

# Is A Personal Loan The Answer To My Urgent Money Need?

**Q:** I need to get some money together in a hurry. Help! What can I do?

**A:** There'll always be times in your adult life when you find yourself in need of a sizable amount of money without enough savings on hand. Maybe you're drowning in debt, or you just spent some time in the hospital, or your car started breathing fire. Whatever the case, you need that money pretty quickly. For times like these, consider a personal loan. A personal loan is a loan of any amount of money, typically starting as low as a few hundred dollars and going into the tens of thousands of dollars, which is not secured with collateral – that is, there's no property backing the value of the loan. Personal loans may seem attractive, but they do come with some downsides. Is a personal loan right for you? And if so, how do you go about getting one?

Let's take a look at four critical questions to ask yourself before you get a personal loan.

## 1.) How's my credit score?

Closely examining your credit score is one of the most important things to do when deciding if a personal loan – or any loan for that matter – is right for you. You can check your credit score once a year at [annualcreditreport.com](http://annualcreditreport.com), and it's a good idea to check before you make any major financial decisions. If your credit score is above average, it's a lot easier to find a personal loan with a reasonable interest rate. If your credit score is lower than you'd like, a secured loan might be more appropriate for you. The rates on a secured loan are almost always lower, but you do have to provide collateral as insurance in case you can't or don't pay it back on time. In many cases, you can use your savings account as collateral to lower your interest rate, but be sure to keep up with the payments.

One of the biggest downsides of a personal loan is that they do tend to come with higher interest rates. You can keep your interest rate down by limiting the amount you borrow, agreeing to a shorter repayment period, or by securing your loan with personal property. If none of these strategies can get the interest rate down to an affordable level, a personal loan may not be for you.

## 2.) How do I apply?

The application process is different for everyone, depending on your personal financial situation and your lender. Some will take weeks to process and others can have the money in your hands in a matter of hours. Some will have application fees and some don't. The interest rates will vary. Limitations on your use of the money will vary as well.

There are some things that will remain universal, though. You will always need to provide some form of identification, usually including your Social Security card or a state-issued ID. You'll need to show proof of your past income, usually in the form of W-2 forms or bank statements. Paycheck stubs can also be used for this purpose. If you're self-employed, income statements or some other proof of payment will help support your case. If you've recently lost your job, you need to be up front about that. Otherwise, you could wind up with more loan than you can afford. You'll also need to provide some proof that you actually live at your stated address – some recent mail or the lease for the property should suffice.

## 3.) What do I need to watch out for?

People seeking personal loans are often in a difficult position, and scammers can prey on that desperation. First, there are the classic phishing scams. Someone with too much time on their hands creates an ad pretending to be a legitimate loan company. You apply for that loan and give them all the information they need to steal your identity. Different, but related, are advance fee loan scams. Here, the same person creates a realistic-looking advertisement, you apply and, of

course, your loan gets approved. The scammer informs you that all you need to do now is pay a small fee for the loan prior to receiving your money. Once you pay, though, you never hear from them again.

#### 4.) Where do I go?

While there are many organizations that offer personal loans, some of them are not necessarily trustworthy. You might wind up agreeing to make a large final payment, have early payment penalties and other unfavorable terms. You might also fall victim to a scam organization. When you choose a lender for your personal loan, always deal with a company you trust.

MembersAlliance Credit Union offers personal loans with competitive interest rates. If you're in a situation where you think a personal loan might be the answer you need, come speak with one of our member service representatives or loan officers to help you answer any questions or help you get started. Call, click, or stop by MembersAlliance Credit Union today!

**YOUR TURN:** Where do you go in times of trouble? If you've been through a financial emergency, how'd you keep it together? If you never have, what's your secret? Let us know!

#### SOURCES\*:

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