

Additional Options for Paying Off Debt

If paying off debt on your own is too overwhelming, or seems impossible, there are other options you might consider.

Debt Consolidation

You may want to consider merging your multiple bills into one loan. With a debt consolidation loan, the lender pays off your existing debt, and you make one monthly payment to that lender.

Consider consolidation when:

- You need to lower monthly payments
- You need more time to pay off the debt
- You can have a lower interest rate under one loan
- You are willing to make a substantial commitment to learn how to manage your money
- You are willing to stop using your credit cards entirely until their debts are paid off
- It will be easier to manage a single loan than trying to make multiple payments every month

Debt consolidation will not decrease your total amount of debt, but it will buy you time to budget, increase income, decrease expenses, and eventually pay off your debt. You can receive a debt consolidation loan from a bank, credit union, or online lender. Credit unions often offer more flexible loan terms and lower rates, especially for borrowers with low credit scores.⁹⁴

Debt Management Plan

A similar option is to enroll in a Debt Management Plan. This is a structured debt repayment program that does not require a loan. Debt Management Plans are typically administered by a nonprofit credit counseling agency. A financial counselor from the organization helps set up an agreement between you and your creditor. You make one lump-sum payment to the nonprofit agency and they disperse the funds to the creditors as agreed.⁹⁵ With the help of a financial counselor, these plans can help you feel less alone in your debt repayments and can help you pay off all your debts more quickly.⁹⁶

⁹⁴ Steve Nicastro and Jackie Veling. "5 Ways to Consolidate Credit Card Debt." *Nerd Wallet*, Aug. 5, 2021. <https://www.nerdwallet.com/article/loans/personal-loans/consolidate-credit-card-debt-personal-loan>

⁹⁵ "Personal Finance and Economic Empowerment." Presented by Sebastian Rodrigues and Jessica Carrol at Peerpocalypse 2021.

⁹⁶ "Debt Management Plans." *National Foundation for Credit Counseling*. <https://www.nfcc.org/what-we-offer/debt-management-plans/>