

**There are loan products out there to suit almost every situation and need.**

Need some help deciphering all the different types of loans? Below you'll find some of the terms you're likely to come across when shopping for a loan.



## FEDERAL

VS.

## PRIVATE

- Loans that are granted by the federal government.
- Student loans are the most common example.
- Federal loans generally have lower interest rates, deferment options, grace periods and other features to make them more affordable.

- Loans that are granted by a lender such as a credit union, bank or broker.
- Mortgages, auto loans and consolidation loans are all examples of private loans.
- Private loans are based on creditworthiness and may have interest rates that change over time.

## PERSONAL

VS.

## COMMERCIAL

- A loan granted for personal use.
- Common reasons to take out a personal loan include purchasing a car, financing a home improvement project or consolidating other debt.

- A loan granted for business use.
- Common reasons to take out a commercial loan include purchasing equipment and inventory, expanding a business or moving into a bigger space.

## SECURED

VS.

## UNSECURED

- A loan that has collateral attached to it. Collateral is a valuable asset (like a house or a car) that the lender can seize if the borrower fails to repay the loan.
- Because the collateral reduces the amount of risk to the lender, secured loans are usually available for larger amounts and at a lower interest rate.

- A loan that does not require collateral.
- Unsecured loans are generally easier to obtain than secured loans, but are generally for smaller amounts and at a higher interest rate.

## FIXED RATE

VS.

## VARIABLE RATE

- A loan where the interest rate stays the same throughout the entire term of the loan.
- Tends to have higher interest to compensate for rates rising in the future.
- Fixed-rate payments are consistent and easy to budget for.

- A loan where the interest rate changes over time. The rate is usually based on an economic index.
- Tends to have lower interest since rates are expected to rise over time.
- Variable-rate payments are unpredictable and more difficult to budget for.

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Sources: CanadianFinanceBlog.com,  
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