FINANCE Q&A's



Secured Loans

If looking to raise funds, a secured loan can offer an alternative to remortgaging, though it's not without risks. Lakeside Client Liaison and Mortgage Administrator, *Sarah Leach*, explains the pros and cons that come with this type of borrowing.

What is a secured loan?

S: A secured loan operates exactly the same way as a mortgage, whereby you can borrow a sum of money that is secured against your property, providing you have adequate equity.

Why might someone choose to take a secured loan, and what are the main types available?

S: A person may opt for a secured loan as an alternative to remortgaging. For example, if they are tied into a current mortgage deal, and the Early Repayment Charge (ERC) is quite high, remortgaging might not be the best option.

Those taking a secured loan are typically looking to borrow a large sum of money for reasons such as consolidating credit, purchasing a car or a second home, or even conducting home improvements on their current property.



You can take out a fixed rate or variable rate secured loan repaid in monthly instalments over certain years and often without any ERC's. You can also raise funds via a bridging loan. This will allow the funds to be raised and released, but instead of making monthly payments, you will be required to pay the lump sum and interest within a specific period, such as 12 to 18 months. Though generally taken over a shorter term, bridging loans often come with higher interest rates and are taken by those looking to bridge a financial gap, say the purchasing of a new property before selling their existing one.

What are the plus points and risks of a secured loan?

S: Secured loans can help people who have adverse credit and may struggle to remortgage or may be tied into their current mortgage deal with high ERC's. They normally allow for large amounts of funds to be borrowed with a low interest rate and sometimes offer the option to repay early with no penalty (subject to the product).

As always, any type of credit secured against your home runs the risk of repossession if payments are not made as per the agreement.

What key considerations would you advise clients to think about when it comes to getting the best secured loan deal for them?

S: I would always recommend obtaining a secured loan via a broker. Brokers have the knowledge of and access to different lenders and products, meaning they can compare what's available to ensure that the right product is selected to suit the client's needs.

Also, always be upfront and honest regarding any credit commitments and affordability assessments – they are there to protect you from being over-committed, and the lender will always find out.

Please feel free to contact us for further information: *admin@lakesidefs.co.uk*

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