

LESSON 9: Activity 1

Teacher resource sheet: Answers to borrowing FAQs

	FAQ	REPLY
1.	Do I really need to borrow the money? Would I be better off saving up?	Take time to make a decision when taking out a loan. Sometimes if you think about the implications of borrowing to buy something for a while, you might find you don't really need it after all. If you decide you really want to buy something first look at your budget and see if you have sufficient savings or if you can increase the amount you save in a realistic timeframe.
2.	Who can/should I borrow money from?	Some people borrow money from friends/family members. Others apply to financial institutions such as banks or credit unions. Money lenders also give loans but these loans tend to have very unfavourable terms and conditions attached. (example: high interest rates)
3.	Can I afford the repayments?	Asking yourself how much you can afford to borrow is really important. Check out your budget to help you work out how much you can afford to repay. Consider how you will cope with future events such as higher interest rates, a drop in income, or changes to your circumstances such as having children or dealing with illness or redundancy. If you can't afford to repay the money you shouldn't borrow it! Remember that missing repayments will damage your credit record and your ability to get loans in the future.
4.	How do I organise to pay back a loan?	This will be organised with your lender. If you are borrowing from a bank or credit union you might be required to set up a monthly direct debit from your account – this means that an agreed monthly repayment will automatically be taken from your account on a particular date every month.

5.	How much can I borrow from a lender?	This will depend on your income and job security, whether you have savings, your credit history, if you are borrowing on your own or with someone else and if someone will act as guarantor for you.
6.	What should I look for when shopping around for a loan?	With loans, shop around and look for a low interest rate and compare loans looking at the total cost of credit. This is the cost of the loan. Get a quote from your own lender or credit union but don't stop there, make sure to shop around – it could save you money. Be careful to compare like with like, for example, loans of the same amount and term. Make sure that the term suits the purpose of the loan. For example, if you are borrowing for a holiday, you don't want to be paying it off for three years. Repaying a loan over the shortest time means higher repayments but also saves money in interest.
7.	What if I don't understand the terms and conditions attached to loan options?	Before you take out a loan or credit card, read all the documents in full and ask if there is anything you don't understand. Don't sign anything unless you are happy that you understand it fully.
8.	What do I do if I get into debt?	Do not borrow more money to pay existing debts. If you're in financial difficulty, don't be afraid to ask for help.