

What is a Personal Loan?

A personal loan is money you borrow from a lender for your own private use. The lending institution can be a bank, investment broker, or private lending company. You can apply for such a loan in your home town or on the internet. Personal loans can be used for a variety of needs including a vacation, vehicle repairs, education, medical expenses, home repairs or remodeling, legal bills, and debt consolidation.

The average personal loan maximum is \$15,000. The amount you are eligible for will depend on the lending institutions guidelines for such loans, your income, and your overall credit rating. A personal loan is often confused with a line of credit. The major difference between the two is that a personal loan is a lump sum amount of money issued to you by the lender. A line of credit is similar, but you have access to funds up to your credit line that you can access all at once or just what you need, when you need it.

Personal loans can be either secured or unsecured. Secured loans mean you will offer the lender some type of collateral that they can claim in the event you don't repay the loan. This can be a vehicle, land, or other asset you own. Unsecured personal loans mean there is no collateral. The interest rates for unsecured loans are higher because there is a greater risk of non-payment.

The terms of a personal loan are generally one to five years. The terms of your loan will depend on the lender and the amount of money you borrow. It is important that you understand the loan terms prior to accepting the funds. While a longer loan term will result in lower payments, you

will end up paying more for the loan over the life of it due to the amount of interest. Keeping that in mind, only borrow the amount you need for your specific purpose and pay it back as quickly as you can. Make sure the set monthly payment is something within your reach on a regular basis so you are not likely to default on the loan.

The most common use of a personal loan is to consolidate other debts. This is a great way to have one monthly payment and reduce your monthly expenses. However, this scenario only works if you are willing to set a budget and live within the boundaries of it. Too often, a person who gets a personal loan to consolidate their debt racks up huge debt again quickly. Then they not only have that debt to pay again, but now they have a personal loan payment to meet each month as well. It is wise to enroll in a debt management course if you feel you may be at risk to continue the cycle of accumulating more debt. These can be taken for free at many non-profit credit counseling centers around the Nation.

Personal loans are a great way to access the money you need quickly. The application process is simple. You will generally need to verify employment, income, and residence. The lender will pull a credit check. You will likely still qualify for a personal loan if you have bad credit or no established credit. However, be prepared to pay a higher interest rate and have some type of collateral to offer.

Ways to Generate Funds without taking a Personal Loan

Obtaining a personal loan can be great, but don't forget that monthly payment that goes with it. If you are uncertain if you can meet the monthly obligation of a personal loan, don't take the risk. This is especially important if the only type of personal loan you are eligible for is one that is secured. A secured personal loan means that you have collateral attached to it. There are other ways to generate funds without taking out a personal loan. It will depend on the amount of money you need. If nothing else, you may be able to come up with a portion of the money, reducing the amount you need to borrow.

One of the easiest is to borrow from a friend or family member. However, only do so if they are understanding of your situation. If you will have a hard time repaying such a loan then you don't want the relationship to suffer. Parents are sometimes willing to extend a loan with terms that are loose depending on the child's needs and the parent's disposable income.

Consider selling things you already own to generate funds. This can be vehicles, property, and art work, anything you have of value. You can also consider having a yard sale to earn some extra money. Every little bit you can generate will help you to avoid taking out a personal loan. Old books, especially college books and CDs, sell well on the online auction sites such as eBay and Yahoo Auctions.

Depending on your schedule, it may be possible for you to obtain some type of work as another income source. You can do this temporarily until you have saved up the funds you are needed. This can be working on the weekends or evenings at a retail or convenience store. You may even try your hand at telemarketing. If you are going to college consider tutoring or typing papers.

The internet offers many employment opportunities that you can do from your home. There are sites that allow you to make money by typing papers, conducting research, proofreading, and even transcribing. You can do as little or as much work as you are interested in. The pay is very good as well. However, there are some work from home scams out there. Don't sign up for any such program that requires you to send them money or purchase a start up kit.

For those of you who interact with many people socially, selling Avon or Mary Kay products can be a very easy way to generate income. You simply leave books with interested people and place their order for them. Both can be very profitable.

For most of us, simply cutting our expenses can generate a considerable amount of money on a regular basis. Consider switching to store brand soaps and shampoos rather than name brands. Clip coupons and watch for store sales. Make a menu and stick to it. Only purchase the items on your grocery list. Carpool to work to cut down on the expense of gas and vehicle maintenance. Make your coffee and lunch at home rather than purchasing it. Eat your dinner at home rather than eating out. If you smoke or chew tobacco, quit. You will be amazed at the amount of money you are able to save when you no longer purchase such products.

Applying for credit should be done so wisely. Rather than rushing out to apply for a personal loan, consider ways you can generate more income to cover the expense on your own. It won't always be easy, but you will feel better knowing you accomplished the feat on your own. You will also avoid another monthly payment that can lead you to financial stress.

Ways to Eliminate Debt with a Personal Loan

There are many ways to allocate the funds you receive under the terms of a personal loan. One of the most popular uses for such loans is to eliminate debt. A personal loan offers a great alternative for individuals who are struggling to make monthly payments on too many accounts. The idea is to pay off such debt with a personal loan, then only have one monthly payment to make.

The monthly payment is often much less than you were paying before on all your outstanding debts. Having only one loan payment can also improve your credit score. This is especially true if the other debt was mainly credit card debt with the balance being very close to the credit limit.

The first step is to make a list of all of your outstanding debt. Make columns for information including the creditor, the balance due, and the interest rate. In the last column calculate the total amount you will pay on that debt making your current payments. There are great calculators to get this information online. These calculators are free and easy to use. To do this, simply type in the balance, interest rate, and monthly payment. In many cases you will be shocked to see how much that debt is going to end up costing you.

Once you have completed that task, add up the totals in each column. You will need to know the balance due to pay off the debt as this is the amount you will need your personal loan to be for. You also want to remember that overall cost total. It is very important that before you agree to the terms of a personal loan that you have made sure the overall cost of that loan will be considerably less than if you