

People take loans for different reasons. Some pay back and others default and jeopardise their finances. But how can one make the most out of a loan and avoid financial mistakes that lead to defaulting on payments? Damalie Nankya Mubiru, the head of lending products at Stanbic Bank, shared some insights with Jacky Achan

**Q : When is the right time to take a loan?**

**A :** Today's customer is looking for the right financial solutions that will help them meet their current and future obligations.

The purpose of the loan is usually the determining factor of the timing. There are a number of key requirements that must be met, prior to applying for a loan.

Individuals must think carefully on why they need the loan and search the market for the best rates. It is important to know that affordability of the loan is usually based on the borrower's salary or cash flow, other loan repayments and household expenses.

Businesses must follow the same approach. When cash flows are steady and growing, it is the best time to

# How to make a loan work for you



**Understand the terms and conditions of the loan and keep your spouse or family in the know about it**

consider a favourable line of credit. It can be a lifesaver, in case you have unforeseen emergencies or if you need credit during a slow season.

In the case of long-term investments, you might consider longer tenure credit line options.

**Q : What are the different loan facilities available for your clients?**

**A :** Stanbic Bank offers a wide range of loan facilities, including personal loans, business loans, trade loans, overdrafts, home loans, vehicle and asset loans and credit card facilities.

**Q : When does a loan work or benefit the borrower?**

**A :** A loan works well when it is easy to access, is provided in

the shortest possible time, directly fits the need of the individual/business, tagged to the salary of the individual or cash flow cycles of the business and is affordable to the customer/business regarding the repayment capability.

**Q : Why do loans fail to benefit borrowers?**

**A :** The reasons may include: misuse like in diversion,

## A guide to taking a loan

- Borrow only when you must and do not borrow more than you can repay.
- Keep the tenure as short as possible to avoid any unforeseen changes in the economy.
- Do not borrow to splurge or speculate.
- Borrow from a licensed lender.
- Take insurance with all loans.
- Understand the terms and conditions of the loan.
- Have minimal loans at a time.
- Keep your spouse or family in the know about the loan.
- Do not overstate daily sales to avoid overfunding because paying back can drain your capital.
- Visit different financial institutions to compare rates and requirements to suit your needs.
- Ensure timely repayments and a good financial record.

misalignment of repayments to source and timing of income, loss of income source and increases in the interest rates.

**Q : How can one manage a loan best?**

**A :** It is important to ensure timely payments, since defaulting can attract a fine and negatively impacts one's credit score. If one anticipates difficulty in payment, they should contact their provider to find out their options.