

Title:

Debt Consolidation 101

Word Count:

501

Summary:

Debt consolidation occurs where one takes out a loan in order to pay off two or more existing debts. Consolidating existing unstructured debt into one personal loan may save on your monthly outgoings while, at the same time

Keywords:

free debt consolidation, free debt consolidation quote, online debt consolidation

Article Body:

Debt consolidation occurs where one takes out a loan in order to pay off two or more existing debts. Consolidating existing unstructured debt into one personal loan may save on your monthly outgoings while, at the same time, offering a repayment discipline and clear end-date to your debt.

An individual can join any debt consolidation program run by either a private or a non - profit organization. After meeting with a certified debt counselor one is in a position to decide which option is the best. The options available are debt consolidation whereby all the debts are lumped together and paid off with one single monthly payment negotiated by the debt relief agency. There is debt consolidation loans, debt management plan and as a last resort bankruptcy.

A Debt Consolidation service, or sometimes referred to as a "Debt Management Plan", has preset arrangements with almost all of the major creditors (mostly credit card companies, and some medical & collection companies) where the interest rate is roughly predetermined. On calling a debt consolidation company, they refer to creditor rate sheet and then give a new payment based on the lower interest rates they have with that respective creditor. Typically this payment is lower than what the credit card companies offer the public and more often than not will save you money monthly and simplify consumer payments if one has multiple creditors.

One caveat of the Debt Consolidation plan is that one must cancel any and all cards one includes in the program. An individual may wish to exclude a card for emergencies, depending upon the company's policies.

One benefit of the Debt Consolidation Program is if one is behind on payments and getting harassed by the creditors. On making the new monthly payment, this will stop the creditors from calling and keep them satisfied for the interim.

On extending the period over which one repays debt may mean that it will cost him more overall so make sure to read the terms and conditions carefully. One must also think carefully before taking out a secured loan, securing other debts against your home. Remember, your home may be repossessed if you do not keep up repayments on a mortgage or other loan secured on it.

The payments are usually setup to last 4-8 years and statistics have shown that there is significant fallout on debt consolidation programs due to unrest, situations changing, and poor customer service.

Commissions to expect when shopping a debt consolidation company are roughly your first payment you'd make toward the program plus a monthly administration fee.

The monthly admin fee ranges all over the board, depending upon the company you are getting a quote from. Some charge a flat fee while others charge a per creditor fee.

A Debt Consolidation Program significantly benefits those who have very high interest rates (above 18%), have more credit card bills then they can keep up with, or would just like the simplicity of one payment to one company for all of their unsecured debt.