

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

