

# HOW CREDIT WORKS: TERMS

Principal

**Interest**

**Annual  
percentage rate**

**Fixed interest rate**

**Variable interest rate**

# Terms and conditions of the loan

Loan term

**Installment loan**

**Revolving credit**

**Secured  
credit/loan**

**Unsecured  
credit/loan**

# HOW CREDIT WORKS: ANSWER CARDS

The money you  
borrow.

The price you pay  
for the money you  
borrow — shown as  
a percentage (%).

The interest rate + fees  
— this allows you to  
compare loans from one  
lender to another.

Interest rate will stay the same — it does not change.

Interest rate *may* change — there are many reasons it may change outlined in your loan/credit contract.

Information about the loan, including the interest rate, fees, kind of interest rate, the reason a variable rate will change, when and where payments are due and more.

The length of the loan — can be two weeks, one month, one year or 30 years, for example.

You are approved for a specific loan amount for a specific amount of time. The amount you pay each month is calculated when you take out the loan.

You are approved for a credit limit. You can borrow up to the credit limit. What you pay back each month varies based on how much credit you have used.

A loan with an asset pledged to it — if you do not pay back the loan, the lender has the right to take back or repossess the asset.

A loan that does not have an asset pledged to it.