

## Why Personal Loan

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### Why take Personal Loans

Personal loans are generally taken for various reasons such as to pay off a high interest credit card, to fund the down payment or furnishing of your dream home or a sudden unexpected expense like a marriage or a vacation or your child's higher education or just to finance that dream of yours. One of the easiest ways to fulfill these wishes is by taking a personal loan from a bank or a loan from a private lender.

Approaching a private lender becomes tedious and expensive due to high interest rates and loads of paper work. In addition, you also have to provide private lenders with some kind of security. Once done, you will have to wait for days to get the loan.

But taking a Personal Loan from a recognized Indian bank will remove most of the hassles that come with other kinds of loans mainly in terms of paper work, delay in sanctioning and disbursement, hypothecation of the asset financed and the necessity of a guarantor and banks give a personal loan of up to 10 Lacks (ten lacks).

Since there is no security or guarantor required generally it saves you the embarrassment of letting your friends and colleagues know that you have money problems and you have total confidentiality. Since Personal loan does not require any kind of hypothecation of asset you can use the personal loan for non tangible assets like maybe paying the huge tax at the end of a financial year or may be expense for your marriage. You don't have to mortgage any property or arrange for some kind of asset from a third party.

The end use of a personal loan is never asked or questioned so it gives you complete freedom to use the money you get from your personal loan in any way you deem fit.

Personal Loans taken are repayable in equal monthly installments, or EMIs. EMI facility lets you pay monthly over a period of upto 60 months this ensures that you are not burdened. With the banks providing you with prepayment on your personal loan you also get a greater flexibility to pay early.

The documentation for personal loan has become so simple that you can now even apply for personal loan online. A lot of banks now provide with pre approved personal loans when you have a salary account. Generally personal loans are targeted towards salaried individuals but they are also available to the business class. The documentation is easy and very simple in most cases all you need is your salary slip, bank statement and a proof of identity.

However keep in mind that personal loans don't come cheap while the banks make it sound attractive they are higher than most forms of debt other than credit card debt. It does not require any security or hypothecation of assets so there are a lot of defaulters. This leads to a higher rate of interest there is generally a difference of at least 3% between Personal loans and other loans that are backed (hypothecated) by physical assets.

Generally banks give personal loans only for employees working with bigger companies or people working for / doing business that do business with the banks. Most banks also have a preferred rate for their customers which is generally a percent lower. But banks are also very particular about where you are staying and for how long and how often you change jobs.

While banks offer pre-payment generally they do not allow part payment of the personal loan they allow only payment of the full outstanding amount they also charge a prepayment fee which is around 2 to 3% of your outstanding balance this is a big deterrent to good borrowers who pay back on time since the banks forgive the prepayment fee for bad borrowers because they are not sure if they will get back their principle.