

Title:

Debt Consolidation Mortgage Loan - Pros And Cons

Word Count:

361

Summary:

Debt consolidation mortgage loans can help you lower your interest rates and monthly payments. With reduced rates, you can also pay off your debt sooner. However, reducing your equity could subject you to private mortgage rates. You may also end up spending more on interest payments by delaying payments.

Saving With Mortgage Interest Rates

Mortgage interest rates are much lower than credit card or unsecured loan rates. Consolidating your debt with a refinanced mortgage ...

Keywords:

debt consolidation, mortgage loan

Article Body:

Debt consolidation mortgage loans can help you lower your interest rates and monthly payments. With reduced rates, you can also pay off your debt sooner. However, reducing your equity could subject you to private mortgage rates. You may also end up spending more on interest payments by delaying payments.

Saving With Mortgage Interest Rates

Mortgage interest rates are much lower than credit card or unsecured loan rates. Consolidating your debt with a refinanced mortgage or home equity will reduce your payments simply by having a lower rate. By paying the same monthly payments, you can pay off your debt rapidly.

Your interest is also tax deductible with a mortgage or home equity loan, where your credit card interest isn't. Student loan interest is also tax deductible and shouldn't be consolidated for a higher rate.

Reducing Your Payments

Consolidating with a loan also allows you to reduce your payments by picking longer terms. So if your income is reduced or you have other financial

obligations, lengthening your payments can give you some breathing room in your budget.

Paying More In Fees And Interest

The cost of a mortgage can be more than what you are paying in interest charges if you have a small amount of debt. To refinance a mortgage, origination fees can add up to thousands. Other types of home equity loans can cost hundreds or nothing to open. You may also have to pay private mortgage insurance premiums if don't leave 20% of your equity in tack.

Delaying payments can also add up interest payments, even with a lower rate. For example, a loan amount of \$10,000 will cost \$11,587.10 in interest for a 30 year loan at 6%. That same amount will cost \$5,896.71 for a 5 year loan at 20%, which is what most credit card payment plans are like.

Deciding To Pay Down Debt

Consolidating your high interest credit can help pay off your debt by providing structured payments. You can also lower your interest rates, making repayment easier. However, be aware of the costs and shop around for low rates and fees. To get the most out of a consolidated loan, choose short terms to avoid making large interest payments.