

How to Get a Personal Loan With Bad Credit



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📅 December 17, 2019

🕒 6 min read



Getting a personal loan when you have bad credit can be a major challenge. You need the funds, but what are the chances of getting approved – and are there any affordable financing options out there? The answer might surprise you.

As measured by the financial security index, 21% of Americans have no savings in place while 48% of those working are saving no more than 10% of their earnings for emergencies. Emergencies happen when you least

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available even if you have poor credit, but interest rates for these loans are less attractive. Finding the right loan begins with knowing your current credit score.

1. Check your credit score(s) and full credit report

It's always a good idea to stay on top of your credit score because it gives you insight into your overall credit health. It's also vital when you need financing for things like a car, a personal loan, a house, an unexpected major repair and so on. You can request a free annual copy of your credit report for all three reporting agencies — Equifax, Experian, and TransUnion — through the [Annual Credit Report](#) website.

2. If possible, increase your credit score before applying for a loan

Before you borrow, it's a good idea to look at your most recent credit reports for discrepancies. If you find one, contact the reporting agency and dispute it. If the error is valid, it will be removed and your report will be updated.

If you can afford to wait, then you might benefit by improving your credit score to get a better loan rate



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Another option is to show lenders via your credit report that you have a solid history of keeping cash in the bank. This gives them peace of mind knowing that when a payment comes due, you're good for it. A service that sends this information to your credit report is UltraFICO. Reporting your account balance history can also help boost your credit score. A higher score means you'll have an easier time finding better financing options when you need them most.

3. Find the best personal loan lenders for bad credit

Finding a good lender when you have bad credit isn't always a simple process. Some lenders offer payday loans but at high, predatory rates — sometimes as much as 390% or more. Many individuals who take advantage of these loans end up in a seemingly endless cycle of borrowing while falling deeper into debt, further damaging their credit. Problems with predatory lending have prompted the Federal Trade Commission and the Department of Justice to **take action in recent years**, but the problem still exists. However, there are a few alternative lenders to consider, like OneMain Financial, Avant and BadCreditLoans.com.



essential and can help you get a better deal. Not all lenders offer the same rates, terms, or loan amounts.

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OneMain Financial offers personal loans up to \$20,000 with fixed APRs ranging between 18.99% and 35.99% for terms of 24 to 60 months. Another lender, Avant, offers personal loans between \$2,000 and \$35,000 with APRs between 9.95% and 35.99% and terms from 24 to 60 months. Finally, BadCreditLoans.com isn't exactly a lending institution; it's an aggregate that connects you with lenders based on your needs and credit situation. So, loan limits, APRs, and terms will vary according to the lenders that you are matched with.

It's common for lenders to have varying loan limits and differences in terms offered. Rates are always changing with the market and the rate that you can expect is also determined in part by your credit score and the lender's financing guidelines. So, shop around before you put your signature on anything.

5. Calculate your repayment plan

Most lenders set up a payment arrangement based on the amount of your loan, interest rate and term.

Generally, a shorter term often gets you a better rate,



lender for terms that are affordable and help you pay off the loan as early as possible.

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To get an idea of what loan payments might look like, there are many online loan repayment calculators that will simulate a scenario for you. Remember, though, that your actual loan payments may differ.

6. Read the fine print

A loan is a contract between you and the lender. It goes over all the details including your payment, the term, the interest rate, and any additional fees that might be assessed — like late fees, loan origination fees, and so on. It's always a good idea to read the fine print and ask questions about anything that's unclear.

7. Apply

During the application process, there's usually a form — digital or paper — for you to complete. Some lenders will complete the form with you. You'll need to verify your identity and address. You'll also need to submit proof of income. From there, the lender will pull your credit report and make a determination.

If you're denied for the loan, it's a good idea to ask the lender for a reason. Common reasons may include a



8. Start paying it back

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Once you're approved for financing, it's important to start repaying the loan as soon as possible. Doing so puts you on track for a positive payment history, which can boost your credit score. However, be mindful of any repercussions. Some lenders charge a fee if you repay the loan early, though this isn't always the case. So, read the fine print and don't be afraid to ask questions.

If you can repay the loan early without penalty, you can often save a bundle from interest charges. It'll also lower your overall debt-to-income ratio and give you peace of mind while improving the cash flow for your household.

Closing thoughts

Knowing your credit score and checking your recent reports better prepares you for financing. The higher your credit score, the better the APR you might qualify for.

Your debt-to-income ratio matters, as well. According to the Consumer Financial Protection Bureau, 43% is the highest debt-to-income ratio that you can have and still qualify for some types of lending. However, the lower you can get this ratio, the better.



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Beth Casey is a freelance writer specializing in writing about financial services and business after working for nearly a decade in the insurance industry. Her work has been featured at The Simple Dollar, PersonalLoans.org, BankNXT, The Virtual Assistant, and Minnesota Public Accountants.



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