


# 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.

## Kinds of Loans




credit cards



car 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 |



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## 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


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