

Personal Loan Guide

Advertisements that promise to help you solve your financial troubles can be seen everywhere today but one can still not be sure if these companies are safe to be considered.

Even when we consider the state of our economy today, loans are very easily available. Applying for a loan is definitely a good way to get out of a financial problem and improving living standards. It is also a good way to get some advance. However, borrowers will have to realize that taking a personal loan is still a very complicated process. It is important for you to know what you would be getting yourself into so that the loan companies and lenders will not take advantage of you.

First, it is important that you get some knowledge about loans and their several forms so that you would be able to choose the right type of loan and not end up in a bad situation. There are several ways through which you could be trapped if you do not speed up the loan process. It is important for you to remember that the interest rates that are advertised would not necessarily be the rate that you would be getting. The interest rates are normally determined based on several different factors and the personal financial circumstance of the borrower. Also, your intentions for taking the loan- what you want to borrow the loan for, the term for which you want to borrow and the amount that you want- will all affect you in the long term and will ultimately decide the amount of money that you would have to pay back.

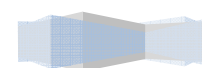
Selecting the right loan type It is personal

Take for instance that you want a loan but you do not wish to secure it against any of your possessions like your home or your car. An unsecured personal loan would be your best choice in such a situation. Unsecured loans will not be secured against your belongings or your assets but would only be given against contractual obligations. These loans can be more difficult for you to get since they pose more risk for the lenders. Normally, you would be able to borrow an amount of up to GBP 25,000 through an unsecured loan. This amount can be paid through monthly installments over a period of several years, depending on your affordability and the amount that you borrow.

The most common type of personal loan is a fixed loan. With fixed loans, the amount that you would have to pay each month would be fixed over a period of time. The variable loans are not very commonly found. The interest rate for variable loans would be determined based on the best rate of the lender which can fluctuate.

Plan in advance

There are several lenders and loans available today where the rates can be anywhere between 6% and 20%. It would be important for you to look out for the best possible deal that will allow you to save a considerable amount in interest payments over the years. You will have to remember to compare all your options. Before you borrow any amount of loan, you will have to determine just how much you will be able to repay over a set period of time. You will also have to make a monthly budget to determine just how much time you will require to repay the loan in full. Consider the fact that the longer you take to pay back the loan, the higher interest amount you would be paying. Plan in advance so that you will not have to deal with any early repayment fees which could have been easily avoided.



Some clues and hints

- Compare only loans that are similar.
- Negotiate with the lender to get a better rate. You will never know if you can get a better rate till you try. Can you borrow more than the approved amount, reduce the repayment term or get a better rate approval? Talk to the lender to see if you would be able to enjoy better value.
- There are few lenders that will charge an extra fee for instant transfer of the loan money electronically. To avoid this extra fee you can always ask for a normal transfer and wait for three or four days.
- Always shop around. Contact a few independent brokers in order to get the best possible deal in the market.

Where to turn for help

It can be a good idea to discuss things with someone and get advice before you actually take the loan. In most cases, signing up at the local bank for a loan would be a better deal not for you but for them. The internet today offers several loan options with the best possible rates in the market. Just ensure, read the details mentioned in the fine print and the terms and conditions before you sign the agreement for a loan.

Know the APR and interest rates

APR or the Annual Percentage Rate is one of the most important things to pay attention to when you go for a loan. This is the rate that will include the interest rate charged on the loan along with all the extra charges. However, the typical APR that is advertised by loan companies will not provide you that information. Generally, the typical APR that is advertised will mention that around two thirds of applicants are eligible for it which leaves a good number of borrowers who would have to pay a considerably higher interest rate.

APR and loan approvals are based on the personal circumstances of each borrower, the yearly earnings as well as the credit history of the borrower. It will also be important for you to check extra charges that will be included in your APR. Lenders may charge many other fees which may not be included in their APR that they quote to you.

Clues and Hints

- Along with the APR, you will also have to check the amount that you would be required to pay each month to determine how much would be actual amount that you will be paying over the entire term.
- Ensure that you ask about any penalties that may be charged if you pay the loan off early.

Know your credit history

When you borrow money without providing any collateral, you would be a considerable risk for the loan company. If there are any negative points or marks in your credit history, it would be an even greater risk. Late or missed payments, defaults and County Court Judgments that are against you for not paying your past debts can be counted against you. It will be difficult for you to get a loan approval if you are in a high risk category or if you are self employed.

Clues and hints

Ensure that the credit agency that keeps track of credit history has accurate information. Your loan application can be affected by the information that a credit agency will provide to the loan company.

Make the loan work for you Debt consolidation- making your life simpler

Every person would like to have some money in the bank account and good balance on the credit card. Loans can offer a solution and a way to achieve this if you consolidate all of your earlier debt at one place. These loans can be a good method of debt consolidation since the lenders often charge a low rate of interest than the credit card companies and the overdraft facilities.

Also, it can be quite difficult for you to manage the debt if it is spread over different credit cards. It may not be simple to keep track of all the bills that come and go and it can be very time consuming to make payments at different places. Personal loans can help you fix the problem by providing you a systematic method of repayment. It would be possible for you to go for direct debit option which can again make things easier for you.

However, it would be very important for you to be cautious when you take a loan. When you borrow a large amount of money for handling all of your debt, you will have to commit yourself for a long repayment term which would also mean a higher interest amount. While the loan repayments will definitely be manageable for you and it will provide you security, you will also have to keep in mind that the debts will not just vanish once you take the loan. You will still be required to make the payments.

Debt consolidation will result in more debt than before if you do not take the necessary care when you take the loan. For this reason, you will have to be careful about how you use the money.

Clues and hints

After you have cleared your existing debt, it would be important for you to ensure that you do not again fall for the same traps. It can be easy to go back to the same pattern and spend on the credit cards after the debts have been consolidated. This will only create a worse situation for you. The best possible thing to do is to curb the temptation by cutting up all but one credit card.

Paying the loan back

Though there are quite a lot of people who are able to pay the loans off early, you may have to pay a penalty for early repayment. The early repayment charges are charged by the lenders so that they can get as much interest as possible from the borrower. For example, if you pay back a loan a year early, you may have to pay one or two months interest money on the loan.

The flexible loans will allow you to pay back variable amount of money during the loan but most often than not, these loans carry a higher interest rate. Also, you will have to remember to be honest about your current financial situation with the lender if you face

any problems. If you avoid the situation or ignore your problems, you will only be putting yourself and your family in more trouble. If you are straightforward and honest with the lender about your financial situation, it would be easier for you and the loan company to arrange for an easy way to get your loan payments back on track.

Even if you have an unsecured loan, the loan companies can easily go to the court and they may force you to pay the money back in several different ways. Again, this would only create negative points for you on your credit history like CCJs. If you miss out a payment for a month there can still be a problem.

Clues and hints

Always be honest with your lender about your current financial circumstances so that you do not have to face any legal issues.

Features of the loan Protection price

The loan companies earn a large amount by charging insurance on the loans. This is called Payment Protection Insurance or PPI. There are many positive arguments for PPI. Insurance will cover your repayment in case you face any sickness, lose your job, face death or an accident.

It will provide you some security since you would never know what would lie ahead for you in the future. However, the lenders have also been known for making billions by adding a considerable amount of money in the form of insurance.

It would also be important for you to ensure if you are eligible to get PPI. There are several borrower groups like self employed, contractual workers etc who would not be eligible to claim insurance. Insurance may not cover the full loan term so you will have to find out more details about it.

Clues and hints

Decide if you want to go for insurance. Fully understand what insurance is, what would be covered and what would not be covered by the insurance.

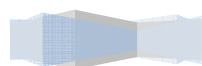
Flexible Features

A few loans would offer you flexible features that can make things easier for you. You would be able to get plans that may provide you flexible amounts to be paid each month, including underpayments and overpayments. You will also be able to find plans that will allow you to go for defer payments, repayment holidays or the option to withdraw an amount on rolling basis.

Clues and hints

The flexibility features often mean higher interest rates.

Your rights



The Consumer Credit Act mentions that each borrower is eligible for certain rights and protection. You should get written information about your loan agreement, including the APR and you should also receive your copy of credit agreement.

As a borrower, you should also get a cooling off time or the option to get out of the loan. This term would usually be around two weeks. The highest amount that you will have to pay as an early repayment charge for a secured loan should not be more than one month's interest.

