

BORROWING MONEY

IF YOUR CREDIT IS GOOD AND YOUR BUSINESS HAS A POSITIVE FINANCIAL STORY OR AS A STARTUP YOU HAVE A SOUND BUSINESS PLAN WITH SUFFICIENT COLLATERAL. ..Banks are anxious to have you as a borrower, so don't be afraid to shop for a loan. You might get a lower interest rate or a discount on the fee just by letting the bank know that you're willing to take your business elsewhere. Always ask "Is this the best you can do on the interest rate". Please realize no financial institution provides 100% financing..

IF YOUR CREDIT IS SHAKY ...you're in a better position today than a few years ago when your only option might have been a finance company. Banks today know that people with blotches on their credit records usually repay loans on time, and they consider them desirable customers. However, the interest rate will go up because of an unfavorable credit history but the bank rate will still be less than what traditional finance companies charge. You may also have to meet some fairly stringent requirements: past due debts must be brought up to date before you can borrow more, and major problems like bankruptcy or foreclosure must be well behind you. Equipment and other assets may be pledged as security.

BORROWING TIPS. ..Since a mortgage loan is often the cheapest way to borrow money, here are some tips about mortgage loans and subprime lending.

- I. You can't get a mortgage if you are in the middle of a debt crisis.
2. Each bank has its own criteria for ranking loan applicants. One lender who lends in many states ranks on this basis:
 - A credit -virtually all bills current for the past two years and no late payments on a mortgage loan
 - B credit- up to 60 days late on consumer debt and up to three late mortgage payments
 - C credit -consumer debt beyond 90 days and up to three mortgage payments 60 -90 days late
 - D credit -late debt payments plus debt charge offs, judgments, or a bankruptcy
3. Traditional lenders talk only to "A credits"-- the cream of the crop. People usually land in this category if their credit history is clean and their monthly debt payments don't exceed 38% of their gross monthly income. If you don't fit this description, you're a "B credit" or lower. You usually can't borrow as much as "A" credits can, and you'll pay a higher interest rate --the lower your ranking, the higher your rate. .
4. If the value of your home significantly exceeds the mortgage balance, refinancing the mortgage or establishing a home equity loan will be your lowest financing cost. Bank loans aren't for people with low or no down payments, or who want to finance a loan for more than their house is worth. You have to have enough equity so the lender will feel protected if it has to foreclose. A common equity requirement is 10 %; this means that your house is worth 10 % more than the loans against it
5. You might take a high interest, sub-prime loan, then refinance in a year or two when your credit improves. Be sure that prepayment can be made without a significant penalty fee.

6. **CAUTION: Overusing credit piles debt on top of debt.** It can turn you into bankruptcy bait --and the lender can simply foreclose or repossess. If debt obligations are not made on time, lenders may repossess pledged assets and force you out of business.