

II. Where should you get a loan?

A. Bank

1. Safe, reliable

2. Structure of a loan

i) Principle: The initial amount borrowed

b) Interest: a % you pay back on top of a loan

iii) Time: The length of the loan (How long you pay)

3. Bank loans use simple interest = charged interest on the initial amount you borrow

4. You will also have an option between fixed and variable interest

a) Fixed interest does not change throughout the loan.

b) Variable interest: can increase at any time

CT: You ALWAYS want Fixed Interest

Ex \$1000 loan

10% interest (simple)

3 years (Time)

1000

x .10

100 = This is for 1 year

x 3

300 = Total Interest owed

Total Payback: \$1300

B. Credit Union

1. Same loans a bank offers, but remember better deals

C. Payday Loan Company

1. Small loans in exchange for a portion of your upcoming paycheck
2. Huge Interest Charges
3. Avoid if at all possible

D. Title Pawn Lender

1. Short Term loans
2. Loan is based on collateral
 - a) Collateral = Item of value that you own
3. If loan is not repaid Title Pawn will seize the collateral
4. Very high interest
5. Avoid at all cost

CT: Payday + Title Pawn prey on people going through tough times

CT: Takes forever to get out from under this