



Types of Loans

Objective:

I can explain what a loan is, why people use loans, and identify different types of loans.

Utah Core: Writing Standard 6.W.4

Materials:

- Whiteboard
 - Scenario cards (optional)
 - Paper and pencils
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1. Warm-Up (5 minutes)

Ask:

- “What is a loan?”
- “Why might someone borrow money instead of paying for something right away?”

Define:

A **loan** is when you borrow money now and promise to pay it back later, usually with *interest*.

Interest = the extra money you pay for the use of someone else’s money.

2. Direct Instruction: Types of Loans (10–12 minutes)

Introduce each type with a simple definition:

A. Personal Loan

- Borrowed from a bank.
- Used for many purposes (a computer, home repair, emergencies).
- Paid back monthly.

B. Car Loan

- Used to buy a car.
- The car is the “collateral” (if you don’t pay, the bank can take the car).
- Usually paid over several years.



C. Student Loan

- Used to pay for college or career school after high school.
- You pay it back once you finish school.
- Usually has lower interest rates.

D. Mortgage (Home Loan)

- Used to buy a house.
- Biggest type of loan most people ever get.
- Paid back over 15–30 years.

E. Credit Card Loans

- Every time you swipe your card, you're borrowing money.
- If you don't pay it back that month, interest adds up fast.

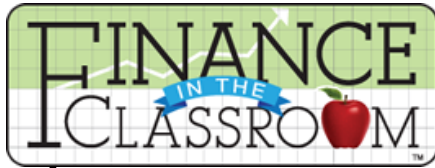
3. Guided Practice (10 minutes)

Write the following scenarios on the board. Students choose which loan type fits each one.

1. **Maria wants to buy her first car to get to her job.**
2. **A family wants to buy a house with a yard.**
3. **Trey needs money to go to college after graduation.**
4. **Dr. Benson needs \$1,500 to fix a broken water heater.**
5. **Jordan buys school supplies with a card and pays later.**

Answers:

1. Car loan
2. Mortgage
3. Student loan
4. Personal loan
5. Credit card loan



4. Activity: “Loan Match-Up” (10–15 minutes)

Group students into pairs.

Give each pair cards with:

- Loan types
- Short scenarios

Students match each scenario to the correct loan type.

Then they choose ONE scenario and illustrate it on a half-sheet:

“What happened? Why did the person need this loan?”

5. Discussion / Reflection (5 minutes)

Ask:

- “Which loan do you think adults use most often?”
 - “What are the benefits of loans?”
 - “Why is interest important to understand?”
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6. Exit Ticket

Students complete:

- 1. What is a loan?**
- 2. What is interest?**
- 3. Name one type of loan and when someone might use it.**

Printable Scenario Cards and Worksheet/Quiz

Scenario Cards (Print and Cut Apart)

Card 1: Car Loan

Maria wants to buy her first car so she can get to her new job on time. She needs money upfront and will pay it back monthly.

Card 2: Mortgage

A family wants to buy a new house with a big yard. They need a large loan that they will pay back over many years.

Card 3: Student Loan

Trey wants to go to college after high school. He needs help paying for tuition and books.

Card 4: Personal Loan

Dr. Benson's water heater broke, and he needs \$1,500 to replace it. He goes to the bank for a loan.

Card 5: Credit Card Loan

Jordan used his credit card to buy school supplies. If he doesn't pay the full amount this month, interest will be added.

Card 6: Car Loan

Melissa needs a reliable car to drive to sports practices. She decides to take out a loan to buy a used car.

Card 7: Personal Loan

The Ramirez family wants to take care of some unexpected medical bills and needs extra funds.

Card 8: Mortgage

A couple wants to buy their first home. They will need to make payments for many years.

Worksheet / Quiz

Name: _____ Date: _____

Part 1: Vocabulary (Matching)

Match the word to the correct definition.

- A. Loan
- B. Interest
- C. Mortgage
- D. Student Loan
- E. Credit Card

1. ____ Money you borrow now and pay back later.
 2. ____ Extra money you pay for using someone else's money.
 3. ____ A loan used to buy a house.
 4. ____ A loan used for college or career school.
 5. ____ A card that lets you borrow money each time you buy something.
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Part 2: Multiple Choice

6. A loan you take out to buy a car is called a:
 - A. Mortgage
 - B. Car Loan
 - C. Personal Loan
7. Which loan usually takes the longest time to pay back?
 - A. Car Loan
 - B. Mortgage
 - C. Credit Card Loan
8. If you buy something with a credit card and don't pay it off, what happens?
 - A. Nothing
 - B. Your interest increases

- C. Your loan disappears
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Part 3: Short Answer

Answer in 1–2 sentences.

9. What is one reason someone might need a personal loan?
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10. Why is it important to understand interest when borrowing money?
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If you'd like, I can also create an answer key, Google Forms quiz, or a more decorative printable page.