

Bank loans

Bank loan is an amount of money which is borrowed from a bank and has to be repaid at a later date, usually together with interest. Legally, a loan is a contract between a buyer (the borrower) and a seller (the lender). There are different types of loans available to people seeking financial assistance. They can be categorised based on various criteria and factors such as financial need, duration, presence or absence of security or collateral, credit risk, etc.

In the text below you can find a short description of different types of loans. In order to find out which is which you will first need to complete the text with the following terms for different types of loans: *secured personal loan, unsecured personal loan, auto loan, home loan, home improvement loan, investment loan, open-ended loan, closed-ended loan, debt consolidation loan, career development loan.*

The present day financial market is fiercely competitive and you can expect a loan for every occasion. For example, if you are at the beginning of your career and need a loan to pay for courses and training that will help you with your career or help to get you into work, you can ask for a (1) _____. On the other hand, companies that would like to develop their activity or buy fixed assets such as property and equipment will ask for an (2) _____. No company or individual is happy to take out a (3) _____, which is a loan obtained for consolidating a number of debts into one, and the money is normally paid directly to the borrower's creditors.

Many of those who are not so keen on public transport take out an (4) _____ to purchase new and used vehicles, but this loan can also be used for car repair. If you are looking to buy a house or an apartment, you will need a (5) _____, also called mortgage, which is a loan specifically aimed at funding the purchase of a home and secured against your home, meaning that your home may be repossessed if you fail to keep up on payments. (6) _____ helps you pay for simple jobs or more complex remodelling to renovate your home.

Talking about mortgage, when a loan has some sort of possession put up as security for the loan, it is called (7) _____, whereas (8) _____ is a loan that does not have asset for collateral. Home loans and auto loans are the type of loans that cannot be borrowed again once they have been repaid, and therefore they are called (9) _____. On the other hand, (10) _____ is a loan such as a credit card that allows you to take money out but also to put money in so that you can borrow over and over.

Key: 1. career development loan, 2. investment loan, 3. debt consolidation loan, 4. auto loan, 5. home loan, 6. home improvement loan, 7. secured personal loan, 8. unsecured personal loan, 9. closed-ended loan, 10. open-ended loan

In the following exercise you can find verbs you might find useful when talking about loans. Complete the sentences with one of the following verbs: *lend, consolidate, repay, take out, borrow, guarantee, insure, withdraw, limit, qualify.*

1. The borrower agrees to _____ the loan, together with interest, by repayments as set out in the loan agreement.
2. Dutch firm Think Capital does not participate in any securities lending in order to _____ risks.
3. The scheme enables banks to _____ to small businesses that lack the security to be offered a normal commercial loan.

4. Many people are tempted to _____ unsecured debt into secured debt, usually secured against their home.
5. You need a stable history of your income in order to _____ for a loan.
6. Members applying for a loan are not allowed to _____ funds from their membership account until the savings are higher than the outstanding loan balance.
7. If you own your home and want to _____ between £5,000 and £150,000, we can help you find a suitable loan.
8. Funding obtained through this scheme can be used for business acquisitions, refinancing business loans and to _____ overdraft facilities.
9. Many people need to _____ a loan in order to finance a wedding or a honeymoon.
10. Banks should be forced to _____ loans to small and medium-sized business in order to guard against bankruptcies.

Key: 1. repay, 2. limit, 3. lend, 4. consolidate, 5. qualify, 6. withdraw, 7. borrow, 8. guarantee, 9. take out, 10. insure