# Information on Term Loans

Your BCB Relationship Manager (RM) is here to help guide you through the Loan application process and answer your questions.

## What is a term loan?

A term loan is a type of loan that can be used for personal purposes and is paid back over a set period. The loan is usually paid back in regular payments that include both principal and interest.

A term loan is suited to borrowers who require financing to make a one-time upfront payment in order to purchase a specific item or service. The bank lends the amount for the purchase to the borrower, and the borrower repays the bank over a specified period with interest

### Features:

- Up to 5 years borrowing term.
- Variable Interest rate
- Both secured and unsecured lending options are available.

## Things you should consider before applying for a term loan:

- ***Affordability:*** You need to carefully assess whether you can afford the term loan, including the monthly payments. Start by considering your monthly net income without any overtime or additional variable pay. Next take account of all your monthly commitments and calculate the total some of these expenses. The cost of living in Bermuda is relatively high so you should consider your baseline living expense (like electricity, food) as well as any regular or contractual commitments you might have (e.g. other loans, rent, childcare, school fees, etc The residual income should be sufficient to cover the monthly loan payments with extra for general non-recurring expenses and as to not limit the ability to save.
- ***Collateral requirements:*** In some cases, you may be required to provide security for the loan. Generally, collateral assets can be real estate, inventory, personal property or cash.
- ***Change in circumstances:*** You need to consider how you will continue to pay for your term loan if your personal circumstances change. If the loan is not paid as agreed, the bank has the right to reclaim the loaned funds using the listed collateral.

## Risks:

***Fees & Interest:*** If your payment is late, you may be subject to late fees and your interest rate may increase to a Default Interest Rate (which will be set out in your Facility Letter and will be based on the bank's base lending rate) due to the increased risk.

***Inability to repay:*** If you miss a required payment or breach the terms and conditions of the loan as laid out in the Facility letter the bank has a right to declare your loan in default and demand immediate repayment of the full amount including interest, failing which the bank may proceed with legal action to recover the amount owed to it.

## Key Terms

| Term | Definition |
|---|---|
| Principal | The original amount of money borrowed from the bank without fees or interest. |
| Interest | The fee the Bank charges to borrow money. The interest terms will be set out in your Facility Letter. Interest may be variable or fixed and failure to make regular timely payments may result in a Default Interest Rate being applied to the loan. |
| Term | The term is the length of the loan or the number of months or years until the loan is fully satisfied including fees and interest. It can range up to 5 years. |
| Variable interest rate | A variable interest rate changes in accordance with the bank's base lending rate, which changes due to market conditions. As a result, your payments may vary. |
| Credit history | Your (the borrower's) history of honouring credit agreements – your proven ability to repay any debts you've incurred within the term and conditions of the agreement. Your credit history is an indication to the bank of the risk that it is taking in lending this money to you. |

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| Facility Letter | The Facility Letter sets out the terms and conditions of the loan between the borrower and the bank, including the responsibilities and obligations of the parties. |
| Collateral | Property or assets that are used to secure a loan. If the borrower defaults on the loan, the lender can seize the collateral to repay the loan. |

## Why choose Bermuda Commercial Bank?

Bermuda Commercial Bank Limited is the specialist Bermuda bank delivering innovative and effective solutions to provide superior customer experience. We offer tailored financial solutions and personal attention to Bermuda-based clients.

We understand that there are other options in Bermuda, but Bermuda Commercial Bank differentiates itself from the competition in several different ways:

- ***Competitive Market Rates****:* Bermuda Commercial Bank strives to offer the most competitive interest rates for term loans.
- ***Personalized Service****:* Bermuda Commercial Bank is relationship driven and our local staff offer fast and personalized hands-on service to clients throughout the process of obtaining a loan.