

# Quick guide to:

## Secured Loans

### What is a secured loan?

Secured loans are also known as second charges or second mortgages. They are a second mortgage which sits below the first mortgage and is secured against the property. A secured loan can help fund a number of things, from home improvements, holidays or more commonly provide a debt consolidation source. Secured loans are a viable alternative source of funding and a product area that is growing.

### Can my client apply for a secured loan if they do not live in the property?

Yes as long as your client has proof of a formal tenancy agreement.

### How do secured loans work?

Quite simply your client will have a loan secured against the equity in their property, and will be required to make regular payments to pay the loan off along with the interest accrued over the repayment period.

There are no upfront fees and secured loans are generally more flexible in considering those who are on a pension or benefit only income or live in an ex-council house.

### Why is a secured loan possibly the best option?

**Your** client is self-employed, without accounts

Affordability checks are now tougher than experienced previously, with banks demanding up to three years of accounts as proof of income. But there are some secured lenders on the Clever Lending panel who will accept a tax return or an accountant's reference as proof of income.

**Your** client has a complex credit profile

Secured loans are very flexible in areas such as eligibility and can be an option for those who may have had previous problems with obtaining credit. Even with a history of missing payments, historic CCJs or defaults a secured loan through Clever Lending may be a solution.

**Your** client wishes to retain their mortgage deal

It may be that your client is on a low or fixed mortgage rate which they wish to retain. Taking out a secured loan is one way to keep their current rate in tact whilst enabling them to raise capital.



**Your client has minimal equity for a remortgage**

Your client may find they have limited LTV lending options, if your client does not have enough equity then a secured loan could be the preferred choice – Clever Lending are here to help identify possible options for such a scenario.

## How will the forthcoming MCD affect secured loans?

The pending legislation changes will affect anyone who operates within the first and/or second charge lending sector. The Mortgage Credit Directive will apply equally to first and second charge mortgages meaning there will be better client protection and more consistent standards across the industry. This is good news for you and your client – it means you can widen your product offering and provide a thorough service to your client, and they can benefit from knowing they will be offered the right solution for their requirements, all fully compliant and in a fair and transparent manner.

Being aware and prepared in advance will help put you at the forefront with your clients by having the capacity to offer them the most suitable product for them.

## Why secured loans should be on your radar now

Regulation is happening and there is no avoiding it – to be prepared now will put you at the forefront of your peers.

Secured loans will be aligned with the first charge marketplace and everyone involved (including lenders and master brokers) will have to adhere to higher standards benefiting your clients.

Ultimately secured loans are a genuinely viable option that your client should have the option of considering – why wait until March 2016 when they could be benefiting now.

This is just a quick guide to secured loans – if you have any questions please contact the Clever Lending team on **0800 316 2224**, email **enquiries@cleverlending.co.uk** or visit **www.cleverlending.co.uk**.

“So far we have enjoyed an excellent relationship with Clever Lending. We are delighted that they have filled the gap in the market place, their professionalism is second to none and they keep us well up to date with new lending opportunities.” Assured Money Solutions

