

# Why Are Banks Selective of Their Bad Credit Loan Applicants?

Contributed by Webmaster

By Liz Roberts

The problem of being buried in debt has grown extensively affecting millions of people today. In fact, it is reported that most Americans hold at least one credit card in hand and about 20% of these credit card holders are plagued with a bad credit history.

What is a bad credit loan?

In order to keep up with their mounting debt, many people choose to apply for a credit loan. Simply put, a loan is a sum of money from a lender which is paid by the borrower in installments. A credit loan has a provision for people who are having difficulty acquiring credit because of their bad credit history.

Why do consumers apply for a bad credit loan?

Consumers apply for a credit loan for many different reasons. The most common ones are: - emergencies - paying for a college education - to set-up a business - for large purchases like a car - for a vacation.

Aside from credit loan, a many consumers are also applying for a bad credit credit card which means you can be qualified for a credit card despite a bad credit record. However, most people who apply for a bad credit loan are those swamped with large debts who badly need a large amount of money instantly at hand.

What are payday loans?

Payday loans or cash advance loans have become popular for consumers looking for a small loan amounts quickly. The borrower writes a check which is held by the cash advance or payday loan company as collateral. It's then cashed after a specified time, usually 2 weeks. The fees associated with these types of loans tends to be higher then loans from the bank, but they have an extremely easy approval process and are quickly funded, sometimes within 24 hours of applying.

How to get approved for a larger loan amount even with a credit problem

Banks however do offer larger loans for people with bad credit. This involves a more complex and a longer processing period than that of a smaller loans. In general, credit loan amount vary form as low as \$5,000 to as much as \$100,000, with a paying period of around 2-20 years. Applicants are often required to surrender a certain property of value like their house, car, boat or any piece of real property as collateral.

Of course banks are concerned about their assets and it is expected that they want assurance from their borrowers that they would be paid back. Since the borrower has a bad credit record, he is therefore considered as a high risk borrower and creditors usually charge higher interest rates for a credit loan.

This being the case, it is important to remember that the original debt you owe will incur higher interest rates if you fail to keep up with your balances within the arranged paying period. In addition, a borrower must also be aware that in acquiring a bad credit loan, he could be at risk of losing his property in case he will not be able to pay for the amount he borrowed.

Taking all these into consideration, each individual must examine his own standard of living especially with regards to his finances. Certain changes with your spending habits might be needed or an additional source of income could be of enormous help. If you have decided to apply for a credit loan, plan in advance how you will pay it back. As with any transaction, read and understand all agreements that you're signing up for. Make sure that you are aware of your rights and privileges as well as your duties and responsibilities as a borrower.

Liz Roberts is a freelance writer and loan consultant specializing in bad credit. For the list of lenders that provides bad credit loans and bad credit cards visit this site [badcreditresources.com](http://badcreditresources.com)

Payday Loans

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