Title:
Bill Consolidation: Freedom From Debt?

Word Count:
573

Summary:
Stated simply, bill consolidation is getting loan to pay for other loans so that the borrower is left with only one loan to finance. Debt consolidation is a step taken by borrowers for the advantages it may allow like lowered interest rates and focusing his payment to a single loan.

This often takes placing a property as collateral. When collateral is guaranteed the interest gets lower because the risk to the lending company is decreased. When the borrower fails to meet h...

Keywords:
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Article Body:
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This often takes placing a property as collateral. When collateral is guaranteed the interest gets lower because the risk to the lending company is decreased. When the borrower fails to meet his obligations, the lending company forecloses the property as payment for the debt.

People with multiple credit cards often resort to debt consolidation. Carrying multiple credit cards is almost surefire formula to carrying high interest rates. Credit cards are one type of an unsecured loan. As such, credit cards carry high interest rates and people with multiple credit cards are often tempted to spend more than they earn.

One good way of solving this is through debt consolidation. Secured loans from the bank or a lending company (one that is covered by collateral) have less interest rates than the unsecured loans for credit cards. Paying then all his credit cards from a secured loan from the bank enables the borrower of saving from the lowered interest rate. As mentioned, this is a good way of doing it, if the habit of spending more than what one earns is not changed. The process starts again and the interest rates will soon start to climb, sometimes, worse than it was resulting to foreclosure of properties.

There are many ways to consolidate debt. There are for example the student's consolidation loans and the home finance debt consolidation. But no matter how it is termed, debt consolidation is little more like transferring one unsecured loan to another unsecured loan. The debt is still there and most people thought that by consolidating the loan, something has already been done. Again, nothing has been done if the habit that started it all is not resolved.

A better way to real freedom from debt is, when the debt consolidation has been done and is working, have a plan and stick to it. One of the generic approaches to that are the obvious:

Do not spend on that one single credit card the way you were spending when you have many. This seems to be very obvious and so people who have consolidated their loans starts out fine. After a while, the temptation to spend on loans starts. One of the many reason is that the interests are lowered, the other one is by habit. So once the debt consolidation is on, have the plan not to spend on the things that you can live without and stick to it.

Then, have a plan to pay for the loan that was secured with collateral. About 80% of the time, people who consolidated their loans dos not have a plan to assure the payment for the loan with an extra job and other ways of generating extra income. When emergencies strikes, the most convenient way is again to resort to additional lending and the debt grows back over time, higher interests are charged and the cycle continues.

The best way to get out of debt and gain back that freedom is to consolidate and then have a plan that one can stick to. No amount of loan consolidation will work if the habit that placed one in debt is not avoided.