

Title:

Debt consolidation loans for bad credit to delay the further worsening of credit

Word Count:

580

Summary:

Whatever the method of debt settlement used, the chief aim of the method must be to settle debts with immediate effect and the least of cost.

Keywords:

Debt consolidation loans, debt consolidation loans bad credit, secured debt consolidation loans

Article Body:

The importance of debt consolidation loans can be best understood by people who are suffering with bad credit history. Debt consolidation loans for people with bad credit provides a manner in which they can prevent their financial condition and credit status from further deteriorating.

A debt consolidation loan replaces several small and big debts that a particular person might have incurred. Under this arrangement, a single loan is used to repay all debts of the borrower. Since the loan taken at this instance is not immediately repayable, borrowers get enough time to prepare for repayment.

Borrowers are referred to as bad credit when they have defaulted on debts in the past. Mortgage arrears, County Court Judgements, Individual Voluntary Arrangements, all count towards tarnishing the borrowers' credit history. Credit history of borrowers is referred to in order to get data about the credibility that a borrower enjoys. A bad credit history would thus imply that the borrower has lesser credibility and thus make him a bad case for debt consolidation loans.

This however is not so. Borrowers with bad credit history are also considered for debt consolidation loans. The logic behind this is that by taking debt consolidation loan, the borrower with bad credit history is making positive efforts to change his/ her credit status. Thus, debt consolidation loan is readily available to people with bad credit history.

A slightly higher interest payment is what you are required to make on the debt consolidation loan if you have a bad credit history. You however need to

distinguish between lenders who are charging the justifiable rates of interest and those who aren't. The task is not as difficult. Just see what other lenders are offering to borrowers with similar circumstances. If that is not enough, you can request a select group of lenders to send their debt consolidation loan quote. The quote provides information about the rate of interest that will be charged, the period for which the loan will be offered and other important terms on which the loan will be granted. It is certain that on comparison, a few quotes will be rejected and some will be selected for further screening through several processes.

Once a debt consolidation loan provider is selected, the process of eliminating debts is initiated. The first step in any debt settlement process will be to make a list of the debts. The list must be as exhaustive as possible so that all debts are included.

The list of debts with the persons to whom each debt is due and the interest rate that each carries will be supplied to the loan provider. Debt consolidation loans have a special feature that borrowers are guided in the debt settlement process. The guiding principle of every debt settlement process is to save maximum for the debtor. Only through a proper negotiation can creditors be forced to write off a particular debt or a part of it. Borrowers do not have the necessary time and skills to make this happen. Thus, the service of the debt consolidation loan provider becomes necessary.

Debt consolidation loans come in either of the two forms, i.e. secured and unsecured loans. A secured debt consolidation loan is one in which the repayment is backed by a collateral. An unsecured debt consolidation loan, on the other hand, has no direct stake on any asset. There are subtle differences in the rates of interest and other terms that make secured debt consolidation loans more preferred in spite of the risk on assets.