



THINGS TO CONSIDER WHEN APPLYING FOR A BANK LOAN

To help get you closer to your financial goals, here are some of the most common types of bank loans available to Canadians:

Mortgage Loan: A loan for the purchase a home or other property.

Car Loans: A loan for the purchase a vehicle.

Personal Loans: A fixed loan amount for personal use.

Business Loans: A loan for business related costs and expenses.

Line of Credit: A borrowing option for personal, business, or student needs.

REMEMBER

BANK LOANS are **SECURED** or **UNSECURED**.

SECURED: lower interest rates because they're tied to a piece of collateral, i.e., a house or a car.

UNSECURED: higher interest rates because they aren't tied to collateral and are seen as riskier to the lender.

TIPS



- Requires an extensive application process.
- Longer amortization period; ranging from 10 to 25 years.



- Flexible payment options through banks and credit unions.
- Rigid repayment time periods.



- Repayment includes interest and possible additional fees.
- Terms usually range between six and 60 months.



- Perfect for starting a small business.



- Available through most banks and credit unions.
- Works like a credit card: apply once, and if approved, a limit is given to borrow against, as needed.
- Interest is only charged on the amount borrowed.
- No fixed period for repayment.

BANK LOANS IMPACT YOUR CREDIT SCORE

Credit scores are determined by:

- Type of credit you have
- How much credit you use
- If you make your payments on time

HOW TO APPLY FOR A LOAN

Now that you've identified the type of loan to best suit your needs, let's explore how to apply for a loan.

While most believe that borrowing from their personal bank means less paperwork, it can also be worth your time to explore options available from other banking institutions. Some offers can include lower interest rates.

While eligibility conditions can vary from loan to loan, here are some common criteria:

- Age of majority; varies by your home province
- Proof of employment
- Minimum income
- Minimum credit score requirement
- Proof of address
- Proper identification



ALL loan types require a hard credit inquiry. This helps the lender determine your ability to pay back the loan.

REMEMBER

Hard credit inquiries may cause your credit score to drop, but only temporarily. If you keep your credit utilization under 35% and make your payments on time, taking out a loan can help build your credit score over time.

BUT... if you take out multiple loans or lines of credit, and only make the minimum payments or fail to make payments on time, this will negatively impact your credit score.

REMEMBER

If you still need financing, consider the following:

- A secured loan, instead of an unsecured loan.
- A friend or family member to co-sign the loan.
- Apply for a smaller loan amount.

WHAT TO DO IF YOUR LOAN IS DENIED?

If your loan is denied from a bank or a credit union, your first step should be to consult with the underwriter, who may or may not be able to share the exact reason with you.

Common reasons for loan denial include:

- Low credit score.
- Insufficient income.
- Too much existing debt.
- Not enough credit history.

Take steps to strengthen your credit score, increase your income, or pay down existing debt to give yourself a better chance of getting approved in the future.