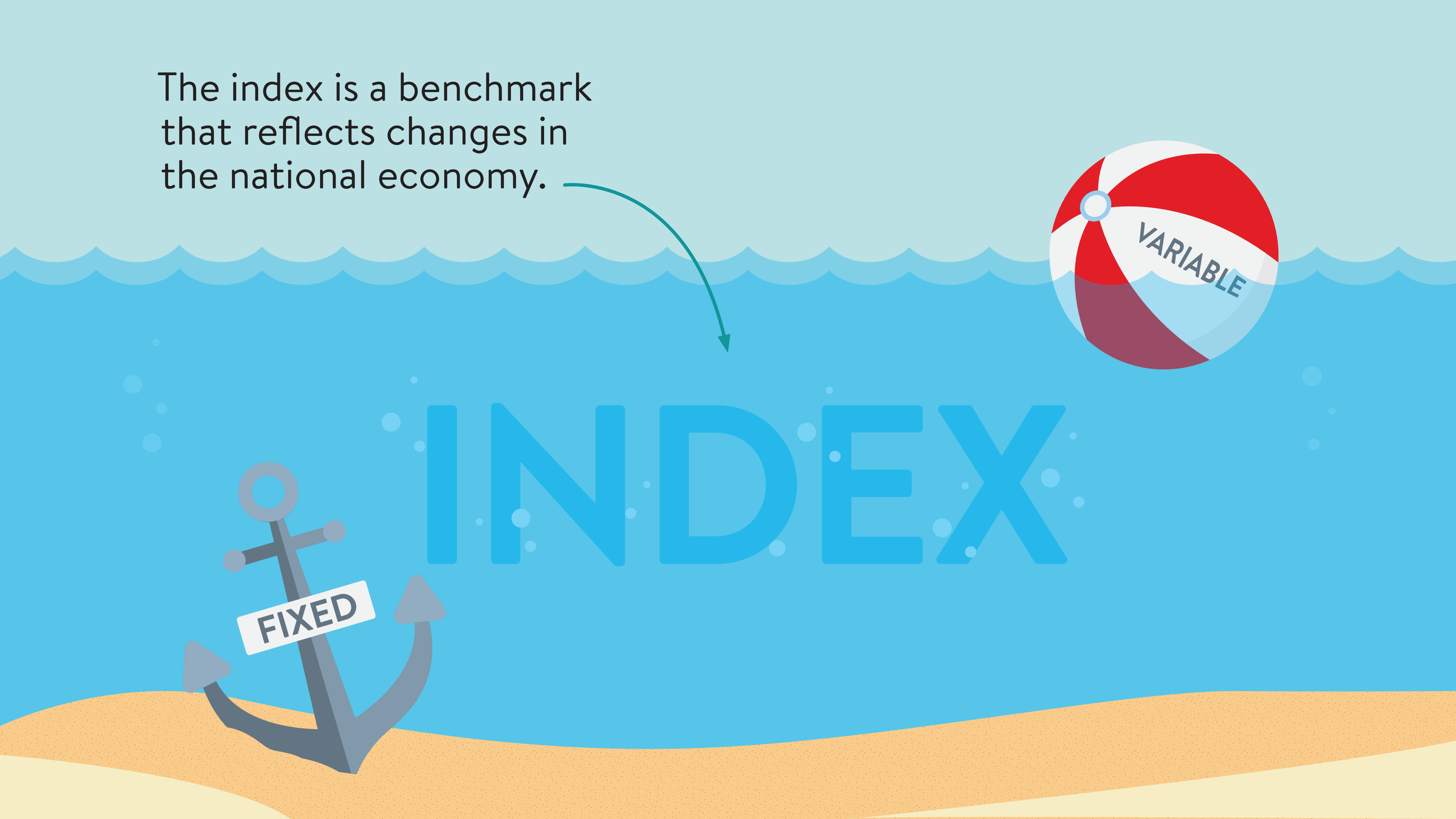
*Fixed vs. Variable*

# INTEREST RATES



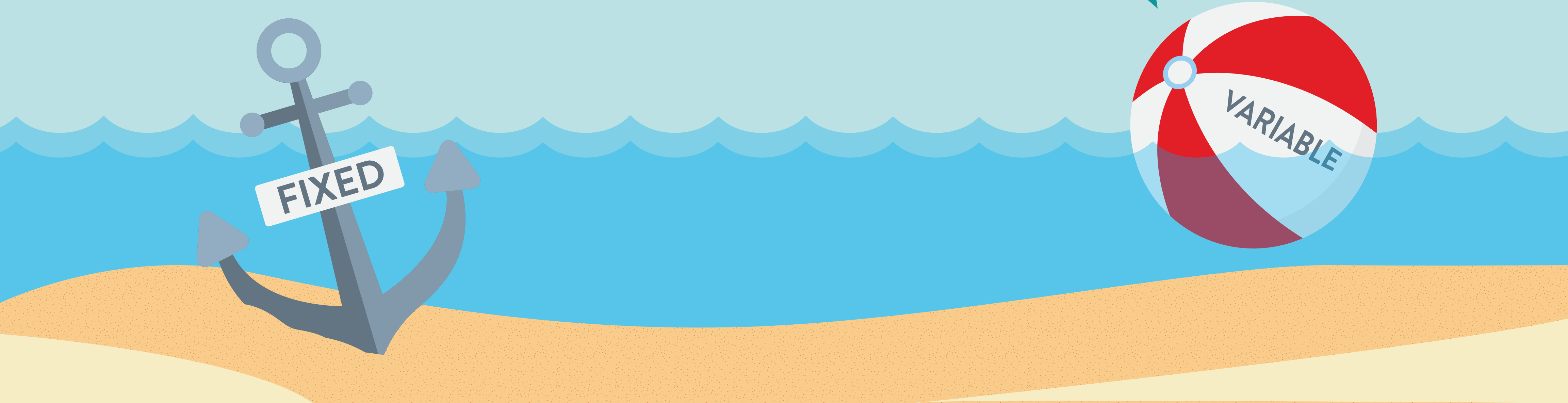
In a **fixed-rate** loan, the interest rate stays the same throughout the entire term of the loan.


A **variable-rate** loan is based on a chosen index, so it changes throughout the term of your loan.
VARIABLE
FIXED


The index is a benchmark that reflects changes in the national economy.
INDEX
VARIABLE
FIXED


If the index goes up,
so does your rate.

If the index goes down,
so does your rate.




Meanwhile, the fixed rate
stays the same.

# FIXED RATE

- **Stays the same** throughout the entire term of the loan
- Tends to have **higher interest** to counter the effect of rates rising in the future
- Consistent and **easier to budget for**


# VARIABLE RATE

- **Changes over time** and is based on a chosen index
- Tends to have **lower interest** since the index is likely to go up over time
- Unpredictable and **harder to budget for**

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Sources: Investopedia, Wise Bread

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