

Loans, mortgages and credits – Worksheet 1

1.1 Reading

LOANS

A loan is a type of a **debt**. It is money lent to a **borrower** from a **lender**. The borrower must **repay** the loan – a **principal** and an **interest** on the debt.

I TYPES OF LOANS

- time loans** – they are **repayable** on the **maturity** day
- term loans** – they are repayable in a number of **instalments**, they differ in length: long-term loan, medium-term loan, short-term loan (e. g. a bridge loan)
- personal loans** – they are used for purchasing consumer goods
- commercial loans** – they are granted to business organizations
- unsecured loans** – they are provided without any **security** therefore they are very risky for the bank; their interest rates vary depending on the lender or the borrower, the rates may or may not be regulated by law; e. g.: credit card debt, personal loans, bank overdrafts
- secured loans** – the bank is given a security until the lent money is completely paid off, if the borrower does not pay the loan, the bank has the legal right to repossess the security and sell it in order to get its money back, e. g. a mortgage loan – it is used by many individuals to purchase housing

II INTEREST RATES ON LOANS

An interest is a fee paid on borrowed money and it is the bank's profit. Banks borrow money from the Central Bank at a borrowing rate and they lend money at a lending rate which is different for various customers. Their clients have to pay:

- ~ a **principal** – the amount of lent money or its part
- ~ an **interest rate** – a percentage of the principal which is paid as a fee

III TYPES OF INTEREST RATES

- base rate** – it is given to reliable customers
- fixed interest rate** – this interest rate does not change
- flexible rate** – a rate that changes over the life of the loan
- capped rate** – a flexible rate of the loan which is limited by a ceiling

1.2 Translate. Use Reading 1.1.

- 1 den splatnosti
- 2 jistina
- 3 dluh
- 4 záruka
- 5 půjčka
- 6 úroková sazba
- 7 splátka
- 8 dlužník
- 9 poplatek
- 10 termínovaná půjčka
- 11 vypůjčené peníze
- 12 věřitel

1.3 Match the verbs.

*lend repay vary regulate repossess purchase
borrow provide grant limit*

- 1 splatit
- 2 koupit.....
- 3 usměřňovat.....
- 4 půjčit si
- 5 omezit, vymezit.....
- 6 poskytnout, udělit.....
- 7 obstarat, zajistit.....
- 8 různit se.....
- 9 půjčit někomu.....
- 10 opětovně vlastnit

1.4 Complete the missing prepositions. Translate the phrases.

TO (2x), ON (3x), OFF, WITH, IN (2x), FOR, BY, AS, WITHOUT

- 1 repay money the maturity day
- 2 the client will pay the debt in May 202_
- 3 lend money a client
- 4 term loans differ length
- 5 an interest is charged a debt
- 6 bridge loans are used purchasing housing
- 7 repay money instalments
- 8 money is paid a fee for arranging the loan
- 9 a bank grants a loan a customer
- 10 provide an unsecured loan a security
- 11 the height of instalments depends the client
- 12 commercial loans are given the bank to
business organizations
- 13 banks deal various types of loans

Loans, mortgages and credits – Worksheet 2

2.1 Reading

MORTGAGES

A mortgage is a type of a **secured loan**, it is always **ensured by a security** therefore it is less risky for the bank than an unsecured loan. If the **borrower** cannot pay off the loan, the security becomes the **property** of the bank. A mortgage is usually a long-term debt which is very often used to pay for housing.

TYPES OF MORTGAGES

- ~ Fixed Rate Mortgage – their interest rate stays the same through the term of the loan
- ~ Floating Rate Mortgage – their interest rate is periodically changed according to an index
- ~ Capped Rate Mortgage – their interest rate fluctuates up to an agreed limit

CREDITS

A credit is the **granting of a loan** and the creation of a debt. A credit can also refer to **delayed payments** for purchased goods. The borrower pays in **instalments** or the whole sum until a certain date. The borrower also has to pay an **interest, arrangement fees** and other charges. Credits vary in length (long-term, medium-term, short-term).

AUTHORISED OVERDRAFT

It is the most common type of a short-term unsecured credit granted to customers as a service accompanying their account. It allows customers to withdraw money even though they do not have the amount on their account. In this situation the bank lends them money and customers can overdraw their balance. There is a credit limit – the highest amount of money which the bank is willing to lend to the client. Then there is an interest rate (a charge paid for the lent money, it can be rather high) and fees for opening and maintaining the authorised overdraft. There are no fixed instalments, but the client has to repay the **borrowed money within a certain time limit**.

2.2 Find the words in Reading 2.1.

1 majetek, vlastnictví.....	8 zřizovací poplatky
2 úvěr.....	9 dlužník
3 zpožděná platba.....	10 kontokorent.....
4 jištěná půjčka.....	11 poskytnout půjčku.....
5 hypotéka.....	12 určitý časový limit.....
6 splátka.....	13 jištěný jistinou.....
7 úrok	14 vypůjčené peníze

2.3 Choose the correct word.

1 A mortgage is a type of	a) purchase	b) debt	c) investment
2 The borrower has to the loan.	a) repossess	b) grant	c) pay off
3 Mortgage is secured by a	a) fee	b) security	c) interest
4 Banks a mortgage to credible clients.	a) grants	b) provides	c) lends
5 The lengths of credit	a) change	b) vary	c) fluctuate

2.4 Answer the questions.

- 1 Have you ever arranged a loan? Why yes/not?
- 2 Are you planning to arrange a mortgage when you find your own place to live? Why yes/not?
- 3 Why are loans and mortgages so used nowadays?
- 4 Would you ever arrange an authorised overdraft? Why yes/not?
- 5 If you wanted to buy something expensive, would you a) save and then pay at once, b) pay in instalments, c) arrange a loan?
- 6 Which bank offers the best and trustworthy loans, mortgages and credits?

Loans, mortgages and credits – Worksheet 3

3.1 Reading

PAYMENT CARDS

They are used for payments for goods and services and they are widely **accepted** by sellers **to make purchases**. There are many types: credit card, debit card or cash card, fuel card, gift card, electronic purse or payment card in mobile phones. Often times the cards are contactless.

CREDIT CARDS

They allow their holders to make payments but the money is not taken from the user's account after every **transaction**, it is lent by the bank as short-term credit. The **cardholder** can purchase goods thanks to his promise to pay for the goods later. The **issuer** of the card (= the bank) lends money to the customer and charges him an interest on the created debt. A credit card also has a **pre-established** credit limit both the lender and borrowed must agree on.

DEBIT CARDS

They allow to withdraw money directly from the cardholder's bank account in their own country or abroad at an ATM. They are widely used for payments in shops. Every transaction must be **authorized** – the **customer verifies** the transaction by **entering a PIN** if the amount to be paid exceeds a pre-agreed limit or by signing a sales receipt. The money is taken directly from the account within a few days and the withdrawal is listed in the account statement.

EMBOSED CARD is a type of a debit or credit card containing **data** which is **embossed** on the surface of the card.

FUEL CARD – it is used for payments for **petrol or diesel**, the card owner can receive real time information about performed purchases which helps him to keep his payments under control.

GIFT CARD – it is not owned but issued to satisfy some need, the card can contain **prepaid amount** of money and the person who receives the card can choose the product which he wants to purchase by the company which issued the card.

ELECTRONIC PURSE – it is useful for paying small amounts of money, no PIN is needed and the card is not connected with any account, money is **stored "in"** the card – the cardholder can withdraw only as much money as was prepaid (e.g. for bus fare).

3.2 Find in the text.

- | | |
|----------------------------|--------------------------|
| 1 transakce..... | 7 autorizovat..... |
| 2 přijmout..... | 8 vložit pin..... |
| 3 provést nákup..... | 9 reliéfní povrch..... |
| 4 držitel karty..... | 10 předplacená suma..... |
| 5 uložit na..... | 11 vydavatel |
| 6 přednastavený limit..... | 12 ověřit |

3.3 Answer the questions.

- Do you use a payment card or a card in your phone? Why yes/not?
- What are the advantages and disadvantages of a) credit card?, b) debit card?
- Would you ever tell your PIN of your payment card to anyone? Why yes/not?
- Compare paying by payment cards and in cash. What are the advantages and disadvantages? Why?
- Have you ever arranged a gift card as a present for anybody? Why yes/not?
- Do you use an electronic purse? What for? Why yes/not?