THE LOWDOWN ON LOANS

DIFFERENCES BETWEEN INSTALLMENT LOANS AND OTHER SMALL-DOLLAR LOANS

Installment loans are greater different from car title, pawn, and payday loans, from how they are structured to how they are treated by credit bureaus. The differences are summarized in a quick-reference table below.

<table>
<thead>
<tr>
<th>Determines Your Ability to Repay the Loan</th>
<th>Installment Loan</th>
<th>Payday Loan</th>
<th>Pawn Loan</th>
<th>Car Title Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid in Affordable, Equal Monthly Amounts</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Paid Off with One-Time Balloon Payment</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Penalty for Early Repayment</td>
<td>NO</td>
<td>SOMETIMES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Reports Payment Behavior to Credit Bureaus</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Requires Collateral</td>
<td>SOMETIMES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
</tbody>
</table>

Keys to Credit Success

The American Financial Services Association Education Foundation offers this advice to help ensure that your interests are protected when you borrow money:

- **Budget your money.** Provide your monthly spending plan when you meet with creditors. It will help them make a responsible decision about the amount of credit you can afford.
- **Shop, shop, shop.** Compare the costs of credit from different creditors. Shop for credit like you would shop for anything else. Beware of "new or never" offers. If it's a good deal, it will probably still be there after you've had time to think about it. Don't be pressured into making a quick decision.
- **Ask questions.** Don't sign the line until all your questions have been answered.
- **Read the contract.** Don't sign a contract that you don't understand or have any blanks. A signed contract with blanks can be completed as anyone wishes and it will be legally binding.
- **Keep your contract in a safe place.** It's important to keep all paperwork relating to your credit obligations. If questions come up later, you'll have your agreement in writing.
- **Make your payments on time and in full.** This is one of the best ways to build a good credit history. Repeated late payments will trigger late payment fees, and hurt your credit report, which will make it difficult to obtain future credit.
- **Additional products are not required to get a consumer loan.** Optional products that may be offered for purchase with your loan include motor club membership, term insurance or warranties.

TERMS TO KNOW

- **Amount Financed:** The total dollar amount of the credit that is provided to you.
- **Finance Charge:** The dollar amount you pay to use credit.
- **Annual Percentage Rate or APR:** A measure of the cost of credit expressed as a yearly rate.
- **Fixed Rate Financing:** The interest rate and the payment remains the same over the life of the loan. Equal monthly payments of principal and interest are made until the debt is paid in full.
- **Length of Payment:** The total number of months you have to pay the credit obligation.
- **Late Payment Fee:** A fee that is charged when payment is made after its due date.
- **Monthly Payment Amount:** The dollar amount paid each month to repay the credit agreement.