

Title:

Debt Consolidation - When Should You Consolidate

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571

Summary:

Exactly when is the right time to consolidate anyway? You hear a lot of debt consolidation pitches.

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Article Body:

Exactly when is the right time to consolidate anyway? You hear a lot of debt consolidation pitches. You read about the benefits of debt consolidation. Does this mean you should consolidate because experts say it's good for your finances? This article will try to shed light on when debt consolidation is called for.

Should you consolidate because you have multiple debts?

Not necessarily. Definitely, a necessary condition for debt consolidation is the existence of multiple debts. However, you don't have to consolidate your loans just because you have a lot of loans. If you're not finding it hard to cope with your loans, then you may go on as you are doing though, of course, you may think of restructuring your loans and paying some off just so you can get the best rates and terms possible.

Should you consolidate when you are receiving credit collection calls?

Yes, you should begin looking at debt consolidation options when you are already receiving collection calls. Credit collection agents are some of the most persistent personnel in the world. After all, most of them get paid through commission. Thus, they're deeply committed to making you pay. Unscrupulous debt collectors would even begin harassing you just so you'd be bugged enough to make a payment.

If you're at this advanced stage, the best way would be to approach a reputable debt consolidation agency. There are debt consolidating agents who will let you consult for free, and they can certainly help you sort through your financial

problems. However, going to a professional debt consolidation agency will give you more options such as in-house debt financing. If they don't offer in-house loans, they can still find you a good debt consolidation loan and even negotiate your current loans with your creditors.

However, do take note that this type of debt consolidation has repercussions on your credit record. However, this professionally guided debt consolidation option is best if you truly need help with your financial problems.

When's the perfect time for debt consolidation?

It is when you are finding it hard to cope with your loans that you should consolidate. Ask yourself the following questions:

1. Do you have more than two loans?
2. Do you get confused about your various loans' monthly due dates?
3. Do you have to keep calling customer service to ascertain interest rates?
4. Have you missed one or more due dates because of a payment mistake (i.e. you sent payment for one loan to the wrong creditor)?
5. Have you defaulted on one or more of your loans?
6. Are you paying mostly interest and not making headway on your principal?
7. Are you finding it difficult to meet minimum dues?
8. Are you sending out at least one check every week?

If you answered YES to all or almost all of the questions above, then you may have a problem brewing on your hands. This is the perfect time for debt consolidation - when the problem is at its early stages. At this point, you can obtain a secured loan (say home equity loan) and use the proceeds to pay off every single loan you have. This will not have an adverse impact on your credit record - in fact, it may even enhance it.

Simply put, the right time for debt consolidation would be when you're having problems coping with multiple debts but are still in control of your finances.