

## Secured Loans for the Credit Crunch

With the credit crunch upon us interest rates are soaring. Whilst it's good news for savers, for borrowers it signals a time of greater hardship.

As interest rates rise, consumers with unsecured loans are the first to feel the pressure of higher repayments. Because unsecured loans are not supported by the borrowers' assets the rates of interest are typically much higher than secured loans. Now is the ideal time for borrowers with unsecured loans to consolidate their existing debts into a lower interest rate secured loan.

For homeowners it is easy to consolidate existing debts against the value of your home and end up paying substantially less interest than they previously paid with their unsecured debts.

It is very common in today's debt dependant culture for people to have a poor credit history. The poorer a persons credit rating, the higher the rate of interest they will be expected to pay. Whilst rates of interest on unsecured loans are much higher for borrowers with a poor credit rating, this is less evident in the secured loans market. Because the loan is secured, the lender is protected against loss, and therefore the higher risk individuals with poor credit histories do not pose as significant a risk of financial loss.

Adverse credit can often lead to rejection of unsecured loans, especially at the moment when financial institutions are worried about the amount of people that may be unable to repay their loans. Secured loan providers are much less likely to reject applicants than unsecured loan providers, and can be an excellent method of repairing a low credit score.

Many people do not realise that it is possible to repair a poor credit score by taking out a loan. Having a loan and making regular repayments can actually improve your credit score and lower the interest rates you are offered on future borrowing.

The results of the sub-prime mortgage problems and the resulting credit crunch has made borrowing a more difficult and costly experience. By consolidating existing debts and moving from unsecured to secured loans, borrowers can reduce the impact the credit crunch is having on them.

## About the Author

Lucy is a journalist writing on [poor credit loans](#) and [debtbuster loans](#).

Source: <http://www.tntarticles.com>