

Types of Installment Loans – Accessible Version

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Secured Installment Loans

Most car loans are secured by the car that you buy with the loan. A secured installment loan is one where the borrower offers collateral, in this case the car, for the loan. If the borrower does not pay as agreed, the lender may take the collateral. Mortgages and home equity loans are examples of secured installment loans.

Caution

If the collateral cannot be sold for enough to repay your loan, you are still responsible for:

- The remaining balance
- Any fees and interest associated with the loan

Unsecured Installment Loans

Unsecured installment loans, sometimes called personal or signature loans, can be used for a variety of personal expenses, like bill consolidation, education expenses, or medical expenses.

- There is no collateral requirement for an unsecured loan.
- The terms of the loan might range from one to five years.
- Since credit cards have become popular, the use of unsecured consumer installment loans has declined. However, they are still offered by some financial institutions.