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# Payday Loans Vs Bank Loans

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Article published on December 21st 2011 | Loans

In case you are looking for urgent financial help and you wish to borrow money, you have two options before you: either opt for a bank loan or apply for a payday loan. In this article, weâ€™ve compared both the loan policies for the benefit of the readers.

Payday loans are convenient, easy to get and quick. Theyâ€™re best suited for situations when you are awaiting your salary or an incoming profit and you can easily pay off a small loan amount within one month. This plan is beneficial for users who are experiencing an unexpected medical bill or accidental injury in the month end. On the contrary, bank loans involve long and complicated verification processes but the sum offered is quite large. You have to submit multiple proofs and sign different papers before applying for a bank loan.

There are countless differences between a bank loan and a payday loan in terms of interest rate and installment policies. Generally, payday services directly transfer the amount to your bank account while banks or other moneylenders offer you money checks or cash. Moreover, banks and moneylenders operate during standard business hours (which is 9 to 6 under normal conditions) while payday services can offer you a loan at any time of the day.

The rate of interest offered in the case of payday loans is quite high and you are expected to pay the entire amount within two to four weeks but the interest rates offered by other financial agencies are subjected to market competition and financial rules of the state. Based on the survey results conducted by Consumerâ€™s Union, the annual rate of interest incurred by payday services can cost as much as 911% on annual basis.

If youâ€™re applying for a bank loan, you have to do lot of paperwork. Youâ€™ll have to submit address proof, age proof and salary proof plus you have to deposit security. On the other hand, for acquiring a payday loan, you just have to submit personal information, bank account details and an employment proof stating that youâ€™ve been employed since past 6 months.

The banks generally ask for security in the form of property or gold. In case youâ€™re not able to clear the debt, they shall seize your possessions. On the contrary, payday services withdraw money from you either in the form of checks and cash or directly extract it from your salary account.

Now that youâ€™re familiar with both the processes, you can decide whether to apply for bank loans or payday loans.

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Article Keywords:
payday loans online,online payday loans,payday loans

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