

Getting the Hang of Loan Lingo

I really don't know how common folk ever learn to deal with the financial lingo that attacks them. We stumble upon terms like "Agreement in Principle" and "Adjustable Rate Mortgages" to "Credit History" and "Equity Release". Going shopping for loans can be a very educational experience. If you think that you definitely have an aptitude for the English language, just try asking a mortgage salesman for loan advice. By the time he is done with you, you might just come home feeling like a truck full of financial jargon crashed into you.

However, it really is not all that difficult when you decide to study the basic concepts. For instance, "Agreement in Principle" is simply a roundabout way of describing the agreement that is made between the lender and the borrower regarding the amount of money that will be lent. To a large extent, this amount would rely on aspects like your credit history, the collateral that you are offering, and your current income among other things.

Are you already feeling a little startled by all this jargon? Why don't I just simplify things a little more for you? Credit history refers to whether or not you have repaid loans that you had taken earlier. If you have been a defaulter on a previous loan, you have a bad credit history. If you have not defaulted, you will be said to have a good credit history. At this point, let me remind you that you need to avoid getting a bad credit history as this will hamper your chances of getting loans later on.

"Collateral" refers to the asset (usually property) that you use as security to procure a secured loan. An unsecured loan requires no such collateral. If you do not own any real estate yet but are hoping to sometime soon, you will locate all kinds of mortgage terminology like "Adjustable Rate Mortgages". This is separate from "Fixed Rate Mortgages" where the interest rate is fixed and it is not affected by market conditions. In an adjustable rate mortgage, the rate may vary in relation to the market conditions. These days, one can make use of mortgages that have a combination of fixed and adjustable rates.

If you already own a house, but are paying mortgage on it, "Equity Release" might be the right choice for you. Equity means the difference between the value of your home and the mortgage amount that remains pending. Free this equity by taking up a home equity loan to fund some of your other expenses.

Acquaint yourself with some financial lingo before you embark on your search for the ideal loan. This will make you a lot more prepared to choose the best loan!

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