Fifth Third Bank

Types of Credit

Credit of course comes in many forms, but there are two key categories that most fall into:

Secured Credit

With secured credit, the money you're borrowing is based on the value of a particular asset—like your car or house. The lender of the money holds a lien against your property. That means, if you stop making your loan payments, the lender can legally take ownership, and sell the asset in order to get the money back.

Home equity lines of credit (HELOC) also fall under the category of secured credit, because you're borrowing against your home's equity (the amount you've already paid off). Other secured products include:

- Secured credit cards
- Pawnshop loans
- Paycheck advances

Secured credit is often referred to as "installment credit"—meaning you'll make equal payments toward the loan amount each month.

Unsecured Credit

With unsecured credit, you're borrowing money without using an asset as proof of your ability to repay the loan. Instead, your ability to pay is decided based on your credit score.

Payment amounts on unsecured credit will vary, and you can choose to make either a full or partial payment each month. This is also known as "revolving credit" since your balance can "revolve" from one month to the next until you pay it off completely.

Most commonly, unsecured credit will be in the form of a credit card—whether it's from a bank, a retail store, or your favorite fuel brand. Other examples include:

- Personal loans or lines of credit
- Student loans
- Certain home improvement loans
- Specialty cards that must be paid off in full each month

There are a variety of unsecured credit options available. Many can be beneficial in building or rebuilding your credit score, or simply as a sound budgeting tool for yourself or your business.

QUESTIONS?
Contact us at 1-855-347-4864 to speak with a Money Management Advisor today.

This information is intended for educational purposes only. Please contact a professional for additional advice.
Copyright © 2016 Fifth Third Bank, All Rights Reserved. Member FDIC Equal Housing Lender