Title:
Debt Consolidation Options

Word Count:
547

Summary:
Debt consolidation is the act of combining multiple and various loans into one loan.

Keywords:
finance, loan, dept, home, consolidation

Article Body:
Debt consolidation is the act of combining multiple and various loans into one loan. In effect, once you consolidate your debt, multiple loans become just one loan – payable at only one rate of interest, one consistent due date, one set of payment terms and conditions so the loan becomes easier to track, monitor and, eventually, pay off. If you are thinking of consolidating your loans, read on to find out what some of your options are.

Balance Transfer Option

This is being offered by credit cards. As the name implies, balances from other loans are transferred over to the credit card where the balance transfer loan was availed. However, you should be careful about balance transfers with credit cards. Before you commit, read the agreement. Make sure, too, that you have been granted a credit limit high enough to cover all of your financial obligations. Furthermore, you should also make sure that your credit card will make a transfer to every one of your creditors and that each one will be on the balance transfer rate – not the cash rate or the purchase rate of your credit card.

Balance transfer rates are usually very low to entice new card members, but these rates are distinct from purchase rates which are applied on regular credit card purchases. They are also different from cash advance rates which are applied on credit card cash withdrawals. If you make an unapproved transfer – that is, balance transfer to a restricted type of loan – you may forfeit the favorable balance transfer rate and get the purchase rate or cash rate instead.

You should also be careful about making a transfer to your personal account.

This is probably going to be considered a cash advance, not a balance transfer.

Home Equity Loan

From the term itself, it should be obvious that this loan has something to do with your home's equity. Your home equity is that part of your home's value that you actually own. Thus, it is something that you can use up or convert to cash if you want.

The loan can be processed in two ways: you can get your loan amount in one large sum or you can get it through a credit line. For the purposes of debt consolidation, however, the lump-sum loan is the better option as this would allow you to make full payments on all of your loans.

Mortgage Refinance with Cash-Out

You can also finance your debt consolidation y refinancing your existing mortgage. Typically, this is done to reduce interest rates on a mortgage. However, this can also be used to consolidate debts if a cash-out option is included. That is, the refinance will entail a cash loan which you can then use to pay off other loans – if the cash is large enough that is.

Whatever loan type you choose for your debt consolidation move, you should remember one crucial thing. You should be able to get the best possible interest rate (given your credit rating and financial status), enough money to pay for all of your financial dues and flexible loan use so you can pay off all of your loans whatever kind they may be. If you achieve this, then you've got a very good debt consolidation plan going.