Matching your needs with a personal loan might seem daunting at first. However, once you read the following article, you'll find out it is not. In today's Amerant at Work℠ Newsletter we give you a thorough view of the most common personal loans available.

All loans are not created equal

Understanding the nuts & bolts of available loans

You may be looking to obtain a personal loan for any number of reasons, whether it's to purchase a home or car, fund your child's college education, pay for a wedding, consolidate debt or for an emergency. Bank loans come in many shapes and sizes, and deciding what type of loan you need can be a little overwhelming so it's a good idea to become familiar with the different loans available. Each type of loan comes with different interest rates and repayment schedules, and understanding their terms can make choosing the right loan easier. Following is an at-a-glance view of the personal loans available:

Fixed-Rate Loans

This is the most common type of consumer loan, which comes with an interest rate that remains the same throughout the life of the loan. Although the interest rate on this type of loan may be a bit higher than a variable-rate loan, the benefit here, particularly in the case of a home mortgage, is that you have the security of knowing your payment will not change except for slight variations to keep your escrow balance high enough to meet your tax and homeowners insurance obligations. Fixed-rate loans make sense if you want consistent payments each month and if you're concerned about rising rates on long-term loans. Also, having a fixed rate makes it easier to budget, as you don't have to worry about your payments changing.

On the flip side, paying a higher interest rate may limit the size of the mortgage you qualify for and means you could potentially pay more in total interest expense over the life of the loan. Also, your mortgage rate is set and not affected by fluctuations in interest rates. If interest rates go down you must refinance your mortgage to benefit from the lower rate.

Variable-Rate Loans

These loans have interest rates that fluctuate depending on the market or "prime" rate. With a variable interest rate, the amount you pay on your loan will vary each month. Variable interest rates are usually lower than fixed rates, and may also carry a cap that limits how much your rate can change over a specific period and over the life of the loan. A variable-rate loan can make sense if your loan carries a short repayment term, as rates may rise but are unlikely to surge in the short-term. The downside to this is that if the interest rate rises, you may not be able to meet your payment obligation.

Installment Loans: Residential Loan, Auto Loan

This type of loan requires repayment in equal amounts over a certain period of time, which may range from six months to 30 years. A Residential Loan or Auto loan can be considered a type of installment loan. Installment loans have very specific repayment terms, including a starting date, an ending date, and the amount of interest you will pay over the life of the loan. As installment loans come with predictable payments and a schedule, they make it easier to budget for your loan payment each month, helping you avoid missing any payments because of unexpected changes to the amount you owe. Installment loans also offer the comfort of knowing your debt can be paid off by a specified date.

When shopping for an installment loan whether for a home or vehicle, make sure the monthly payments won't stretch your budget. If they do, you might have trouble making your full payment when a financial emergency arises. Also, once you take out the loan, you can't add to the amount you need to borrow so make sure you know exactly how much you need to borrow. Note that with installment loans your interest rate and other loan terms are largely based on your credit. If you've struggled with credit in the past and have less-than-stellar credit scores, you'll most likely have to pay a higher interest rate than borrowers with strong credit histories.

Secured Loans

A secured loan is backed by collateral, such as a house or a car. The most common secured loans are home mortgages, home equity line of credit (HELOC), auto loans, boat loans and business loans. Rates for secured loans are typically lower than unsecured loans, as these are typically acquired by individuals more than capable of repaying their loans on time. The risk of defaulting on the loan is quite low making it less risky for lenders. However, in the event of default on the loan, the bank has the right to seize the property used as collateral.

Unecured Loans

Unsecured loans don't require collateral, and are typically offered to individuals with very good credit scores. The interest rates for unsecured loans are typically high and usually correspond to a person's credit score; the higher the credit rating, the better the interest rate. Examples of unsecured loans include bank credit cards or other personal lines of credit. Rates typically range from 5% to 36%, and repayment terms range from one to seven years.

Convertible Rate Loans

Convertible rate loans can be changed from one type of loan to another throughout the life of the loan. Convertible rate loans are usually home mortgages that begin as a variable rate and then change to a fixed rate after a certain time period.

Debt Consolidation Loans

This type of personal loan rolls multiple debts into a single new loan. The loan typically carries a lower APR (annual percentage rate) than the rates on the existing debts to save on interest. Consolidating also simplifies your debt payments by combining all debts into one fixed, monthly payment.

Personal Line of Credit

Similar to a credit card (rather than a personal loan), a personal line of credit is revolving credit where you get access to a credit line from which you can borrow on an as-needed basis. You pay interest only on what you borrow. A personal line of credit works most effectively when you need to borrow for ongoing expenses or emergencies, rather than a one-time expense.

The type of loan you select depends on a number of factors, including your credit, income, assets, preferred repayment term, and intended loan purpose. Loans can serve a number of purposes, including helping you fulfill the dream of home ownership, make home improvements, get you behind the wheel of a new car, and send your child to college, among other life-changing goals.

Explore and Take Advantage of Amerant's Lending Solutions

- Mortgages Loans: Learn more about Fixed-Rate Mortgages, Adjustable Rate Mortgages & Jumbo Loans.
- Lines of Credit: See the comparison between Unsecured Lines of Credit and Securities and Secured Lines of Credit.
- Home Equity: Discover our Fixed-Rate Choice Equity Line of Credit and our Standard Equity Line of Credit.
- Personal Loans: Enjoy Vehicle Loans, and Standard Secured and Unsecured Loans.

More on Commercial Loans

4 Questions You Absolutely Need to Ask Before Taking Out a Personal Loan

7 Reasons to Get a Personal Loan – Benefits & Things to Consider

How A Personal Loan Helps Save You Money

> "I have always advocated doing everything possible to pay off credit card balances; it's good financial management and the ticket to a strong FICO credit score."
>
> **- Suze Orman**
> American Author, Financial Advisor, Motivational Speaker, Television Host