

## Help! My Friend Wants Me to Cosign A Loan

Many people find it difficult to get a loan if they have bad credit. For them one of the easy ways to get credit is to have a loan cosigned for them. If you have been asked to cosign a loan by your friend or relative, there are several things you need to consider before asking where to put your John Hancock.

Most of us think that it is just a matter of signing our name to the loan application; oh it is really not that much of a deal. WRONG! In reality, by cosigning a loan you are entering into a serious loan transaction. When you sign the loan statement you are promising the loan lender or bank that if your friend or relative (for whom you have cosigned the loan) makes any fault in repaying the loan you will pay the amount. In simple words, the entire responsibility of the loan is on your shoulder. Therefore you need to be very careful while cosigning a loan.

Here are some points you need to take into consideration before you cosign a loan.

If your friend or relative ask you to cosign a loan, think why is the bank is not giving them the loan amount with out a cosigner? The answer is simple the bank is not ready to take a risk on the person on their own. The truth is that your friend or family might have a bad credit history, or no credit history at all. The lender is not sure whether the person will repay the loan or not. So before cosigning the loan, make sure that the person will pay the amount correctly and there is no risk for you if you do decide to cosign the loan.

The next step is to consider how cosigning will affect your credit report. You have worked hard to create a good credit history you need to maintain it well. If your friend has made any fault in his repayments it will surely affect your credit report.

Consider all these factors before you decide to cosign a loan for your friend. If you feel that you cannot say NO to your best friend when they ask you to cosign a loan, consider these simple steps to protect yourself.

Request your loan lender to inform you through mail or phone if your friend has failed to pay the monthly repayment amount. This will help you to make any arrangements to cover the amount of repayment. As you are cosigning the loan you can collect all the loan documents and details of repayment schedules from the bank or loan lender. Keeping the copies of all the documents will be an advantage in case there is a dispute.

To conclude, keep in mind that cosigning a loan is a serious responsibility and you need to think twice before making any deal. Think of all the responsibilities and the consequences before you sign the loan document. If you are ready to cosign a loan, it is always advisable to be prepared so that you will not end up in a financial crisis.

Source: <http://www.articlecircle.com>

### About the Author

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