

Title:

Consumer Debt Solution - Analyzing Your Options

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357

Summary:

You have several options to reduce your consumer debt. You can take the do-it-yourself approach by consolidating debts into a low rate loan. You can also find help through companies that management payments or negotiate debt elimination. Each option has pros and cons, and should be analyzed carefully before committing to a specific approach.

Do-It-Yourself Approach

Refinanced mortgages and home equity loans can help consolidate your short term debt into one easy payment...

Keywords:

debt management, debt consolidation, debt relief

Article Body:

You have several options to reduce your consumer debt. You can take the do-it-yourself approach by consolidating debts into a low rate loan. You can also find help through companies that management payments or negotiate debt elimination. Each option has pros and cons, and should be analyzed carefully before committing to a specific approach.

Do-It-Yourself Approach

Refinanced mortgages and home equity loans can help consolidate your short term debt into one easy payment while reducing your interest rates. Your interest is also tax deductible.

Consolidating loans can lengthen your payment period, increasing over all interest payments. There are also loan fees to consider, especially when refinancing your mortgage. Some home equity loans and lines of credit don't have opening fees in exchange for higher rates. Your credit score will also be affected having another open account.

Companies That Can Help

Companies can offer two different types of help for dealing with your consumer debt. Debt management companies handle payment for all your short term credit accounts. For a small monthly fee, they will pay your bills, negotiate lower interest rates, and close accounts. Depending on your creditors, your credit score may or may not be affected.

With a debt negotiation company, you can see 10% to 50% of your debt eliminated on some accounts. Such an approach can help you avoid bankruptcy, but there are long term affects on your credit. You will also have to report reduced debt as income on your taxes.

Comparing Options

Before you sign a contract for a loan or service, compare several different companies. Request their rates and terms, and compare them with others. Legitimate companies will freely provide you with information. You can also find information online through company sites. For detailed quotes, you will need to submit some basic financial information such as debt amounts.

Getting Advice

You can also find help with a credit counselor over the phone or in person. Certified counselors look over all your finances and help you come up with a plan to handle your debt and living expenses. They may recommend simply following a budget or using a particular service, such as debt management.