

## Principles of responsible lending

Before you take out a loan, familiarize yourself with the **principles of responsible lending**. You can thus avoid unfavorable loans as well as a debt spiral from which it is not easy to escape.

### 1. Purpose of the loan

First of all, objectively assess whether the loan is **really necessary**. Never repay one loan with a second one. **Borrow money responsibly**; be fully aware that you will have to set aside some part of your income to repay the loan. Before you apply for a loan, ask yourself the following questions: "Will the money be used for something I really need? If so, am I sure I will be able to repay the loan?" Don't get into debt by buying things like clothes, a newer electronic device, or a holiday. If it's not urgent, you should save up your money and postpone the purchase until later.

### 2. Set the monthly installment responsibly

The amount of your payment should be **slightly lower than the sum you are able to put aside from your salary every month**. Always have a certain financial reserve at your disposal for unexpected events. Only a reasonably set installment amount will prevent you from getting into complications like being in arrears or finding yourself unable to repay the loan.

### 3. Compare offers

In our market, there are a huge number of loans, so it is wise to **compare loan options**. To save energy and time, use online calculators to get a quick overview of verified bank and non-bank loans.

### 4. It is not all about the interest rate

Are you choosing a loan solely on the basis of its interest rate? You're making a mistake! Interest is just one, not the only, parameter you should consider when making a choice. The **APR has a much better explanatory value**, which includes not only the amount of interest but also any fees and other expenses that you will have to pay for when taking out a loan.

### 5. Read the terms of the loan carefully

Always find out the conditions for the given interest rate or special offer. Sometimes you have to borrow a minimum amount of money, open a bank account, or get a credit card to be able to take out the loan.

## **6. Verify due dates**

The lender does not always expect you to send the installment on a fixed day once a month. Sometimes, you may be required to make the payment **after a few weeks or even days**. It is therefore always important to carefully read the terms and conditions and the consumer credit agreement.

## **7. Read the contract carefully**

Carefully read the terms and conditions of the company with which you are arranging the loan, as well as the contract that will be submitted to you for signing. If anything seems unclear, don't be afraid to ask questions or request to take documents home with you to read.

## **8. Don't run away from your problems**

If you have a problem with the loan, then **under no circumstances should you ignore** the creditor, but try to contact him. **Inform him of the current situation** and agree, for example, on the postponement of installments or a newly set installment calendar.

## **9. Be aware of possible complications**

Especially in the case of long-term loans that you will be repaying for several years, take into account **possible complications** that might come your way. To avoid a pile of reminders from creditors in your inbox, think ahead and **have some money saved up**, ideally a sum that can cover up to 6 monthly payments. You may also consider getting **insolvency insurance**.