

Secured Personal Loan: Top 5 Myths

Money is often in short supply, especially when we need it the most. Paying for that dream vacation or boat, but don't have the personal savings required? This is where a secured personal loan comes in.

A personal secured loan can be a great way to get money when you really need it. Of course, like all things in life, there are risks associated with secured personal loans. Before you consider a secured personal loan, stop and review the five most common myths about secured personal loans:

Myth 1: I risk nothing with a secured personal loan

There's no such thing as a free lunch. A secured personal loan is what it sounds like—secured. This simply means that the borrower has to risk some personal possession—known as collateral—such as a house for the secured personal loan. In case you are unable to repay the secured personal loan, you risk losing the collateral.

Myth 2: I lose my collateral if I default on payments

Okay, this seems to contradict Myth 1 above. In principle, if you use your house as collateral for a secured personal loan, you MIGHT lose it if you do not repay. In reality, this usually does not happen. Legal action is difficult and costly for the loan company to initiate. To avoid legal action lenders usually try to renegotiate the terms of your debt.

Having said that, AVOID defaulting on payments on secured personal loans. This will affect your credit history. The lender will also probably hand over your personal secured loan debt to a collection agency, and they are not fun to deal with. .

Myth 3: High interest rates

Because the lender is loaning you money with collateral, such as a house or car, the interest rates are quite low. If you are avoiding secured personal loans due to the fear of high interest rates, think again.

Myth 4: Loan amount is small

This is another common myth. For secured personal loans, the loan amount simply depends on the value of your collateral. The greater the value of the collateral the greater the secured personal loan amount. In fact, raising big amounts of capital is easy with a secured personal loan.

Myth 5: Secured personal loans are inconvenient

Many people simply look for alternatives because they believe secured personal loans are a hassle. The truth is, secured personal loans are flexible and easy to get. Easy monthly repayments and longer repayment periods actually make secured personal loans more convenient than other types of loans.

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About the Author

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