# Banking and Loans: Comprehensive Guide

## Overview of Banking and Types of Loans

Banks are financial institutions that provide a range of services, including accepting deposits, lending money, facilitating payments, and offering investment products. Loans are a key component of banking, allowing individuals and businesses to borrow money for specific purposes under agreed-upon terms.

## Types of Loans

1. Personal Loans  
 - For personal expenses, such as home improvement or medical bills.  
  
2. Home Loans (Mortgages)  
 - Includes fixed-rate, adjustable-rate mortgages (ARM), FHA loans, and VA loans.  
  
3. Auto Loans  
 - Secured loans for purchasing vehicles.  
  
4. Student Loans  
 - Federal loans (low interest) and private loans for educational purposes.  
  
5. Business Loans  
 - Term loans, lines of credit, SBA loans for business operations.  
  
6. Credit Cards  
 - Short-term revolving credit with variable interest rates.  
  
7. Payday Loans  
 - High-interest, short-term loans for emergencies.  
  
8. Debt Consolidation Loans  
 - Combines multiple debts into one loan.  
  
9. Bridge Loans  
 - Temporary financing, often in real estate.  
  
10. Construction Loans  
 - For property building or renovation.  
  
11. Microloans  
 - Small loans for startups or entrepreneurs.

## Key Banking Terms Related to Loans

1. Principal: Original amount borrowed.  
2. Interest Rate: Cost of borrowing.  
3. Collateral: Asset securing a loan.  
4. Default: Failure to repay.  
5. Amortization: Spreading payments over time.  
6. Loan Term: Duration of the loan.  
7. Grace Period: Payment-free period.  
8. Prepayment Penalty: Fee for early repayment.  
9. Debt-to-Income Ratio (DTI): Debt as a percentage of income.  
10. Underwriting: Evaluating borrower creditworthiness.  
11. Equity: Difference between asset value and loan amount.  
12. APR: Annual cost of the loan.  
13. Refinancing: Replacing a loan with better terms.  
14. Credit Score: Indicator of creditworthiness.  
15. Origination Fee: Loan processing charge.

## Special Banking Terms

1. Non-Performing Loans (NPLs): Loans for which payments are overdue by 90 days or more.  
2. Charge-Off: A loan that is written off as a loss.  
3. Recovery: Amount recovered from a non-performing loan.  
4. Loan Book: Total value of all outstanding loans on the bank's records.  
5. Provision for Loan Losses: Funds set aside to cover potential losses from non-performing loans.  
6. Net Loan Portfolio: Total loans after accounting for losses.