



Personal Loans vs. Signature Line of Credit: Which Should You Use?

Even for those who have been saving and spending responsibly, life can throw you a curveball. If you have to deal with unexpected expenses that are difficult to handle, borrowing might come to mind as an option.

Often, signature lines of credit and personal loans are some of the most accessible credit for people. You might wonder, "Which one of the two options should I use when I need a financial boost?" Since each type of credit has its advantages and drawbacks, it is wise to do your research and choose what makes the most sense for your unique situation.

Here are personal loans and signature lines of credit in a nutshell:

Personal Loans

- When you are approved for a personal loan, you receive the funds in one lump (large) sum.
- There are two types of personal loans: Secured vs. Unsecured. Secured loans are backed by collateral (example: auto, RV or boat) and unsecured or signature loans are not.
- A personal loan's interest rate is often determined by the loan holder's credit history, length of the loan, and borrowed amount.
- Typically, a personal loan has a lower interest rate than that of a line of credit. You can click to view Lampco Federal Credit Union's [personal loans rates](#).

When To Use Personal Loans

We recommend personal loans if you have an idea of how much money you will need. Typically, personal loans are suitable for covering emergency expenses such as car repairs or hospital bills and consolidating or refinancing debts with higher interest rates.

Signature Lines of Credit

- A signature line of credit is a revolving credit account. This means you can borrow the money on an ongoing basis as needed up to the borrowing limit. Your payment is often a percentage of the balance owed.
- Most signature lines of credit have higher interest rates than those of secured personal loans. [According to the U.S. News](#), the average APR of all cards in the 2020 U.S. News database is between 15.58% to 22.83%.
- Taking out a signature line of credit could directly affect your credit score more significantly than taking out a personal loan because it is a revolving account.
- A credit line's minimum payment might seem smaller than that of a personal loan, but in the end, the credit line often results in paying more interest over time since the balance can fluctuate up and down, depending on your borrowing needs. A signature line of credit functions very similar to a credit card.

When To Use A Signature Line of Credit

A credit line may be an option if you know you need access to credit on an ongoing basis or don't know what the total costs will be. A line of credit must be used carefully with thorough planning as unpaid or late payments can result in late fees, increased interest rates, damage to your credit score, and the account issuer freezing your line.

These options apply differently depending on each person's financial situation; however, both are great options. If you need access to funds soon, check out [Lampco's Holiday Personal Loan Special](#). You could qualify for up to \$5,000 with a rate as low as 7% APR and put your mind at ease during the upcoming holiday season.