

# What to Know About Loans

**Jessica**

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