

# Taking Out a Personal Loan

When it Makes Sense  
and When it Doesn't



# Personal Loan NOUN

per·son·al loan | \ˈpər-sə-nəl lōn\

- Money that you borrow from a bank or other financial organization for many reasons, from consolidating other debts to making a major purchases
- Can be for a broad reason like vacation or major purchase and doesn't have to be reserved for a specific purpose like a mortgage or auto loan

# How Personal Loans Work

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## Most personal loans are considered installment loans

Generally, funds are dispursed as a lump sum directly to the customer, which they pay back in pre-determined monthly installments until the loan's term is complete.

These loans are issued by banks, online lenders, and credit unions – with the loan terms, lending limits, and credit requirements differing by lender.

## You can usually select a specific rate and term

Loans can have fixed- and variable-rate options with some lender's offering repayment periods usually ranging from 12 to 60 months. There is usually a minimum and maximum you can borrow.

## Personal loans can be either “secured” or “unsecured”

Secured loans are protected by collateral or an asset while unsecured loans are backed by the borrower's credit score and income only.

Unsecured loans are most common and generally require a strong credit score in order to qualify.



# Fixed & Variable Rates

## Fixed-rate Loans

With a fixed-rate loan, the interest rate remains the same throughout the loan's duration, resulting in a predictable monthly payment.

As such, it is a strong option for those looking for a definitive budget over the life of the loan.

## Variable-rate Loans

A variable-rate loan usually has a lower initial interest rate than a fixed-rate loan, but is adjusted based on a benchmark interest rate known as an index, which may rise over time leading to higher monthly payments and a greater total loan cost.

Variable-rate loans can be a strong alternative for those planning on repaying their loan quickly, since you have a lower initial rate, which may result in paying less interest over the life of the loan.

### Quickly Check Your Rate

Use our online application to get a rate quote in just minutes with no impact on your credit score.<sup>1</sup> Learn more and apply online at [laurelroad.com/personal-loan](https://laurelroad.com/personal-loan).



# Secured vs. Unsecured Loans

## Secured Loans

Secured loans are backed by collateral, such as a car or a savings account. APRs are generally lower compared to those of unsecured loans because the loan is supported by collateral which the lender may take if the borrower defaults on the loan.

## Unsecured Loans

For unsecured loans, the rates and terms are dependent upon the borrower's credit score and income with some lenders requiring additional data like employer and education.

The APR is usually higher than a secured loan due to the riskier nature of the loan, but is typically lower than many credit cards.

## Pay Attention to APR

Annual Percentage Rate (APR) is the cost of the loan, including interest and fees, displayed as a percentage. It represents the annual cost as opposed to the monthly rate, giving you a more accurate representation of what you'll pay for the loan annually.

## ● Minimum & Maximum Loan Amounts

It is important to be aware that lenders have varying minimum and maximum loan amounts for personal lending. Each lender has its own criteria, and other variables, such as the reason for taking out the loan, can also play a role.

For instance, Laurel Road's personal loans range from \$1,000 to \$35,000 for most borrowers, with options for up to \$45,000 for debt consolidation, home improvement, and major purchases. We also have options for medical professionals with loan amounts ranging from \$5,000 to \$80,000.<sup>2</sup>

### A Personal Loan that Fits Your Needs

You can use a personal loan to pay off high rate credit cards and other high-interest debt, to make home improvements, and more. Learn more and apply at [laurelroad.com/personal-loan](https://laurelroad.com/personal-loan).



# When a Personal Loan Makes Sense



# Potential Reasons for Getting a Personal Loan

One of the most attractive features of a personal loan is the flexibility around how borrowers can use the money. Reasons can range from debt consolidation to moving expenses, even for a vacation.

- Debt consolidation
- Alternative to balance transfer
- Eliminating higher-interest debt
- Home improvement projects
- Moving expenses
- Starting a business
- Life events



## Debt Consolidation

Borrowers can use a personal loan to pay off outside debt, such as credit cards, effectively combining them into one monthly bill that is paid each month until the loan is paid off.

## A few points to remember

- ✓ Be sure the interest rate of the personal loan is less than that of the credit cards you're paying off.
- ✓ Don't be tempted to spend too much with your credit cards once they are showing a zero balance or you could end up with a high credit balance and still have a personal loan to pay off.

### Life can be expensive, we can help

With low rates and flexible terms, Laurel Road offers personal loans that fit your needs. Get preliminary rates in minutes and if you are approved you'll receive funds in about seven days.

Check your rates at [laurelroad.com/personal-loan](https://laurelroad.com/personal-loan).

## Other Reasons to Get a Personal Loan

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### Alternative to balance transfer on a credit card

Some lenders, like Laurel Road, offer personal loans with no application or origination fees. In this case, moving forward with a personal loan instead of a balance transfer credit card could be more appealing since it helps you avoid paying a sizable balance transfer fee.

### Eliminating higher-interest debt

Paying off credit card debt, for instance, could be advantageous because a personal loan typically offers a lower interest rate, and the borrower will have a specific timeline for paying off the debt, which isn't always the case with revolving credit card bills. It does mean giving up the availability of the minimum payment usually available with credit cards.

### Home improvement projects

You may end up paying a higher interest rate than if you choose a home equity loan (using the equity in your home as collateral for major expenses like home repairs); however, you can avoid putting your house up as collateral with a personal loan. Your eligibility for a home equity line of credit is dependent on the amount of equity you have in your home.



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## Moving expenses

The cost of relocating shouldn't prevent you from accepting your dream job. If you're considering a change of scenery, funding your move with a personal loan could be a good alternative to a credit card since you'll likely pay less in interest.

## Starting a business

Using a personal loan to start a small business makes sense if you can get better terms than you could get from a small business loan. This does open you up to personal liability should the loan go into default.

## Life events

A large event, such as a wedding, milestone birthday, or anniversary party, could be a good fit for a personal loan.

A personal loan will typically offer a lower rate lower than that of a credit card, which could save you money in the long run.



## Personal loans for doctors

If you've been practicing for a while, it might be time to branch out on your own. A personal loan could be a great way to offset the costs of starting up a private practice.

Some lenders consider medical professionals to be less of a risk and offer larger loan amounts. For example, Laurel Road offers personal loans up to \$45,000 for most borrowers and up to \$80,000 for medical professionals.<sup>2</sup>

### Maybe it's time to expand?

With customized personal loans for medical professionals, Laurel Road lets you borrow up to \$80,000 as long as you're in practice or within 12 months of completing your training with an employment contract.

Apply online at [laurelroad.com/personal-loan/doctor](https://laurelroad.com/personal-loan/doctor).

## Paying for your residency

Once you're in training or have a match letter, some lenders like Laurel Road offer personal loans specifically designed to meet the unique needs of medical residents. These personal loans can be used for a variety of reasons, such as consolidating high-rate debt or relocating.<sup>3</sup> Eligibility and rates offered will depend on your credit profile, total monthly debt payments, and income projections post-training.<sup>4</sup>

### Save like a doctor.

Laurel Road offers personal loans tailored specifically for health professionals and decisions are made based on what you are likely to earn after residency.

Apply online at [laurelroad.com/personal-loan/resident](https://laurelroad.com/personal-loan/resident).





# When a Personal Loan doesn't make sense





# When total cost overshadows the benefits

## Additional fees may make personal loans less attractive

### Interest rates

Generally, rates can range from 3% - 36%, depending on the lender and the borrower's credit score. In general, the higher your score, the lower your rate will be.

Check your credit score ahead of time and shop around to make sure you're getting the best rate.<sup>4</sup>

### Origination Fees

Some lenders apply a fee for processing the loan. Generally, This fee can equal 1% - 6% of the loan's total amount and is reflected in the loan's APR.

### Prepayment penalties

Some lenders will charge a fee if the borrower pays off the loan early because it means the lender will not benefit from some of the interest it would have otherwise received.

Laurel Road doesn't charge origination fees or prepayment penalties.



## ● Non-essential consumer purchases

For a large consumer purchase like a vacation, you may be able to receive a better interest rate with a personal loan than you would using a credit card—but you are still paying interest regardless. Saving up for that specific purpose instead may be a better overall plan.



**Feel a personal loan is right for you?** Complete our easy online application. If approved, you'll receive funds directly in your bank account. If you're consolidating debt, we'll directly pay your other lenders.

To learn more and apply visit [laurelroad.com/personal-loan](https://laurelroad.com/personal-loan).

## Personal Loan Shopping Tips

- ✓ Compare different lenders to find the best possible terms.
- ✓ Look at the duration of the loan. Some lenders offer three-, five-, or seven-year loans, with higher interest rates for the longer term options.
- ✓ Consider “soft credit pulls” instead of “hard credit pulls” when shopping around for lenders.
  - A soft pull does not impact your credit score, and some lenders use them to provide conditional rates and loan terms early in the borrower’s application process.
  - A hard inquiry (meaning the lender pulls your full credit report) occurs when the borrower applies for a loan and the lender uses it to make a final rate offer. A hard inquiry usually lowers the credit score by a few points and can stay in the borrower’s credit reports for approximately two years.

## The Bottom Line

If you are considering a personal loan, think about why you need one and be honest with yourself about your financial behavior. If you are thinking about a personal loan due to excessive spending and debt, a loan may not solve the greater issue. However, if you have a need and a financial plan in place for repaying the personal loan, then it can be a strong option.





1. For preliminary rates and options a soft credit pull will be conducted, which will not affect your credit score. To proceed with an application, a hard credit pull will be required, which may affect your credit score. Preliminary rates mean a delivery of personalized rates for those individuals who provide sufficient information to return a rate.
2. Medical professionals must have a degree of MD, DO, DMD, or DDS to be eligible for loan amounts exceeding \$45,000.
3. Laurel Road does not offer personal loans for any qualified higher education expenses as defined in 26 USC Section 221.
4. Income projections are only available if you have a degree of MD, DO, DMD, or DDS.
5. You're entitled to one free copy of your credit report every 12 months from each of the three nationwide credit reporting companies. Order online from <http://www.annualcreditreport.com>, the only authorized website for free credit reports, or call 1-877-322-8228. You will need to provide your name, address, social security number, and date of birth to verify your identity.

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