

Cheat Sheet for Choosing a Legit Lender

One of the first and most important steps in taking out a loan is working with a safe and trustworthy lender.

This not only ensures that you will get a fair and competitive interest rate on your loan, but also that the lender will not attempt to trap you in a cycle of debt.



How can you be sure you are picking a reliable, legit lender? This cheat sheet will help you make informed financial choices.

Red Flags and Warning Signs

Following are behaviours which legitimate lenders never engage in. Some are dodgy, while others are downright illegal.

- ❗ **A lack of transparency.** The lender may have no physical address, and refuse to share information about its background. There may be no way to confirm it is licensed in your state. Information on loan terms and conditions may also be sparse or inconsistent.
- ❗ **Aggressive sales.** This might include anything from cold-calling to forcefully pressuring you to accept a loan.
- ❗ **No income or credit check.** A lender that does not require these does not care whether you can afford a loan. Avoid “hard” credit checks, but do look for “soft” ones.
- ❗ **Suspicious emails.** Odd domain names, lots of misspelled words, poor grammar, and unusual attachments are all a cause for concern.
- ❗ **Upfront fees.** A fee for a loan is okay, but it should always be bundled into the loan itself.
- ❗ **Absurd terms.** This goes back to lenders who do not care if you can pay back a loan on time or not. If you know it will take you weeks or months longer to pay back a loan than the term being demanded, shop elsewhere.

A Legitimate Lender Will:

- Be licensed in your state, have a physical address, and be upfront about its background.
- Never exceed the legal maximum loan amounts or interest rates set by your state.
- Run a soft credit check and ask you to verify your income.
- Attempt to sell you on a loan, but not push you to do something you are not comfortable with.
- Not approve a loan which you do not have a reasonable likelihood of being able to pay back on time.

- Only get in touch with you after you have initiated contact.
- Conform to the lawful practices set forth by the Fair Debt Collection Practices Act (FDCPA).
- Never harass or intimidate you in any way.

Steps to Choosing a Legitimate Lender

With the tips above in mind, here are some steps you can take when you are evaluating a lender.



1. First, find out about the company's background, history and location. You need to know who you are working with.



2. Next, look up the company's licensing information in official databases. Make sure that they are legally operating in your state.



3. Read through the lender's policies and explore its site. Is it upfront? Transparent? Does it attempt to educate borrowers? Does it promote fair lending and borrowing practices?



4. Contact the lender directly. Is the person you speak to knowledgeable and helpful? Or are they aggressive and demanding?



5. Look up customer reviews for the lender online.



6. Review the terms of any loan very carefully before you accept it.

Picking a safe, trustworthy, reputable lender takes some time and research. If you are in a rush to take out a loan, it may be difficult to slow down and do your homework.

But that is exactly what predatory lenders take advantage of. So make sure that you do not rush into a loan with a company you know nothing about. Take the time you need to be sure you are making a wise financial choice. It may save you a great deal of money and pain in the long run.