

LOANS AND REPAYMENT

Loan - A Loan is money that is lent and must be repaid. It is *not* a gift of money.

Repaying a loan:

- A loan must be repaid in monthly payments for a specified amount of time (5 years, 10 years, 15 years, etc.)
- **Interest** must be paid on a loan. Interest is a percentage of the amount borrowed that must be paid in addition to the original amount of the loan.

Consequences for not repaying a loan:

1. Your credit rating will be damaged if payments are late.
2. Late fees can accrue if payments are not made in a timely manner.
3. If you often fail to make payments, a collection agency may get involved to collect on the money owed.
4. The bank or collection agency can sue for the money owed to them.
5. Paychecks can be garnished and checking and savings accounts can be tapped by the bank for payment.
6. In the most extreme cases, the bank can seize property and other goods if payment is not received.