

[Commercial Loans](#)

Financing is a prerequisite for every activity from buying goods, refinancing of assets, to construction etc. Today one can choose to finance in a multitude of ways. One of the conventional but the best ways to do it is through fast low interest commercial loans.

With an increase in the number of lenders in the market, and lenders providing a wide variety of choices in both secured and unsecured loans choosing the best option can leave a person confused. These choices also extend to interest rates and repayment schemes. Here's a snapshot of what you need to consider while choosing a commercial loan.

First, one must know the purpose and duration for which the funds are required. If the requirement calls for a huge sum of money over a long period of time, it is advisable to go for a secured loan because they incur a lower rate of interest. The loan is secured by a collateral security (i.e. an additional security to the primary security, whose possession lies with the borrower only, until and unless, no default occurs on his part in the repayment of loan taken). However if you require a smaller sum quickly, you should zero in on an unsecured loan as the processing involved is less and funds are available much faster.

Moreover, it is possible for an asset rich and money poor person or organization to take a loan by providing collateral security. In such a case, secured loans are apt as the reduced risk to the lender makes it more likely that your loan will be accepted. By and larger unsecured loans are costlier when compared to secured loan.

A vital factor is the Annual Percentage Rate (APR) or to put it simply the interest rate. A loan with a lower APR is highly sought after as it means the amount that needs to be returned will be much closer to the amount borrowed. Lenders clearly outline the interest rate and also mention how the APR is calculated in black and white. Another factor is the repayment period. Provided the APR is the same, the shorter the repayment period the lesser the loan will cost you. However a shorter repayment term usually means the APR will be higher; therefore it is important to strike a balance between the repayment term and the EMI (Equated monthly instalments).

Today there are so many permutations and combinations possible when it comes to commercial loans that it can be difficult choosing the right loan. Like all commerce, the increase in the number of lenders also means that there is greater competition amongst lenders. In the longer run competition always benefits the end user, and it is now possible to get secured commercial loans at never before seen APRs and EMIs. Therefore, it is important to shop around before finally settling on a commercial loan. Remember the ideal commercial loan should strike a balance between APR and EMI; in addition the security involved should also be proportional to the loan.

Secured Loans vs. Unsecured Loans

Secured loans involve much lower APR, as the lender usually requires an asset of 'proportional value' as collateral. The downside of secured commercial loans is that if an organization or individual default on their payments there is a chance the collateral will be lost. It is not uncommon for organizations to lose properties if they are unable to pay their EMIs. Although there is no collateral involved in an unsecured loan, an unsecured loan is far more expensive when compared to a secured loan. Unsecured loans incur a much higher APR and are also restricted in the amount of money that is available. Unsecured loans are faster as the paperwork involved is less and the processing time is lesser compared to secured loans.

About the Author

Terry Tiessen is the author of this article on [monetizing assets](#). Find more information about [discounting of financial instruments](#) here.

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