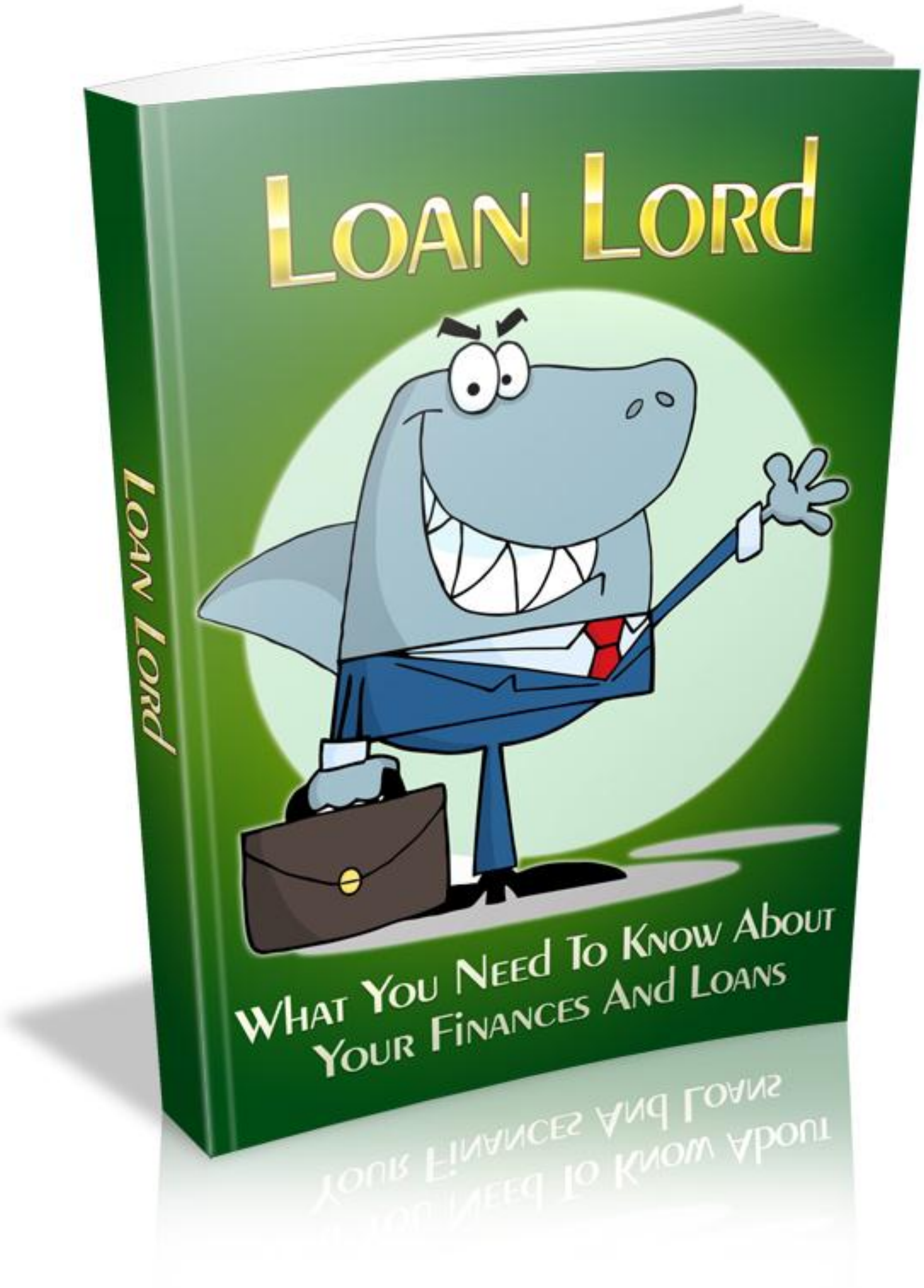
LOAN LORD
LOAN LORD
WHAT YOU NEED TO KNOW ABOUT
YOUR FINANCES AND LOANS

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Foreword

Almost nothing in life is free and loans are no different. Loans are basically a seemingly non complicated way of lending and borrowing but if one were to take the time to read the fine print, it could probably paint quite a scary picture. Get the help you need here.

Loan Lord

What You Need To Know About Your Finances And Loans

Chapter 1:

Loan Basics

Synopsis

A loan is an advancement of money or something of value with the promise or a bargain struck between the parties involved to redeem the full sum with interest within a stipulated period of time.

The Basics

The interest is usually calculated proportionate to the sum borrowed and paid back along with the principal in segment for an agreed amount of time.

The terms and interest amounts are usually not negotiable and in most cases are quite high. However it is still the most popular means of acquiring something legally and legitimately where payment is not immediately completely covered.

The general calculation of a loan would be that, more is incurred the longer the period taken to pay off the initial sum borrowed, and even more will be added on to the agreed sum should the schedule of payment in place is not strictly kept.

Therefore any defaults will incur penalties that are in most cases even harder to make payments on.

Although banks are the most popular avenues from which to seek out a loan from there are also other lending establishments that function sole for the purpose of facilitating loan arrangements.

Most of these are legal and with strict rules in place with proper accompanying documentation. However there are also loan facilities that can be gotten from “shady” sources which can sometimes be quite dangerous and definitely without the proper processes in place.

There are two very basic types of loans which are the secured one and the unsecured one.

The secured ones are based on some kind of acceptable collateral being offered in place of the loan which may include anything of value such as property, stocks, bond and others, and the unsecured one doesn’t offer anything.

Chapter 2:

Business Loans

Synopsis

The basics of a business loan is very similar to that of other types of loans, which is the agreement struck between parties to lend a stipulated amount for a business where upon payment is returned with interest to the borrower over a fixed period of time.

For Business

These loans can be gotten from different sources of which banks are usually featured as the first choice as they generally do not own any part of the business and are just in the agreement to make money through the interest earned on the principal amount lent.

There are also equity investors, involving establishments or individuals who are willing to lend a sum of money in return for a vested interest in the business which usually comes in the form of shares in the said business.

The main differences between the two is that the former does not have any direct involvement in the business and only requires for the principal sum borrowed to be returned in full with interest paid over an agreed amount of time whereas the latter may sometimes incur the involvement of the lender and though no payment is required for the sum borrowed the lender now legally has a share in the business entity.

The promissory note is usually a document that is signed and witnessed in a legal setting whereby loan amounts, payment requirements, interest charged, time frames and any other agreed upon demands are clearly stated in the documentation.

The repayment of such promissory notes otherwise referred to as loans can be made in different methods which are also agreed upon at the onset of the process. These may include the following:

• Lump sum payments
• Periodic interest and lump sum repayment of principal
• Periodic payment of principal and interest
• Amortized payments
• Amortized payments with a balloon.

Chapter 3:

Using Collateral Loans For Business

Synopsis

Most business set ups often need the initial assistance of finance to get the business entity started. This is popularly acquired in the form of a loan which in most cases requires some sort of collateral to secure the intended loan amount more than adequately.

About Collateral

Most people turn to lending institutions such as banks, lending houses, finance houses and the likes for such assistance where some form of collateral is usually a designated requirement.

The process would require the lender to look over the company's history if any, business credit, revenues, balance sheets and equity contributions before an agreed sum can be settled upon.

When all this is in favorable condition then the next step would be for the borrower to provide collateral to secure the loan. The collateral is most commonly property, stocks, bonds and any other valuable assets the borrower may have that can equal or be more than the intended borrowed sum.

This would then be used to show the other possible source of loan repayment should there be a difficulty in servicing the repayments of the borrowed sum.

Keeping a detailed record of all the asset's worth is something that should be actively and accurately done every step of the way through the business setup.

Keeping such records will give those involved a better overview of the asset's worth and this can be done in a simple manner of an excel spreadsheet. The following are some things that can be used as collateral to secure a loan:

• Real property - still the most popular asset to be put up as collateral.

• Business inventory and accounts receivable – this is a little trickier but banks are usually willing to lend if there is clear evidence of an authenticated sizable order in the works.

• Cash savings and fixed deposits – personal assets that are tangible are more like to be favored by the lender as their risks are minimalized.

Chapter 4:

Using Payday Loans/ Car Title Loans For Business

Synopsis

These are also other forms that can be used to secure loans for a business entity. These types of "collateral" are usually used only when there are smaller sums of money required by the borrower as the collateral put up in most cases in also small in comparison.

High Interest

Simply explained, the payday loan is effectively a type of advancement given to the individual seeking quick financial help for a short period of time.

The money lent would usually reflect a lesser than the amount to be received in the form of the payment for work rendered at the end of an agreed time frame.

This sort of borrowing and lending is usually done to cover expenses quickly and over a short period of time where the lengthy processes involved in getting a legitimate loan from licensed lending establishments would be inconveniencing and almost always unattainable.

This type of loan arrangement is usually classified as an unsecured loan by comparison. Ideally payment would be received in exchange for perhaps a post dated check which would include an interest amount calculated on the principal borrowed, and if by the collection date of the paycheck the borrowed is unable to make good on the agreed amount then the situation become complicated and nasty as the relevant machinery is put into different courses of action to recover what is due.

Car title loans are also another type of typically short term loan styles. In this scenario the car which is already paid for and considered a viable asset is put up as collateral for the intended loan amount.

The loan amount usually agreed upon is far less than the value of the car itself. Adding to this the interest charged for this type of loan is usually much higher than other types in the market as the risks involved are also usually higher. Although credit checks are done before the loans are approved these checks are rarely very stringent in nature.

Chapter 5:

Home Equity Loans For Business

Synopsis

The home equity loan is another popular style often used for business purposes. Basically the home equity loan is a second mortgage taken out over an already existing one in which the property owner leverages the equity of their home against the borrowed amount.

Using Equity

The two main categories of the home equity loan would include the fixed rate loan and the line of credit loan. Both these are equally popular but usually chosen according the needs and compatibility of the borrower at the time monetary funds are an issue.

• The fixed rate loan provides a single, onetime payment to the borrower in which the repayment is done over a fixed period of time and at a fixed amount. The payment and interest does not change over the stipulated agreed upon period.

• Lines of credit style however differs in the basic dispersement of the borrowed amount. The initial amount is usually offered and agreed upon at the onset of the agreement; however the dispersement can be taken in amounts required at a particular time and for a particular amount. The monthly payments will vary depending on the amounts dispersed as the interests are only calculated on what has been utilized and not on the whole amount. However all outstanding amounts have to be repaid in full at the end of the due date of the agreement.

The home equity loan provides for a comparatively easy source of cash although the interest rates are higher than the first mortgage it is still a more viable way of acquiring cash resources quickly. It has been noted that besides using the money for business purposes the home equity lines of credit is also recommended to be a better option to use than credit cards advances as the interest rates incurred are far less in comparison. There are also better tax relief benefits in using the home equity loan option.

Chapter 6:

The Importance Of Managing Loans

Synopsis

The main reason and perhaps even the most important one for managing loans will is to ensure further penalties are not incurred due to negligence in payment requirements. This can and usually does happen when there are too many smaller debts that require the attention of the individual managing the debt collection exercise.

Important Points

In trying to minimize the possible occurrences of defaulting on payments, or not being able to make payments at the stipulated times and therefore incurring further interest on already outstanding amount one should consider consolidation the loans altogether.

Over time and statistically this has proven to be a better option to choose from as it not only facilitates lower interest rates by comparison it also is easier to manage when all loan payments are now less thus effectively converting it into one single payment.

Taking a serious view on managing debt is an important part of building a storm fiscal planning exercise. In keeping the debt manageable to the income ration the individual will be able to successfully work towards ideally eventually paying off the debt amount and plan towards saving for the future.

Not allowing the debt to spiral out of control should be the priority as it will eventually contribute to the individual being able to successfully pay down the accumulated debt without having to resort to more drastic measures.

Budgeting is important and getting a proper handle on one's personal monthly commitments and budgeting is an important first step in the right direction. Understanding and documenting what comes in and what goes out will help to get a clearer overview of the financial situation. It can also help to make adjustments where possible to being about better debt management. Establishing a strong and good credit platform is also important.

Wrapping Up

Being in the know of the current overall financial market sentiments of the time will also allow the individual to make better financial commitments which are in his or her favor.