

Self-Liquidating Loans- Fact or Fiction?

By David Laforge

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FICTION! There is no such thing as a self-liquidating "LOAN." If you walk into a bank and ask for a self liquidating loan, they'll look at you as though you were nuts!

You may see ads promising -

- Self-Liquidating "LOANS!"
- Investment Capital Overnight!
- Your "LOAN" has been Approved!
- BORROW Money And Never Pay Back!
- etc.

A self-liquidating "LOAN" is fiction. You will never get a loan that you will never have to pay back from anybody. You need to be very careful when you are presented with the opportunity to get "money for nothing!"

A true, self liquidating "LOAN", standing on it's own, is a pipe dream - it's perpetual motion. A loan that pays itself off is of NO benefit to the lender

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so, Why Would They Do It? The answer is simple - they WON'T!

Con men typically ask for up-front fees to get people a Self-Liquidating Loan.

"Your "Loan" Has Been Approved" is their typical ploy. Since there is NO such thing as a Self-Liquidating "Loan" this should be a tip off that all they

want is your money and you will never see such a "LOAN"! Remember the money MUST come first, and if they can't prove to you how the money will come first to create such a transaction, you will lose any money you pay to these con men.

Also beware of the con men that do not charge front fees but want to see if

you qualify for such a "LOAN", then notifies you later that you have been approved for a "Loan" and want you to pay points, closing costs, advance interest fees, etc.

But there is a way to use this CONCEPT!

In a Self-Liquidating Loan CONCEPT there are no such expenses! The money comes first, then the transaction is created using a Roll Account (Compensating Balance)!

A Self-Liquidating loan actually does NOT exist. I know you see several ads in many publications advertising such a loan. There has been a mystique about these loans. Many people believe that to get a so-called Self Liquidating, Loan one only needs to apply and like magic, there it is! A multi-million dollar loan with money pouring out of the envelope! Not so - but the Self-Liquidating Loan concept is done every day and you can learn how!

There is ONE way for a TYPE of self-liquidating loan to exist. Remember, I said *type* of self-liquidating loan.

A better term for a "self liquidating loan" would be a Roll Over Loan, Roll Program or a Compensating Balance Loan.

What is a Roll Over Loan?

Simply put - a roll over loan is a security-based loan that starts out with a security such as a CD, zero coupon bonds, government savings bonds, debentures, bank notes, etc. as collateral for the loan and as final payment for the loan.

These can be purchased at a fraction of their end value and can be used as collateral for a loan.

Example 1a:

An example would be Government Zero Coupon Bonds. These bonds can be bought at a discount of normally 33% of the face value. A \$1,000 face value bond could be bought for around \$330. The government guarantees you a return of \$1,000 or a \$770 profit. Offering this secured financial instrument to a financial institution as a compensating balance for your loan creates a form of a self-liquidating loan. Borrow \$1,000 and receive \$770.

Example 1b:

Another example would be life insurance or annuity. If you have an annuity that pays a fixed or variable amount it would be possible to instruct this financial instrument to be used as a compensating balance for the loan you want to take out. In fact many times the insurance company could be in a position to arrange this form of a self-liquidating loan via an annuity.

Example 2:

You will need to find an investment group that functions in an offshore environment. (An offshore environment provides you with higher interest rates and higher returns on your money along with lower lending rates.) Use this group to leverage your money, thus creating a compensating balance. This creates, in effect, a "self liquidating" situation. In this example you not only receive a "loan" but you will receive a residual income besides!

Final Note.

Remember, if there is no security placed up front, NO lender will even consider providing a loan under these conditions. However, there are places where you can find information on how to create a roll program! You just have to find one that you can trust.

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If you are interested in finding out more on how you can create your own roll program, a good place to get the information you will need is at:

<http://www.valtechservices.com>

Here you will find an informative eBook on "Self Liquidating Loans." The eBook provides the formulas that WORK, how to spot the con-men and also provides access to investors who will help set up the larger roll programs I mentioned in example 2!

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