Title:
Why Consolidate Debt?

Word Count:
555

Summary:
People consolidate debt in order to reduce their monthly payments. With a consolidated loan, financial institutions such as banks and credit unions pay off all of a consumers loans and replace them with a single "consolidated" loan of all the combined debt, usually at a lower, fixed interest rate. Consumers can use consolidated loans to pay of debt on automobiles, credit cards, student loans, medical bills, etc.

If you can't meet your minimum monthly payments, if your loan...

Keywords:
consolidate,debt,counselling,consolidation,consumer,bankruptcy,loans,services,fancial,mortgage

Article Body:
People consolidate debt in order to reduce their monthly payments. With a consolidated loan, financial institutions such as banks and credit unions pay off all of a consumers loans and replace them with a single "consolidated" loan of all the combined debt, usually at a lower, fixed interest rate. Consumers can use consolidated loans to pay of debt on automobiles, credit cards, student loans, medical bills, etc.

If you can't meet your minimum monthly payments, if your loan or loans still have a lot of life left to them, or if you can get a lower, fixed rate, then it may be worth it to consolidate. But there are some questions to ask yourself first: Are you willing to extend the life of your loan in exchange for lower payments? This is typically how financial organizations are able to offer consolidated loans at such lower rates.

Are you ready for a new 20 or 30 year commitment? And most importantly, are you aware that when you consolidate your debt and extend the repayment term, while it reduces your monthly payments, it will actually increase the total dollar amount of interest you’ll pay over the long haul?So ask yourself, how close are you to paying your loans off? It may be more trouble than it’s worth, and way more costly, to consolidate for a lower rate if you only have a few more years of payments under you existing loans.One of the most common ways to consolidate loans is to use the equity in your home. This can be as risky a venture as it is convenient. To consolidate this way, you would be turning unsecured debt into secured debt. You now have even more to lose than before if you should default on your new consolidated loan. At least with your current loans you don’t have the items you purchased on your credit card taken away from you. But with a home equity consolidated lender will not hesitate to take your house if you fail to make your payments.

Another type of consolidated loan to beware of is the consolidated loan that offers you an unbelievably cheap interest rate even if your credit is lousy. The catch with this type of consolidated loan is the exorbitant application fee. If you can afford the application fee, you're better off applying that same amount to paying off your debt. Plus, there are so many wolves in sheep's clothing offering these types of consolidated deals, you may never actually see you consolidated loan when all is said and done.With those warnings in mind, it may still be well worth your while to consolidate debt, and to do it sooner than later. For one, the opportunity to consolidate debt may not be around for very much longer. Both congress and the President are considering legislation that could turn fixed interest consolidated loans into variable rate loans, or get rid of consolidated loans altogether.

If you chose not to consolidate your loans, or are unable to for any reason to consolidate, you could also consider having payments automatically deducted from your bank account on a regular basis. While it doesn't lower your expenses like a consolidated loan, it does ensure that your payments are made on time, and it will help you improve your credit score.