

Title:

Why Do You Have To Consolidate?

Word Count:

586

Summary:

The primary reason to consolidate debt is to make your monthly payments smaller. When financial institutions, like credit unions and banks, offer consolidated loans, what they are offering to do is pay off in full all of a consumer's loans (credit cards, car loans, hospital bills, student loans, etc.) and lump the entire debt into one single "consolidated" loan that generally has a fixed interest rate that is much lower than the cumulative finance charges of all the smaller l...

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consolidate,debt,counselling,consolidation,consumer,bankruptcy,loans,services,financial,mortgage

Article Body:

The primary reason to consolidate debt is to make your monthly payments smaller. When financial institutions, like credit unions and banks, offer consolidated loans, what they are offering to do is pay off in full all of a consumer's loans (credit cards, car loans, hospital bills, student loans, etc.) and lump the entire debt into one single "consolidated" loan that generally has a fixed interest rate that is much lower than the cumulative finance charges of all the smaller loans.

So if your monthly payments are getting out of control, if you've got decades left of payments ahead of you, and if there's an attractively lower, fixed interest rate you find yourself eligible for, a consolidated loan may be just the thing for you. But it may not be. Read on:

While a consolidated loan offers you smaller monthly payments, you're typically agreeing to years, possibly decades, more of debt. This is how such low interest rates are even able to be offered in these consolidated packages. Do you want to be paying off this debt for 20 more years? How about 30?

And don't forget: when you consolidate debt, you end up paying more in interest for having stretched your payment period out an extra decade or more.

Is it really worth it to commit to all those finance charges just to have a bit

of extra cash month to month, especially if the terms of your loans are almost up? It might be.

A common way many homeowners consolidate their debt is by borrowing against the equity in their homes. This type of consolidated plan, while convenient, is not without its inherent risks. Currently, your debt is unsecured, but if you consolidate it all under a home equity consolidated loan, it becomes secure debt. If you default on this new, consolidated loan, you have much more to lose.

At least under your current loans you wouldn't, for example, lose the education you received thanks to all that financial aid you got, should you be unable to pay it off. With a home equity consolidated loan, lenders won't hesitate to seize your home if you don't pay.

You have probably seen and heard many of those consolidated loan ads appealing to the hand-to-mouth set with abominable credit scores. If you've always thought there was a catch to these consolidated loan package promotions, you were absolutely right. The initial application fees for these types of consolidated loans are tremendous, and it is entirely possible you will never see the consolidated loan promised you.

But not all consolidated loans fit these scenarios. You may still be the perfect candidate for a consolidated loan, and there are many legitimate consolidated loan companies out there to help you consolidate right. If you do decide to pursue applying for a consolidated loan, you may want to get started as soon as you can. Congress and the President both are tossing around ideas for possible legislation either curtailing or eliminating such consolidated loan packages.

But if you can't or don't want to consolidate your loans just yet, you do have other options, not necessarily for lowering your monthly payments, but if nothing else for helping you stay on a path to good credit. Most lenders will now assist you in setting up automatic payments from your checking account. You still have to make sure the money is there to be withdrawn, but the chances are certainly greater that you will make your payments on time and get that much closer to being debt-free.