

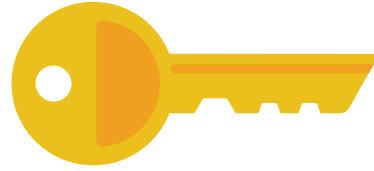
# *Loan* **BASICS**

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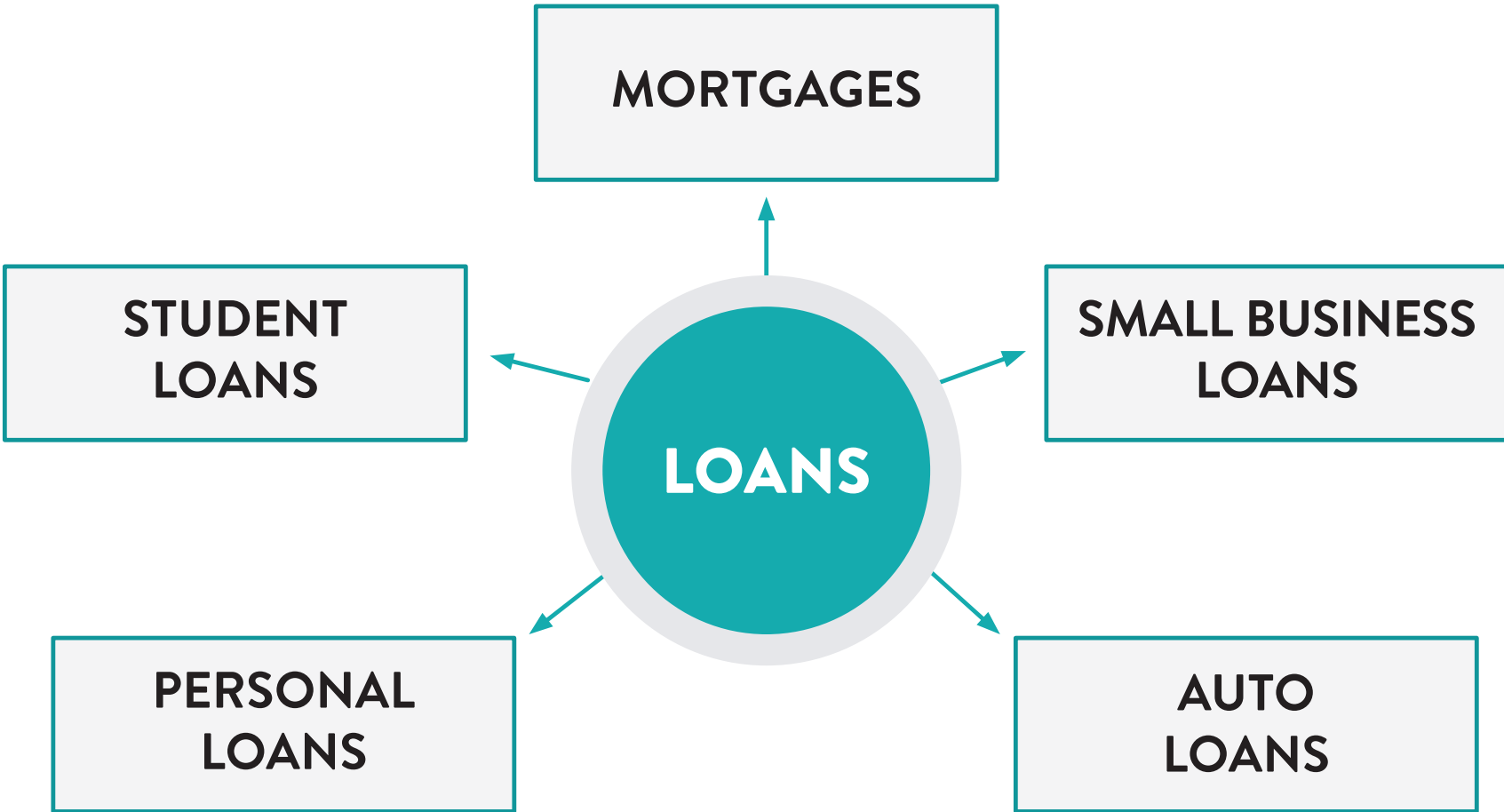
- IT'S A -  
**MONEY  
THING®**



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

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

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*Loan*

# TERMINOLOGY

**\$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**

**48 months**

**Term**

**\$5,000**

## Principal

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**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

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**48 months**

## Term

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

*Secured vs. Unsecured*

**LOANS**



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

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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.*

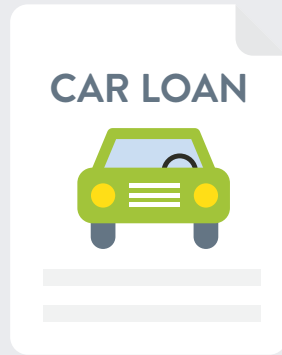
## SECURED LOAN

- 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.

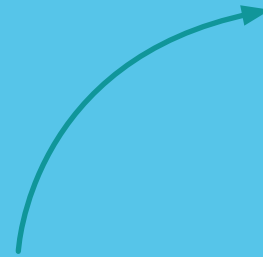


The index is a benchmark that reflects changes in the national economy.



# INDEX





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: [CanadianFinanceBlog.com](http://CanadianFinanceBlog.com), Wise Bread

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