

Hints and Tips On How To Apply For A Loan

If you are thinking about getting a loan, then you should know about the basics before you get started. If you understand the basic dos and don'ts of loans, then you will be better equipped to find the best loan for your needs. Whatever type of loan you are applying for, you should follow these basic rules to help you find the best deal:

Shop around

When searching for a loan, it pays to do your research. Look for as many suitable lenders as you can, so that you can find the very best deal. There are many online pages that allow you to compare loan rates from a variety of lenders. As well as looking online, check out your high street banks and mortgage lenders for deals too. However, remember that if you ask for a detailed quote, the lender will have to look at your credit report. Too many lenders looking at your credit report can affect its rating, so make general enquiries until you are sure the lender is right for you.

Look beyond APR

When shopping for a loan, you should look past the promotional APR rates and terms, and ask the lender what the monthly repayments are. Low APR rates are good, but you need to find out what rate you can actually receive, what the repayment terms will be and if there are any additional charges. Think about the total interest payments on the loan rather than just the monthly payments.

Look at protection

When taking out any loan, it pays to have protection in place in case you fall ill or become unemployed. Look at the cost of taking out such cover, both with the lender and with other companies. Also make sure that you need all items of cover, as some of the items such as sickness or accidents may be covered by your current employer.

Avoid using collateral

If possible, try and avoid taking out secured loans. If the amount you need to borrow is small or you have good enough credit to borrow without collateral, then do so. Although unsecured loans have higher rates, they are less risky because your home will not be at risk if you cannot make the payments.

Check and double-check

Before signing any agreements, check and double-check all of the terms and small print. Some lenders will put the most unfavourable clauses in the agreement in a place you might overlook. Look at what happens if you miss payment or the payment is late, and if there are any additional penalties or charges, such as charges for early repayment.

Get short terms

Try and take a loan out over the shortest period you can afford. Taking loans out over 10 years or more can be risky, and you cannot be sure what your financial situation will be at that time. Of course, taking out a long-term loan for property is acceptable, but is it something you really want to do just to buy a car or pay for a marriage? The longer the period of the loan, the more you have to pay back.

Whatever type of loan you want to get out, make sure that you know you can afford to make the repayments, and that taking out the loan will help you financially.

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