Bank Loans
Bank loans are usually determined by your salary and your bank history. Loans from banks usually have standard terms in their contracts, but look out for “the small print”. Check the admin charges, whether interest rates can be changed at any time, and any other conditions. You might be forced to take out life insurance to get the loan – an added expense! Some typical bank loans are:

Bank Overdraft
You can arrange a bank overdraft on your cheque account – usually the account your salary is paid into. This means they will let your cheque account be overdrawn. The interest rate is a lot higher than the prime interest rate. You do not have to repay the overdraft within a fixed time, but the bank will review it at least once a year, and can withdraw it at any time.

Revolving Credit
This will be a fixed amount of money that the bank agrees to loan you. You don’t have to take it all at once, and as soon as you pay some back, you can re-borrow that amount. This kind of loan is flexible, but has a high interest rate.

Bank Loans
Depending on your circumstances, you might qualify for a longer-term loan, where you have to make fixed repayments every month. The bank might ask you to provide something as security for this loan, such as a piece of land. If you cannot repay the loan, the bank then has the right to keep your asset that you offered for security.

Credit Cards
If you have a good credit history and a regular income, you might qualify for a credit card at the bank. The banks set a limit based on your circumstances. You can use your credit card to buy goods in most places. If you don’t settle the amount in full at the end of the month, you will be charged interest at fairly high rates. There are annual card charges and optional lost card insurance charges.

Specialist Loan Companies
There are many loan companies around, encouraging you to buy your dream holiday, add on a patio to your house, or fulfil other dreams now and pay later. But beware, they are expensive and have hidden costs.

Hire-purchase Agreements
Some people buy cars, furniture or appliances, using an HP contract. The seller arranges finance for you from banks that specialise in this type of loan. You are usually required to pay a deposit and sign an agreement where the loan is registered over the items that you buy.

HP is expensive, and you usually end up paying more than double for the item. If you cannot pay for a month or two, you run the risk of having the item repossessed. You will then have nothing to show for all your months of repayments.

Vehicle Finance
Some banks have special divisions that only provide loans for motor vehicles. The interest rates are more favourable than ordinary loans. If you have an accident or your car is stolen, you would still need to repay the loan, unless you had insurance cover. If you stop paying your loan, your car will be repossessed.

Home Loan or Bond
Most people take out a home loan or mortgage bond to buy or build a house. This is a long-term agreement between you and the bank, where the loan plus interest is repaid over 20 or 30 years. The bond is legally registered over your property and if you can’t repay the loan, it acts as the bank’s security. Usually the interest is one of the lowest rates that you will get, but it is linked to the bank’s prime interest rates. If interest rates go up, you could find yourself not able to pay the higher repayment amount. In the late 1990s, home loan rates rose to 25%, making many people unable to repay their home loan repayments. This meant that they lost their houses. You are also usually expected to take out life insurance for the value of the bond.

Paying extra into your home loan each month, or paying it off sooner, dramatically saves you interest. It is a good idea to put any extra bonuses or money into your bond. Usually you can arrange with the bank to withdraw any extra payments if you need it. In this way you can use your bond to keep your savings in.