

Title:

Debt Consolidation Solution - How To Know What Your Solution Is

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Summary:

If you're struggling with debt, you may find that debt consolidation could be your solution. There are a few basic types of debt consolidation, and familiarizing yourself with their primary features will help to choose the best debt consolidation solution for your individual financial situation.

Debt Consolidation Programs

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Article Body:

If you're struggling with debt, you may find that debt consolidation could be your solution. There are a few basic types of debt consolidation, and familiarizing yourself with their primary features will help to choose the best debt consolidation solution for your individual financial situation.

Debt Consolidation Programs

In some circumstances, the best debt consolidation solution is to find a good debt consolidation program. Providers of this service will negotiate with your creditors, typically obtaining a reduction in interest rates, ensuring that more of your money goes toward the principle of the debt, reducing the debt faster. This approach blends negotiation with aggressive financial planning. One of the advantages, in addition to debt reduction, is the development of the financial skills you need to avoid being in this situation again.

There are two general types of debt consolidation programs, those that are run for profit and those that are non-profit. Both charge fees, and both approach the problem in similar ways, though there are slight differences in the closing of open credit accounts. Non-profits often require that all open accounts be closed and for-profits may allow you to keep one or two open. Claiming non-

profit status does not guarantee the honesty or quality of a debt consolidation program, you'll have to assess non-profits in the same way you would for-profits.

A good debt consolidation program will charge reasonable fees, most generally monthly. They will be able to estimate the full payment date of each account. You should beware of companies that make a big deal out of their non-profit status, using it as part of a hard-sell approach. If a debt consolidation program offers to reduce your monthly payments, rather than your interest, or offers debt settlement, be careful. Find out exact details and get a second opinion.

Debt Consolidation Loans

In some circumstances, a debt consolidation loan may be your solution, one that will allow you to reach your goal of financial control sooner. However, you'll need to be careful, as in many cases, you'll be betting your house - in the form of collateral for the loan -- on your ability to manage the monthly payments.

Getting a debt consolidation loan and paying off creditors at once, then making the monthly payment to the lender can feel like a fresh start. In choosing your lender, look for reasonable rates and fees, as well as a record of good business practices. An especially important quality is making payments on time. Some disreputable lenders hold back payments for a period of time, adding the bank interest to what they profit in fees and loan interest charged to you.