

**Credit** - **buy now, pay later** – someone is willing to loan you money – called principal – in exchange for your promise to repay the loan – plus interest.

**Interest** – is the amount you pay to use someone else's money. So the higher the interest rate, the higher the total amount you pay to buy something on credit.

# Types of credit

## Credit

- Banks, credit unions, stores, and gas stations
- Credit cards can be used most places, some only at a specific store
- Monthly minimum payments/no payoff deadline/credit limit (\$2000 example)
- High interest rates



## Installment loans

- Car loan, appliances, etc.
- Loan terms can vary from a few months to many years
- Payment amount set for the life of a loan
- Interest rates lower than credit cards



## Mortgage (home Loan)

- Purchase a home, condo, townhouse
- 15-30 year loan
- Lower interest rates than credit cards and installment loans



## Student loans

- Tuition and other college/education costs

