

MODULE 1 RESOURCES

Resource 1.1: Debt Types Comparison Chart

DEBT TYPES AT A GLANCE

Debt Type	Typical APR	Term Length	Secured?	Best For
Avoid If				
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Credit Cards	18-29%	Revolving	No	Rewards
when paid in full	Can't pay full balance monthly			
Student Loans - Federal	5-8%	10-25 years	No	
Education with career ROI	Uncertain career path			
Student Loans - Private	6-14%	5-20 years	No	
Exhausted federal options	Federal aid available			
Auto Loans - New	5-12%	3-7 years	Yes (car)	Reliable
transportation need	Want vs. need purchase			
Auto Loans - Used	7-20%	3-5 years	Yes (car)	
Affordable reliable vehicle	High-risk older vehicle			
Personal Loans	8-36%	2-7 years	No	Debt
consolidation	Already spending problem			
Payday Loans	400%+	2-4 weeks	No	NEVER
USE	ALWAYS AVOID			
Buy Now Pay Later	0-30%	6 weeks-12 months	No	Only
if can pay on time	Impulse purchases			
Home Mortgage	6-8%	15-30 years	Yes (home)	
Affordable home purchase	Stretching budget			
Home Equity Loan	7-10%	5-30 years	Yes (home)	Major
home improvement	Consumer debt payoff			
Title Loans	300%+	1-12 months	Yes (car)	NEVER
USE	ALWAYS AVOID			
Pawn Shop Loans	200%+	1-6 months	Yes (item)	Last
resort emergency	Better options available			

Key Definitions:

- **APR (Annual Percentage Rate):** The yearly cost of borrowing including interest and fees

- ****Secured Debt:**** Backed by collateral (asset lender can take if you don't pay)
- ****Unsecured Debt:**** Not backed by collateral (can hurt credit but can't take property directly)
- ****Revolving Debt:**** Can borrow, repay, borrow again (credit cards)
- ****Installment Debt:**** Fixed payment over fixed term (auto loans, mortgages)
