

LOANS GLOSSARY

Loans play a vital role in financial planning, whether for buying a house, funding education, or starting a business. In this section, you'll learn about different types of loans and their purposes.

- **Collateral:** an asset or property that a borrower offers as a way to secure a loan. If the borrower fails to repay the loan, the person who gave the money can take the collateral as a form of compensation.
- **Mortgage:** a loan that is used to buy real estate and is generally paid back over a long period of time.
- **Personal loan:** a loan that is used for personal reasons and usually doesn't need collateral.
- **Auto loan:** a loan used to buy a car. Usually, the car is used as protection.
- **Home Equity Loan:** a loan that is based on the value of your home. This type of loan is often used to make home changes or buy big things.
- **Student Loan:** a loan to pay for school costs that can come from the government or from a private source.
- **Payday loans:** short-term loans with high-interest rates that people usually take out when they need money quickly.
- **Business Loan:** a loan specifically for business purposes; can be used to start, expand, or sustain a business.
- **Consolidation Loan:** a loan that combines multiple debts into one; may simplify payment or reduce interest.
- **Secured Loan:** a loan that requires collateral; often has lower interest rates.
- **Unsecured Loan:** a loan that doesn't require collateral; may have higher interest rates.