

Want To Take a Personal Loan? Now What?

By [iCompareLoan Editorial Team](#)



A Personal Loan can really come in handy. Nonetheless, it comes with certain responsibilities - that's why banks and financing institutions can be very picky with their applicants. Of course, there are some things you can do to increase your chances of approval. Before you submit that application, here are a few things you need to cover:

What do you plan to use the loan for?

You can probably think of a hundred different things you'd like to spend the money on, but before you let your imagination run wild, there's something you have to keep in mind: a personal loan is for easing your cash flow, not for replacing your source of income. A loan is a loan, and you'll have to pay it back duly.

While a personal loan allows you a bit more flexibility in your spending, you still have to be wise about it. Don't use it for risky stuff. For instance, it's not for investing in the stock market or get-

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rich-quick schemes - and don't even think about doing anything illegal .

You should have a good idea of what you're spending the loan for. Be as specific as possible. This is so you won't end up using it on things that it wasn't intended for. Is it really a personal loan that you need? Or perhaps you need some other sort of loan package, like a home renovation loan, or an educational plan? Maybe you need a business loan or a home mortgage instead? A personal loan is not for all these other needs; there are other kinds of packages for those things. In fact, personal loans generally have higher interest rates than the other specific loan packages, so you are really better off choosing a loan plan that is specially designed for your particular need.

Do you know the requirements?

Knowing the requirements beforehand can save you time and energy. In Singapore, you'll need to be within the age of 21 to 65 to qualify for a personal loan. If you're a local, you'll need to have a monthly salary of at least S\$20,000. You'll also have to present your NRIC or your passport to confirm your identity. Apart from these, you will need to provide some proof that you can afford a loan, such as a printout of your last payslip, your latest income tax notice of assessment, or a record of your CPF contributions in the last 12 months.

The requirements are a bit different for foreigners though. If you're a foreigner living in Singapore, your monthly income must be S\$40,000 or more. You'll have to provide your passport, an employment pass with a validity of at least six months, a certification from your company that you are in their employment and are receiving a salary, a printout of your latest payslip (in Singapore Dollars), and your latest income tax notice of assessment.

So before you head out to the bank to request for a loan, be sure you have all the important documents in hand.

Do you plan to take any other loans?

If you're planning a major purchase any time soon – like a property or a car – this might not be the best time to get a personal loan. Think of it this way: the more loans you take, the more financial obligations you will have, so it will be harder for you to pay them all off. That can be quite risky for your bank, so your bank will lessen the loan amount that you can qualify for. That won't be favorable for you at all, because that means you may not get the amount you need.

It's best to wait a few months before you apply for another loan. If you really, really need that money and you don't have any other options, be very cautious. You're going to need a loan



consultant to advise you on the best way to go about this.

Have you done your research?

Don't just jump into a loan simply because someone told you it's a great idea. You have to do the work first: Which loan plan works best for your present situation? Which bank? What are the interest rates? Is it better than the loan offered by this other bank? What about that other bank? And so on. This is a very important part; if you skip it, you might just end up making a decision you'll regret in the long run.

Naturally, this will require a lot of time and energy – but don't fret! Someone else can do it for you. That's when a loan consultant comes in. A good adviser will sort through the various loan plans of the many banks in Singapore, and help you compare them so you can find one that's best for you. He or she will also help you decipher all the financial jargon. Together, you can find a personal loan that will let you save as much money as you can.

How will you pay for the loan?

You should have a good idea of how you are going to pay it back. Be sure to inquire about the bank's payment procedures, and be clear about the due dates. For most banks, personal loans involve no collateral. That's a bit risky on their part, so they may choose to raise interest rates to make up for their losses. When the interest gets too high, it might become impossible for you to pay it. So you should never ever, get a loan before thinking this through.

What are the penalties?

It's important to know about the penalties for late payments. Penalties are not going to be as simple as a one-time late fee; it can mean an ever-increasing interest that hikes up your monthly dues. One late payment can amount to a whole lot of money in the long run.

Even if you plan to consistently pay your bill on time, it's a bit of information that will be useful to you. If, for instance, you're considering two different loan plans offered by two different banks, and all their terms and interest rates are exactly the same, go for the one with lower penalty fees.

If you've got all these down pat, you're in a better position to apply for a loan. Lucky for you,



personal loans in Singapore are quite hassle-free, due to their rise in popularity. All you need to do next is get all the required documents ready, have a chat with your loan consultant, then he or she will guide you through it.

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