



**Jessica**

## What to Know About Loans

There are many kinds of loans. People who have loans usually get them from banks. When a person gets a loan, the bank charges extra money called interest. That means the loan costs more than the amount borrowed. The loan must be paid on time, or the bank charges a fine or extra money for late payments.



**credit cards**



**car loans**

### *Kinds of Loans*



**house loans**



**school loans**

### **A Sample Loan**

Jessica wants to buy a new car. It will take her five years to pay off the loan.

Price of the car	\$12,500
Interest paid	\$2,707
Total cost of loan	\$15,207



### **Answer**

What was the price of the car?

- a. \$12,500                      b. \$2,707                      c. \$15,207

### **Answer**

1. The extra money a bank charges for a loan is called:  
a. interest                      b. principal                      c. borrower
2. How much interest will Jessica pay on her car?  
a. \$12,500                      b. \$2,707                      c. \$15,207
3. What happens if Jessica pays her loan off in less than 5 years?  
a. she pays a fine  
b. she pays a discount  
c. she pays less interest