

# How to Choose the Best Loan Tailored for You

When it comes to loans, we are dealing with a very broad branch of the credit market, a form of financing that together with the home loan represents most of the requests of Italians looking for financing. But what is a personal loan?

This is a fixed interest rate loan provided directly to the applicant by a credit institution or a specialized financial company, repayable over a certain period of time, generally between 12 and 120 months, by paying repayment installments constant each month, all underwritten by a contract. Below we will talk in detail about personal loans analyzing everything there is to know about it, starting with what distinguishes personal loans from consumer credit.

## Difference between Finalized Loans and Fix Flip loans

Within the financing sector, there is a tendency to make a distinction between two macro-categories, one of them is [hard money loans](#) and another one is targeted loans, i.e. those in which a sum of money is allocated exclusively for the purchase of a specific good or service, thus supporting the specific one. expenditure, and those not finalized, in which the sum granted can be used without any justification of expenditure.

it is a loan taken out with a retailer so that the payment for the purchase of a specific good or service can be deferred. Usually the request is made directly to the merchant, who then transmits it to the credit company with which he has signed an agreement, an agreement that regulates their commercial relations, thus allowing the latter to grant loans to the former's customers.



In a finalized loan, no real guarantees are provided, such as a pledge or mortgage, while a personal guarantee may be requested by a third party, acting as joint and several joint obligor or guarantor. However, both to have a sum of money to be spent equally to purchase a good or service, or to be managed freely in order to meet your personal needs, you can directly resort to a personal loan: in this case

the loan is requested directly from a bank or finance company, which after having investigated the case and assessing whether the applicant's creditworthiness requirements exist, disburses the sum of money in the form of a cashier's check or directly to the beneficiary's current account .

## Personal loan: who can apply for it?

Personal loans are an option potentially open to any category of subjects, as long as they are able to demonstrate their ability to repay the loan with the interest charged. Therefore

they can be requested by self-employed workers, employees or pensioners , by submitting a specific application to the chosen credit institution with relative attached documentation.

The standard documentation to be attached to the request consists of an identity document, the tax code and a document certifying one's income capacity, then the last paycheck, the CUD model, the UNICO model or the pension slip. Generally access to this form of credit is granted to all those aged between 18 and 75, but under certain conditions some financial companies raise the maximum age for applying for personal loans up to 85 years and over.

## Features

What are the peculiar characteristics of personal loans? In detail we will see all the aspects that characterize this type of financing. First of all, we reiterate that [fix and flip loans boston](#) are non-finalized loans at a fixed rate and repayable in constant installments, and when the contract is signed between the parties involved, the amortization plan is defined at the same time, i.e.

the total sum to be paid to the credit institution as a reimbursement of the disbursed capital plus the interest calculated on this amount, including ancillary expenses and tax charges, over a pre-established time. Each installment therefore consists of a principal amount and an interest portion.



At any time, the financed party can decide to terminate the contract early, repaying the bank or financial company the amount still owed, and in this case the sum to be repaid will be equal to the residual debt indicated in the amortization plan or obtained from the calculation of the current value of future installments. As we will see in more detail in the dedicated chapter,

in some specific cases it is envisaged that, in the event of early repayment of the personal loan, the credit institution may apply a penalty equal to a maximum of 1 percent of the initial amount financed.

## Personal loans, guarantees

When you contact a bank or financial company to request a personal loan, guarantees are essential that certify the ability to repay the loaned capital: the main protection to demonstrate one's ability to repay is therefore the employment contract, which must preferably be indefinitely, or retirement. Some banks also offer loans for young people with project or fixed-term contracts, but these are generally loans whose duration must not exceed that of the employment contract. In the event that the applicant does not have sufficient guarantees,

the lender may request that the contract be signed also by a third party guarantor defined as guarantor or co-obligor , who will undertake to take over the repayment of the loan in the event that the beneficiary is unable to meet the commitment undertaken with the bank. It may happen that at the time the loan is granted, not only personal guarantees are required to protect the bank or financial company in the event of non-repayment, but also the signing of specific insurance policies.

## The main elements that characterize a loan agreement

In summary, the main elements that characterize the personal loan agreement that is stipulated with a credit institution or financial company includes:

Required amount

Financed capital

The installments

Amortization schedule

Cost indices

Insurance

Preliminary investigation and practice opening costs

Contract

## Personal loans: requested amount and financed capital

Regarding the first two items that characterize the loan agreement for a personal loan, there is obviously a difference between the amount requested by the subject, which corresponds to the total sum advanced through the appropriate application to a bank or finance company, and the financed capital. , or the sum requested on loan actually disbursed, including all preliminary investigation costs and any insurance policy. Indeed, the lenders

they usually include some or all ancillary costs in the requested amount (such as secretarial expenses, stamps, inquiries, and so on), allowing the customer not to incur any type of upfront expense to be paid to the bank.

## The amortization plans

The sum received by the beneficiary must therefore be returned to the credit institution within a specific time frame established at the time of signing the contract, through which the subject undertakes to repay the sum received plus the interest provided for by the personal loan through



the regular monthly payment of installments in constant figures , payable by postal order or withholding directly from the current account. The installment indicates each of the parts into which the payment of the loaned sum is divided, and includes a principal amount , i.e. the amount of the loan requested, and an interest portion , i.e. the additional percentage that is charged on the financed amount.

The regular intervals that characterize these installments correspond to the so - called amortization plan , or more commonly repayment plan, and this document is attached to the personal loan contract which reports, at the expiry of each installment, the residual debt of the loan. Some financial companies allow you to skip some installments or change the amount of the same, additional options that vary from bank to bank depending on the type of offer provided.

## The indices of a personal loan: TAN and APR

The costs applied to the amortization plan are expressed by certain indices, which are the TAN and the APR, which must be seriously evaluated by the aspiring beneficiary before signing the contract to see if the loan offer is really convenient. In detail, these indices have this meaning:

TAN (Nominal Annual Rate), is the annual interest rate applied to the personal loan, net of commissions and accessory charges.

APR (Global Effective Annual Rate), is the index, expressed as an annual percentage, referring to the total cost of the loan, including all expenses and ancillary charges provided for in the loan agreement. The calculation of the rate therefore includes preliminary investigation costs, practice opening costs and installment collection costs, repayment of capital, payment of interest, and sometimes (not always) the cost of insurance. The sums that the customer is required to pay in the event of a breach of contract are also excluded from the calculation of the APR.

## Loan evaluation criteria

Once the personal loan application has been submitted , the credit institution's procedure provides for an evaluation process of the request based on certain parameters: the acceptance of the personal loan request by a bank depends briefly on two elements, namely a correct ratio between income and the installment to be paid, and a good level of creditworthiness.

With the first aspect, a credit company evaluates the set of financial commitments undertaken each month by the applicant, and proposes an installment proportional to the income received. However, the real cornerstone is the creditworthiness of the applicant, i.e. the degree of trust that the financial company attributes to the customer on the basis of the payment history of other loans: if it is regular, it is possible to obtain the personal loan, otherwise this issue is considerably complicated, unless alternative forms are allowed such as the assignment of the fifth that offers superior protection guarantees for a bank.

## Insurance

In loan agreements for a personal loan, the finance company can propose to the customer the subscription of an insurance policy, which may be mandatory, for example for loans with salary-backed loans for pensioners, or more often optional, to guarantee

the total or partial repayment of the loan in the following cases: unemployment, invalidity or infirmity of the applicant, premature death. The cost of the policy is included in the total cost of the loan unless it is explicitly stated differently in the contract.

## Investigation costs

One of the most relevant items included in the APR are the so-called preliminary costs, that is

all costs incurred by a credit institution or financial company for the acquisition of the documents and information necessary for the evaluation of the loan request, including telephone expenses for secretarial services, stamps, chamber of commerce surveys and consultation of databases at the Risk Centers so that the applicant is not included in the list of protesters and bad payers.

## The contract

The personal loan agreement that the beneficiary has to sign is made up of two double-sided copies, one for the institution providing the credit and the other for the customer. The contract must be completed in all its parts and signed by the applicant and the finance company. It must accurately state all this information in writing:

The name of the finance company or bank granting the loan.

The applicant's personal details

The applicant's personal data (marital status, profession, income)

The amount requested and paid

The number of installments with the repayment due date.

The annual rate applied (TAN) and the total percentage rate (APR).

Any guarantees required.

Memberships in insurance coverage.

Consent to the processing of personal data in accordance with the privacy law

The penalties provided for in case of delays in repaying the installments.

Method of transferring the contract to third parties

The rules envisaged in the event of withdrawal from the contract.

After signing the document, the customer will receive a letter confirming the loan agreement at his home address, i.e. the document summarizing all the economic conditions contained in the agreement. The customer has the right to withdraw no later than a certain period of time established from the signing of the contract, by sending a registered letter with acknowledgment of receipt, addressed to the bank. The contract will not be considered terminated before the return of any amounts already received as financing, expenses and charges incurred by the financial company. It may also happen that the loan agreement is to be considered null,

when at least one of these two conditions occur, or that the document is not completed in all its parts , or that it is not signed by both parties , the applicant and the financial company.

## **Non-payment of installments: what happens?**

Failure to comply with the deadlines for the payment of the installments constitutes a default against the credit institution: in this case the beneficiary of the personal loan

will be required to pay the accrued interest on arrears and also the expenses incurred by the credit institution for the recovery of the amount due. Furthermore, the legislation provides that the customer is immediately registered in the databases of the financial risk centers as a bad payer, a circumstance that will make the subject unable to request further personal loans for a certain period of time except under certain conditions.

## Early termination

Each personal loan contract provides for the possibility of early extinguishing the debt contracted with the bank or finance company: this item therefore certifies

the possibility of fully repaying the loan obtained before the term established by the contract, paying the remaining amount net of interest plus a possible penalty that cannot exceed 1 percent of the financed capital.

## Consumer information

All information relating to the personal loan contracted with a bank or financial company must be reported in a series of documents:

The warning of the main rules of transparency and consumer protection in a synthetic way

Illustrative sheets containing information regarding the financial intermediary, the characteristics and economic conditions of the loan contracted

The analytical statements that describe all the costs associated with the financing, expenses and tax charges

The rights of the interested party regarding the use of personal data and other rights according to the provisions of Legislative Decree 196/03 art. 7.