

Secured Loans - Maybe A Risky Last Resort

A secured loan, or a loan where the borrower's home is held as collateral, should usually be used as a last resort when all other options have been ruled out. The reason a secured loan should usually be reserved as a final option is because a secured loan is a large risk for the borrower. In the case that a secured loan is unable to be repaid according to schedule, the borrower will lose his or her home.

There are quite a few borrowing options that can be pursued before a secured loan is considered. Instead of a secured loan, borrowers would be well advised to first seek an unsecured loan. An unsecured loan may be more difficult to receive, because a secured loan is much less risky for the lending institution. However, an unsecured loan might be an option before a secured loan if the borrower's credit is in good standing, and if the amount of money needed is not too high. Large amounts of money will normally require a secured loan.

Rather than going the route of a secured loan, another option borrowers can consider is the use of low interest or no interest credit cards. If a borrower has a good credit rating, instead of pursuing a secured loan, he or she can carry a balance on a credit card.

Another option a borrower can consider instead of using a secured loan is financing himself or herself through money that is saved in a savings account. This is not always advisable, since it is wise to keep money saved in case of emergency. However, it may be safer for some people in the long run, because it does not pose the same risks and losses that a secured loan does.

Finally, rather than pursuing a secured loan, it is always important to ask if the secured loan is absolutely necessary. If there is any way to wait for a few months and save some or all of the money needed instead of pursuing a secured loan, it would be a good option. Also, it would save a lot of money, because a secured loan would charge interest, but saving, rather than borrowing, would not include any payments of interest.

In some cases, the borrower may review these choices and decide that he or she has absolutely no other option than to pursue a secured loan. If this is the situation, it is important that the borrower find a secured loan with a good interest rate, as the secured loan will most likely be paid over a long period of time. Also, it is wise to look for a secured loan repayment plan that is very manageable. This will give the best odds of being able to repay the secured loan in a timely manner, as well as with as little interest paid as possible.

Although a secured loan should not be the first choice for most borrowers, if the secured loan is pursued in a wise manner, it can be very helpful, especially for those lacking good credit history.

About the Author

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