

# Loan BASICS

- IT'S A -  
**MONEY  
THING®**

## LOAN PREP

Applying for a loan requires a lot of research—not just on loan specifics, but research on you too! Loans make some of our biggest life decisions possible, so it's crucial to be realistic about your goals, your financial situation and your future.

### What does your credit score look like?

Credit scores play a big role in loan approval and your interest rate. If your score is low, it's a good idea to work on it before applying for a loan.

### What does the application process look like?

Avoid setbacks by bringing all the documents you need to apply (e.g., proof of income, two pieces of ID) and by understanding the typical time frame for loan approval.

### What does your budget look like?

Before signing a loan agreement, you need to have a clear idea of your monthly expenses so that you'll know what repayment terms you can reasonably afford.

### What does your lender look like?

Lenders come in many shapes and sizes, including large national banks, local credit unions, payday lenders, etc. Look closely at your lender's history and reputation.



### Do your research

There are *a lot* of loan products out there. It's helpful to see what your basic options are before you visit a lender.



### Ask questions

Asking hypothetical questions such as "What happens if I miss a monthly payment?" is a great way to get practical information.



### Take your time

Taking out a loan is an important decision, so give it time. You should never feel pressured to agree to something on the spot.

## LOAN VOCAB

Brush up on some common lending and borrowing terms:

### Principal

This is the amount of money borrowed on a loan.

### Interest rate

This is the amount charged by a lender to a borrower for the use of the loaned money. It is typically expressed by a percentage of the principal.

### APR

The APR or Annual Percentage Rate is a standardized calculation that represents the yearly cost of your loan (your interest rate plus any additional fees or rates).

### Term

The time period in which you agree to pay back your loan.

### Liability

Financial obligations or money already owed. Liabilities can affect your loan application.

### Default

Failing to repay a loan.

### Co-signer

A co-signer assumes equal liability for your loan. If you default, they become responsible for its repayment.

BROUGHT TO YOU BY



845.463.3011 | hvccu.org