



**CHALLINOR**

# Secured and Unsecured Lending

When looking at borrowing money, you need to consider all your options

**M**any people have heard the terms 'unsecured loans' and 'secured loans', but in case you haven't, below are some quick definitions.

Security is a tangible item that you offer a bank as collateral security for a loan, eg, vehicle, boat, caravan, camper trailer, house etc.

Unsecured loans by definition do not have any security. These products are extremely flexible and can have multiple uses for the one loan. A loan of this type can be used to purchase vehicles of any age, pay for repairs, debt consolidation and purchase spa baths. The list really is endless.

Secured loans, these loans are secured, typically with the item you are wishing to purchase. A secured loan is specifically designed for the purchase of vehicles, caravans, boats etc. In the event of default, the bank can repossess the item, and then sell it to recoup the outstanding debt.

Generally speaking, these products serve different purposes. Should you need funds to purchase a motor vehicle, you should always choose a secured loan where possible, for the sole reason that they are the cheapest. Most banks do have age restrictions on vehicles they will finance, meaning if the vehicle is beyond

a certain age it can't be financed on a secured basis. This is where an unsecured loan will help.

To give you an indication on the rate differences between the two products, at the time of writing this article a new \$80+ 4WD could be written at 6.89%, \$40K around mid 7-8% and unsecured loans starting at 14.99%.

It's quite scary, but we still see so many people heading to their local bank when they want to purchase a vehicle and their bank signs them straight up for a personal loan (unsecured loan) and they do this because they believe the bank is looking after them. But as we all know, banks look after their shareholders.

I can't stress this enough, if you're looking for finance, then go see your own independent finance specialist. Don't go direct to your local bank. Your finance specialist will deal with the banks on your behalf and they have the advantage of being able to keep up to date with all the current loan products and interest rates. They should be able to identify the right product for your needs by asking you some basic questions, because at the end of the day, it's about trying to keep as much money in your pocket as possible, not the bank's shareholders!

**Dave Challinor**



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With over 20 years of banking and finance experience, Dave has been exposed to and witnessed every possible change in the financial environment. From bank policy shifts to continually increasing governmental legislation, there is really no form of lending that Dave has dealt with. Being the owner of Fortified Finance & Leasing in Brisbane's North, Dave stays abreast of any changes in lending requirements that affects any consumer.