

Personal Loan Terms and Definitions (A-Z Glossary)

Personal loans in Canada are relatively simple compared to other types of loans. However, they still come with several terms and definitions you may be unfamiliar with.

It's important to know precisely what you are getting into whenever you borrow money, which means understanding the terms.

In this personal loan glossary, you'll find a list of all the most important terms and definitions to help you when you apply for a personal loan in Canada.

Key Takeaways

- There is a lot of personal loan terminology to get your head around.
- This guide contains over 30 of the most important terms to familiarize yourself with.

Personal Loan Terminology

Following are the most important personal loan terms, along with their explanations:

Amortization

With fixed-interest loans, there is an amortization schedule. This describes the monthly amount you will pay to cover the principal and interest.

Annual Percentage Rate (APR)

The APR is the yearly cost of taking out a loan, including the interest and other charges. It's the easiest way to compare the cost of [personal loans](#).

Balloon Payment

This is a one-time payment made at the end of the loan term to pay off the remaining balance. It's typically a larger amount than the other payments.

Beneficiary

The beneficiary is someone or something named to receive a certain benefit. For example, beneficiaries might be named in a will. If you die owing money, the creditor will file a claim to get paid from your estate, and the amount the beneficiary will receive may be affected.

Borrower

The borrower is the person borrowing the money. When you apply for a personal loan, you are the borrower and responsible for paying it back.

Borrower Default

This is when the borrower fails to repay the funds according to the personal loan

