

Sources of consumer credit

There are many different kinds of consumer credit from a wide variety of sources that are available for loan. In seeking an installment loan, consumers need to consider first of borrowing from a bank or a credit union. Three main types of consumer credit which are inexpensive loans, medium-priced loans and expensive loans.

- 1.) Inexpensive loans (Interest rate is between 5 to 7 percent) - The least expensive loans actually are from parents or family members. They charged the low interest rate that they would have earned, low debt consideration and low lender comparisons. Also loans based on assets such as a bank certificate of deposit or the cash value of a whole life insurance policy.
- 2.) Medium-priced loans (Interest rate is between 6 to 8 percent) - you can obtain medium-priced loans from commercial banks, federal savings banks and credit unions. The advantages of borrowing from credit unions are free credit life insurance and provide personalized service.
- 3.) Expensive loans (Interest rate is between 8 to 20 percent) - The most expensive loans are from finance companies, retailers and banks through credit cards. Finance companies often lend to people who cannot obtain credit from banks or credit unions.

The major sources of consumer credit: commercial banks, consumer finance companies, credit unions, life insurance companies and savings.

- Commercial banks offer single-payment loans, personal-installment loans, passbook loans, check-credit loans, credit card loans and second mortgages. Lending policy of commercial banks seek customers with established credit history, require collateral or security, deal in large loans such as vehicle, home improvement and home modernization and determine fix repayment schedules.
- Consumer finance companies offer personal installment loans and second mortgages. Lending policy of consumer finance companies lend to consumers without established credit history, make unsecured loans, vary interest rates and vary repayment schedules.
- Credit unions offer personal installment loans, share draft-credit plans, credit card loans and second mortgages. Lending policy of credit unions lend to members only, make unsecured loans, require collateral, require payroll deductions to pay off loan and vary repayment schedules.
- Life insurance companies offer single-payment or partial payment loans. Lending policy of life insurance companies lend on cash value of life insurance policy, no date or penalty on repayment and deduct amount owed from the value of policy benefit if death or other maturity occurs before repayment.
- Federal savings banks offer personal installment loans, home improvement loans, education loans, saving account loans and second mortgage. Lending policy of federal saving banks will lend to all creditworthy individuals, require collateral and vary loan rates depending on size of loan or length of payment.

Consumer Purchasing Strategies

There are three major factors that affect daily spending habits. Various economics factors; inflation, interest rates, taxes rates, government regulations, product safety. Social factors; Lifestyle, interests, hobbies, peer group, culture, advertising, media. Personal factors; gender, age, occupation, income, marital status, family size. These factors influence your spending, saving, and investing choices, and when combined with wise buying activities can contribute to your long-term financial security.

Wise purchasing strategies is in contrast to impulse buying which is the unplanned purchasing, these following things have to be considered for wise purchasing strategies:

1. **Timing purchases.** Certain items are on sales on the specific times of the year. For examples, winter clothes are on sale in mid- or late winter, as well as those summer clothes in the late summer. Black Friday in U.S. is an interesting for a bargain hunter. Weather report and news can also help in purchasing planning. Changing in economic conditions and political difficulties around the world may result in higher prices and reduced supplies of certain products.
2. **Purchase location.** The decision to use a particular retailer is probably influenced by location, price, product selection, and services available. Superstores, online buying are more convenience to customers these days. For example, buying at dollar stores can result in bargains on many basic needs. However, buying at these convenience store, we might have to avoid expired food product, certain item might be more expensive compared to sales price at other stores.
3. **Brand comprehensive.** One product might be different among brands in terms of appearance, price, quality, etc. Brand-name products are usually more expensive than non-brand products, but they offer a consistency of quality for which people are willing to pay. Higher price is not always better than a lower one.
4. **Label information.** Certain information is helpful, some are not. Food label like nutrients, ingredients, food allergy warning are helpful to customer. For some people who give heed to their consumption can use this information to calculate amount of fat, salt, protein, etc. Food label make it more convenient to customer in comparing product to product.
5. **Price comparison.** Unit pricing, a standard unit of measurement to compare the prices of packaging of different sizes. Coupons and rebates also provide better pricing for wise customers.

When comparing prices, remember that

- More store convenience usually means higher prices.
- Ready-to-use products have higher prices.
- Buying large package is mostly better. However, using the unit pricing to compare

Housing decision

- Housing alternatives for different life situations

- Young single

- Rental housing has limited maintenance and offers mobility.
 - Purchase a home or a condominium for financial and tax benefits.

- Young couple, no children

- Rental housing offers convenience and flexibility of lifestyle.
 - Purchase housing for financial benefits and to build long-term financial security.

- Couple, young children

- Rental housing can provide facilities for children in a family-oriented area.
 - Purchase a home to meet financial and other family needs.

- Single parent

- Rental housing can provide suitable environment for children and some degree of home security.
 - Purchase low-maintenance housing to meet financial and social needs of family.

- Couple, children no longer at home

- Rental housing for convenience, flexibility for changing needs and financial situation.
 - Purchase housing that requires minimal maintenance and meets lifestyle needs.

- Retired person

- Rental housing can meet financial, social, and physical needs.
 - Purchase housing that requires minimal maintenance, offers convenience, and provides needed services.

- Opportunity costs of housing choices include some common trade-offs. *f*

- Interest earnings lost on money used for a down payment or the interest on a security deposit for an apartment. *f*
 - Time and cost of commuting to live in an area that offers less costly housing or more space. *f*
 - Renters lose tax advantages and equity growth. *f*
 - Time and money you spend to repair and improve a lower-priced home. *f*
 - Time and effort when you have a home built to your personal specifications.

- The costs and benefits associated with renting

One variable that may be an advantage when renting is leasing flexibility. Being able to choose the term of your lease may be beneficial for you. If your circumstances are fluid, a month-to-month lease gives you the option to move on short notice. By renting you eliminate the cost of repairs as they are the responsibility of the landlord. Renting may also be more suitable if you are on a budget. Rent can be significantly less than a mortgage because renter's insurance is cheaper than homeowner's insurance and there is no property tax.

One disadvantage as a renter is that you are subject to the owner's rules. These rules may include no pets and limitations on home decoration. You are also subject to the quality in which the owner cares for the property, which may result in a living situation you

consider unpleasant. The greatest disadvantage for renters is there is zero return on your investment for rent payments.

- Home-buying process

- STEP 1: DETERMINE HOME OWNERSHIP NEEDS

- Evaluate owning your place of residence
 - Assess types of housing units
 - Calculate the amount you can afford

- STEP 2: FIND AND EVALUATE A PROPERTY TO PURCHASE

- Select a location
 - Consider using a real estate agent
 - Conduct a home inspection

- STEP 3: PRICE THE PROPERTY

- Determine an appropriate market price
 - Negotiate an agreement price

- STEP 4: OBTAIN FINANCING

- Determine amount of down payment.
 - Investigate the rates and conditions of mortgages.
 - Apply for mortgage and evaluate types of mortgages

- STEP 5: CLOSE THE PURCHASE TRANSACTION

- Arrange for a closing date
 - Obtain funds and documents for closing
 - Request clarification of unclear aspects of the transaction

- Selling a home

- PREPARING YOUR HOME

- Repair, repaint, and clean
 - Clear the garage
 - Keep the lawn cut
 - When showing home, turn on lights and open drapes
 - Bake bread or make coffee for a welcoming smell

- DETERMINING THE SELLING PRICE

- Appraiser estimates the current value
 - Real estate agent markets your home

- LISTING WITH A REAL ESTATE AGENT

- Type of Mortgages

- Graduated payment

- Payments start lower and go up.
 - *f* Income should increase over time.

- Balloon

- Fixed monthly payments plus one large payment, usually after 3, 5 or 7 years.

- Growing-equity

- Increases in payments to allow the loan to be paid off more quickly

- Conventional

- Fixed rate, fixed payment, amortized. *f*
- 5%, 10% or 20% down. *f*
- 15, 20 or 30 years of fixed payments.
- Government-guaranteed financing programs *f*
- Veterans Administration. *f*
- Federal Housing Authority. *f*
- Lower down payment than conventional.
- Adjustable rate mortgages *f*
- During the life of the loan the interest rate varies with the prime rate, but has a rate cap.
- Shared appreciation *f*
- Borrower gets a lower interest rate and agrees to share appreciated value of the home with the lender.
- A second mortgage
- Home is collateral and interest may be tax deductible. Home equity loans are an example.
- Reverse mortgages. *f*
- Provides elderly with tax-free income based on the home equity.
- Refinance if interest rate drops at 2-3%.

Credit bureau

When people start to do the financial transactions at financial institutions that operated with credits bureau, they are already recorded in credits bureau agencies. The main objective of credit bureaus is to record the information of consumers who do the financial transactions.

Having a bad credit record can have a very bad effect on your life. You cannot buy the things you want, open a bank account or even get that job you have dreamed of. Even if you are able to get finance, it is likely that you will have to pay a higher interest rate or put down a large deposit. It is never a good idea to be blacklisted and if you are, it is important to clear your name as soon as you can.

It is not easy to clear your name out of credit record once you have bad credit record. Even if you pay your debt, it will not be enough to have you name cleared. Paying back the money that you owe is also no enough to clear your credit record. Even if you already pay back the debt, you also cannot do any financial transactions during 3 years or 36 months after you paid the debt.

The main factor that listed people in credit bureau records is personal loan or we called credit card. If people lack of negligence to use credit card, it will create large amount of bad debt to accumulate.

How does consumer avoid having negative information on me from being sent to the credit bureau? – The answer is consumers might be fairly clueless about how to manage their money. The most important things to understand about personal finance if you want to live a comfortable and prosperous life

- Learn self-control : Although you can effortlessly purchase an item on credit simultaneous you want it, it's better to wait until you've actually saved up the money. Never buying anything on impulse. One of the best ways to help prevent this is to make a shopping list and then stick to it. Also If you want to keep your credit cards for the convenience factor or the rewards they offer, make sure to always pay your balance in full when the bill arrives
- Take Control of Your Own Financial Future : you should take charge and read a few basic books on personal finance. Understanding how money works is the first step toward making your money work for you.
- Avoid credit cards if you can. Interest rates on these are not cheap. Never use your credit cards to pay off any existing debt you may have, this will only create more debt for you, which is what you don't need.
- Paying the bills on time. By doing so you'll avoid spending money on needless late fees.

Thailand's Credit Facts

Outstanding Credit Cards (Source: Bank of Thailand)

Number of credit cards at end-Q3/2003 = 6.44 million

Cards Issued by Banks = 2.87 million cards Issued by Non-banks = 3.57 million

Cards Credit Cards Default Rate (Sources: Visa Int'l, Krung Thai Cards) 2002 = 4.8% 2003 = 4.5%

Average Annual Spending per Credit Card (Sources: Visa Int'l) 2002 = THB 58,600 (~ USD 1,465) 2003 = THB 57,000 (~ USD 1,425)

Pre-crisis effort to set up credit bureau (Prior to 1997)

-Financial System Master Plan 1995 called for credit bureau to be set up.

-Association of Finance Companies (AFC) spearheaded the effort to set up Thailand's central credit bureau.

: Ministry of Finance agreed to join.

: Foreign technical partners made presentations and short-list was made.

-Financial Crisis hit Thailand in mid-1997.

: Most finance companies, and some commercial banks, went

- All efforts to establish credit bureau suspended.

Post-crisis effort to set up credit bureau (After 1997)

-In 1998, after dust settled, Ministry of Finance and Central Bank revived the effort to set up credit bureau.

-Ministry of Finance went ahead and set up Thai Credit Bureau (TCB), with the Government Housing Bank and a local technical partner as shareholders.

-Commercial banks finally went ahead and set up another credit bureau and partnered with a Thai and a foreign technical partner

Mortgage refinance

People refinance for all kinds of reasons. Refinancing a mortgage means paying off an existing loan and replacing it with a new one. Some, it's important to lower a monthly payment and some are in a better financial situation than before and would like to pay their mortgage off sooner. Also people can refinance with home's equity in order to finance a large purchasing and can avoid costs. (Home' equity - the value of ownership built up in a home or property that represents the current market value of the house remaining mortgage payments : the value built up over time as the property owner pays off the mortgage). It's important for homeowner to determine whether his or her reason for refinancing offers a true benefit.

Refinancing may refer to the replacement of an existing debt obligation with another debt obligation under different terms. In many industrialized nations, a common form of refinancing is for a place of primary residence mortgage. For easily understanding, refinancing is a replacement loan which borrowing a new debt to pay off the old one. In Thailand, we can see most of the mortgage refinancing in case of buying house, condominium or car and then they could not afford it. The debtors can be able to go back to the bank creditors and ask for renew financing. The benefits that the debtor will get is lower interest rate, reduce monthly installed payment, pay off loan faster, change loan type, consolidate debt, and get a lower rate for the life of your loan. So those who want to refinance have to think carefully before making a decision because it will lead to the long term debt.

A loan (debt) might be refinanced for various reasons:

- To take advantage of a better interest rate (a reduced monthly payment or a reduced term)

-To consolidate other debt(s) into one loan (a potentially longer/shorter term contingent on interest rate differential and fees)

-To reduce the monthly repayment amount (often for a longer term, contingent on interest rate differential and fees)

-To reduce or alter risk (e.g. switching from a variable-rate to a fixed-rate loan)

-To free up cash (often for a longer term, contingent on interest rate differential and fees)

Personal finance is the financial management that each person or a family unit performs to budget, save, and spend money overtime with various of financial risks and future life events.

When planning personal finances, the individual would want to sustain his or her needs of a range of banking products or investment private equity and insurance products.

The personal finance is relevant to the mortgage refinance by

When and when not to refinance your mortgage?

Refinance when you want to consolidate your debt

Extend to long term period debt but get lower interest rate

Take out equity from your home in case of fixing home >> home improvement

Mortgage Type	Key benefits	Worth Considering if you
Fixed Rate Mortgage	<ul style="list-style-type: none"> - The best fixed rate - Your rate never change for the life of your loan 	<ul style="list-style-type: none"> - Risk averse - Not an investor - Plan to stay in your home for a longer period of time - Have a good credit - Possess the funds for the required down payment
Adjustable Rate Mortgage	<ul style="list-style-type: none"> - The lowest short-term rates 	<ul style="list-style-type: none"> - Willing to hold the house less than 5 years

	<ul style="list-style-type: none"> - The lowest monthly payments for at least the first term of the loan 	<ul style="list-style-type: none"> - Think you'll be moving before being exposed to the risk of higher rates - Have good credit - Possess the funds for the required down payment
Interest Only Mortgage	<ul style="list-style-type: none"> - The amount of installment is very small - Pay only the interest at the beginning - Pay the principal after 5 years loan 	<ul style="list-style-type: none"> - Poor income at first but be confident in the future that can earn more income - Suitable for people who earn commission - For short-term investor who buy a house and wait for a higher price to sell
Option Adjustable Rate Mortgage	<ul style="list-style-type: none"> - Flexible loan to the borrower - Combining flexible interest rate and payment period together in order to be an alternative for the borrower 	<ul style="list-style-type: none"> - Apply for short-term investment with real estate - Suitable for people with uncertain income but having bonus or commission
Graduated Payment Mortgage	<ul style="list-style-type: none"> - Monthly installment loan will begin at a lower level and increase at constant rate in the future 	<ul style="list-style-type: none"> - Suitable for young people who just bought a home for the first time - People who want to buy a home and live within 10 years
Growing Equity Mortgage	<ul style="list-style-type: none"> - Loan repayment will increase every year at a fixed rate - Additional installment will be deducted from the loan 	<ul style="list-style-type: none"> - Suitable for home buyer who want to pay off the loan quickly. - New workers who have an increasing income and expect that income will

	principal	grow double
Balloon Mortgage	<ul style="list-style-type: none"> - A short-term loan - Final payment is large(double of loan's previous payments) - Lower interest rate than standard 30-year fixed-rate mortgages 	<ul style="list-style-type: none"> - Use by investors and homeowners - people who are expecting their income to rise the coming years - Borrowers that have better credit - Homeowners which want to sell house
FHA Mortgages	<ul style="list-style-type: none"> - Low down payments - Less strict qualification - Option of fixed-rate loans(ARM) 	<ul style="list-style-type: none"> - Lack of good credit history - Don't have fund available for a larger down payment

Reverse mortgages

is known as Home Equity Conversion Mortgages which provides for elderly (>62 years old) with tax-free income based on their home equity in the form of a loan that is paid back (with interest) when the home is sold or the homeowner dies.

Fiscal Policy Office to Increase Reverse Mortgage Lending to Elderly

Thailand's Fiscal Policy Office (FPO), part of the Finance Ministry, may allow insurance firms and financial institutions to provide reverse mortgages to the elderly. The practice will allow the elderly in Thailand to borrow money against the equity of their home.

Previously, the FPO has tried to restrict reverse mortgages. The Secondary Mortgage Corporation, a state-owned entity, was the only lender allowed to offer reverse mortgages, but Krisada Chinavicharana, director-general, stated that the agency is too small to handle all of the reverse mortgage applications received.

Government Savings Bank and GH Bank are being considered as potential candidates to allow reverse mortgages, as the FPO can allow these entities to offer reverse mortgages without amending the law.

Reverse mortgages have been highly sought after as a financial tool in Thailand as the country's population continues to age.

The population is expected to increase from 14% of people age 60 and older to 17.5% in 2020 and 25.2% by 2030, according to the FPO. Thailand also notes that reverse mortgages are a popular option in South Korea, a country that Thailand tries to emulate to boost its own economy.

A reverse mortgage allows the homeowner to receive money from a lender while still living in their home. Potential inheritance from the home will be possible if the homeowner dies before repaying back the reverse mortgage and the net proceeds of the sale exceed the amount borrowed.

The FPO is also seeking picofinance lenders to offer low income earners a safe way to secure a loan without having to use loan sharks.

REFERENCES

http://www.investopedia.com/terms/g/growing_equity_mortgage.asp

<https://www.pennymacusa.com/refinancing>

<https://www.nerdwallet.com/blog/mortgages/how-to-refinance-your-mortgage/>

https://en.wikipedia.org/wiki/Home_equity

http://www.investopedia.com/terms/h/home_equity.asp

<https://www.forbes.com/sites/robertberger/2016/11/29/4-smart-reasons-to-refinance-a-mortgage/#58f36ded6964>

<http://time.com/money/3709982/when-refinance-mortgage/> (When It Makes Sense to Refinance Your Mortgage)

<http://www.investopedia.com/articles/pf/05/033005.asp> (when and when not to refinance your mortgage)

http://www.homedecor.thai.com/articles/Shopping_advice_about_loans_home_equity_loans_the_interest_rates_should_rise-85-621.html

<http://siteresources.worldbank.org/INTSOUTHASIA/Resources/Thailand.pdf>

<http://www.hahnlaw.co.za/services-view/credit-bureau-clearance/>

<http://www.investopedia.com/articles/younginvestors/08/eight-tips.asp>

<http://time.com/money/collection-post/4023439/personal-finance-habits/>

<http://www.checkraka.com/knowledge/credit-card-2-77/10->

[%E0%B9%80%E0%B8%A3%E0%B8%B7%E0%B9%88%E0%B8%AD%E0%B8%87%E0%B8%95%E0%B9%89%E0%B8%AD%E0%B8%87%E0%B8%A3%E0%B8%B9%E0%B9%89-%E0%B9%80%E0%B8%84%E0%B8%A3%E0%B8%94%E0%B8%B4%E0%B8%95%E0%B8%9A%E0%B8%B9%E0%B9%82%E0%B8%A3-%E0%B8%81%E0%B9%88%E0%B8%AD%E0%B8%99%E0%B8%A2%E0%B8%B7%E0%B9%88%E0%B8%99%E0%B8%82%E0%B8%AD%E0%B8%AA%E0%B8%B4%E0%B8%99%E0%B9%80%E0%B8%8A%E0%B8%B7%E0%B9%88%E0%B8%AD%E0%B8%AB%E0%B8%A3%E0%B8%B7%E0%B8%AD%E0%B8%9A%E0%B8%B1%E0%B8%95%E0%B8%A3%E0%B9%80%E0%B8%84%E0%B8%A3%E0%B8%94%E0%B8%B4%E0%B8%95-1607887/](http://www.checkraka.com/knowledge/credit-card-2-77/10-%E0%B9%80%E0%B8%A3%E0%B8%B7%E0%B9%88%E0%B8%AD%E0%B8%87%E0%B8%95%E0%B9%89%E0%B8%AD%E0%B8%87%E0%B8%A3%E0%B8%B9%E0%B9%89-%E0%B9%80%E0%B8%84%E0%B8%A3%E0%B8%94%E0%B8%B4%E0%B8%95%E0%B8%9A%E0%B8%B9%E0%B9%82%E0%B8%A3-%E0%B8%81%E0%B9%88%E0%B8%AD%E0%B8%99%E0%B8%A2%E0%B8%B7%E0%B9%88%E0%B8%99%E0%B8%82%E0%B8%AD%E0%B8%AA%E0%B8%B4%E0%B8%99%E0%B9%80%E0%B8%8A%E0%B8%B7%E0%B9%88%E0%B8%AD%E0%B8%AB%E0%B8%A3%E0%B8%B7%E0%B8%AD%E0%B8%9A%E0%B8%B1%E0%B8%95%E0%B8%A3%E0%B9%80%E0%B8%84%E0%B8%A3%E0%B8%94%E0%B8%B4%E0%B8%95-1607887/)