



The Journey of Unemployed Adults from Financial Literacy to Entrepreneurship

Financial Literacy Curriculum Content

MODULE 1: Finance For All

Lesson 5: Loan Contracted

Lesson 1: Loan Contracted

"**Loan**" and "**borrowing money**" are terms that are closely related and often used interchangeably in the context of finance.

A **loan** is a financial arrangement in which one party, typically a lender or a financial institution, provides a specific amount of money to another party, known as the borrower. The borrower agrees to repay the loan amount over a defined period, usually with interest or other applicable fees. Loans can serve various purposes, such as financing a home purchase, funding education, starting a business, or covering unexpected expenses.



Lesson 1: Loan Contracted

Borrowing money refers to the act of obtaining funds from a lender, which can be an individual, a financial institution, or an organization. Borrowing involves the temporary acquisition of funds that are expected to be repaid according to the terms agreed upon between the borrower and the lender.



It is important to look at the income-expense balance while determining the amount before borrowing.

Lesson 1: Loan Contracted

Favorable Conditions

It is necessary to correctly identify the need and determine whether it is a request or a need. It is essential to calculate and research consumption/ expenditure to make the best consumption decisions. It would be appropriate for parents to educate their children about spending, saving, and the distinction between wants and needs..

Unfavorable conditions

Consuming what we do not need, unnecessarily consuming, discarding the surplus, and wasting is a waste of one's own and others' income. Additionally, lending for unnecessary consumption constitutes waste. Misspenders frequently act alone, concealing their dire financial situation from family and close friends.



***“We buy things we don't need
with money we don't own,
many of us drowning in debt.”***

Common types of loans

Personal Loans: These are unsecured loans that individuals can use for a wide range of purposes, such as debt consolidation, medical expenses, home repairs, or travel.

Home Loans (Mortgages): Home loans are used to purchase or refinance real estate properties.

Auto Loans: Auto loans are used to finance the purchase of vehicles. Similar to mortgages, the vehicle itself serves as collateral, and the loan is paid back in installments.

Common types of loans

Student Loans: Student loans are designed to cover education-related expenses, such as tuition, books, and living costs. They can be either federal or private loans, with varying terms and repayment options.

Business Loans: Business loans provide funding for business-related purposes, such as starting a new business, expanding operations, or covering operational expenses.

Payday Loans: Payday loans are short-term, high-interest loans intended to cover immediate financial needs.

Common types of loans

Title Loans: Title loans involve using a valuable asset, like a vehicle, as collateral. The lender holds the title until the loan is repaid. If the borrower defaults, the lender can seize the asset.

Fixed-Rate Loans: In these loans, the interest rate remains constant throughout the loan term, resulting in predictable monthly payments.

Variable-Rate Loans: Also known as adjustable-rate loans, the interest rates can change over time based on an underlying benchmark interest rate. This can lead to fluctuating monthly payments.

There are essentially two types of loans. There are both good and poor loans.

A loan that is acquired and taken on purpose is a beneficial loan. For example, a bank loan to purchase a home.

A bad loan is one that is unplanned, unclear in nature, and accumulates indiscriminately. For instance, a loan that imposes interest on interest from our uncontrollable credit card expenditures.



Conclusion

“If you have dept problems, first of all remember this: Every debt is paid eventually but analyze well why you are in debt so that it does not happen again.”



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