



# Introduction to Credit

## With ATB Financial

Credit is simply money that you borrow to pay for things you want or services you receive. Credit can help you have immediate access to funds, track your spending, earn rewards and build positive credit; but, credit can also cause you to overspend and damage your credit history if you cannot pay your bills.

### Types of credit:

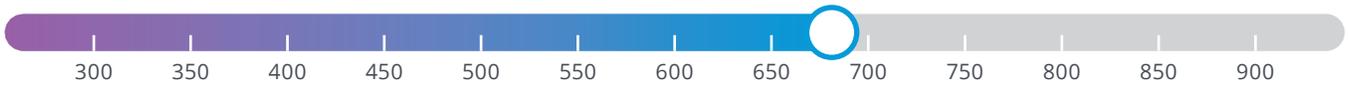
- a Credit cards:** allows you to borrow money from your bank to make online and in-store purchases. You have to qualify for one, and then you can use your credit card to pay for items up to your credit limit.
- b Personal loans:** allows you to borrow for a specific purpose such as purchasing a car. It's close-ended, yet flexible, so that you can create a repayment plan that fits your budget. You have to qualify for it and it's attached to your debit card.
- c Personal lines of credit:** lets you enjoy ongoing approval to borrow funds up to a pre-established limit, when you need it. You have to qualify for it and it's attached to your debit card.

### What is a credit score?

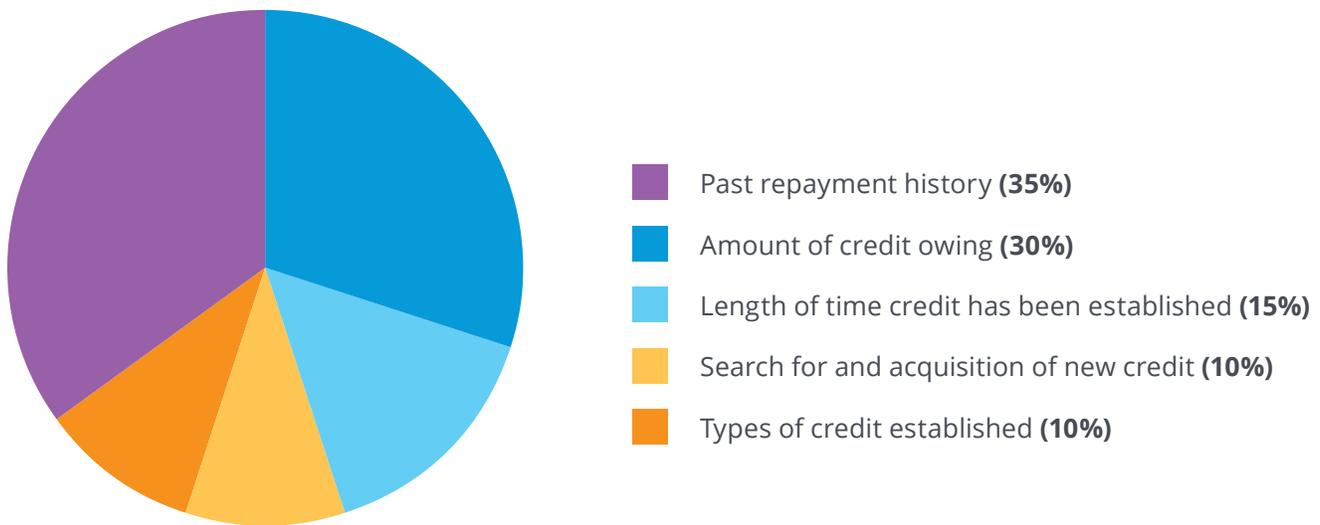
A credit score is a number assigned to you by the credit bureau to determine your ability to repay loans. It impacts:

- Your ability to apply for loans,
- The interest rate you are charged.

Your credit score is a number between 300-900 (in Canada); a higher score is better.



Your credit score is determined by a number of factors including:



### Variable rate interest

A variable interest rate can increase or decrease during the term of your loan.

vs.

### Fixed rate interest

A fixed interest rate means that you are charged the same interest rate over the entire term of the loan.

### Simple interest

Simple interest is charged on the principle amount, or the amount that you borrowed, only.

vs.

### Compound interest

Compound interest is often referred to as “interest on interest”, because interest is charged on the amount that you borrowed as well as accumulated interest from previous periods.