

# Understanding Loan Types

This playbook outlines the various types of loans available and explains how each can influence an individual's debt profile. It aims to educate on the characteristics and potential impact of different loan types.

## Step 1: **Identify**

List out the most common types of loans, such as personal loans, mortgages, student loans, auto loans, and payday loans.

## Step 2: **Characterize**

Describe the defining characteristics of each loan type, including interest rates, term length, collateral requirements, and repayment schedules.

## Step 3: **Compare**

Examine the advantages and disadvantages of each loan type, focusing on their potential impact on one's financial health and debt situation.

## Step 4: **Assess Impact**

Analyze how each loan type can affect an individual's debt-to-income ratio, credit score, and overall financial stability.

## Step 5: **Educate**

Explain strategies for managing loans responsibly, which can include consolidation, refinancing, or creating a repayment plan.

## **General Notes**

### **Credit Score**

Note that a person's credit score can significantly influence the interest rates and terms they receive for various loans.

### **Debt Planning**

Emphasize the importance of considering one's long-term financial goals and debt capacity when deciding to take on a new loan.