Title:
Debt Consolidation - The Pros and Cons

Word Count:
487

Summary:
Debt consolidation essentiality means taking one loan to pay off all other loans. It's almost always easier to pay off one loan at a lower interest rate or fixed interest rate, than to pay off many at varied rates. Most individuals have a credit card debt, a mortgage, and sometimes a second mortgage to pay off.

Keywords:
debt, debt relief, debt consolidation, debt consolidation loan, online debt consolidation, credit card debt consolidation

Article Body:
Debt consolidation essentiality means taking one loan to pay off all other loans. It's almost always easier to pay off one loan at a lower interest rate or fixed interest rate, than to pay off many at varied rates. Most individuals have a credit card debt, a mortgage, and sometimes a second mortgage to pay off. Now with three loans and three different interest rates, it is far more difficult to manage the payments than to pay off just one loan.

The idea is usually to take a secured loan to pay off the other unsecured loans. A secured loan is obtained against any asset, usually a house. Taking a loan against an asset provides for a lower interest rate as compared to the unsecured loan. This is why most people take loans against their asset to improve their cash flow and reduce the net amount paid to lenders. If the interest rate is lower, the net amount paid to any lender will also be less.

Online debt consolidation:

Debt consolidation can also be done on the internet. Online debt consolidation is getting popular, as the financial data remains safe and confidential. There are many debt calculators and loan calculators available on the internet to help people consolidate their loans.

There are some requirements such as valid income proof, residential proof, and age proof when applying on the internet. Online debt consolidators provide far more data than any other collectors.

Should everyone go for debt consolidation?

Although debt consolidation is a good idea, there is a caveat. One should go for a debt consolidation only when one is sure that he/she will be able to pay off that one single loan in time. Loans like credit cards are unsecured loans, so in case of default nobody can take any physical asset away. In the case of a secured loan, it is entirely possible that default may result in foreclosure of the home, or the lender secures the asset, thereby one could lose a physical property. This is why until one is sure that the secured loan payments can be met, it is essential that no consolidation be done.

In case there is some confusion, a tax advisor or help from a debt consolidation agency may be taken. They may help one decide what the best option is financially. The lenders also provide many experts who can assist in this process. Debt consolidation is a complex process, and a lot depends on the expected future cash income. If done carefully, it can relieve much pressure from debtors. Lenders are also usually cooperative in such instances and much of the interest rates and debt can be negotiated.

This however is the last resort and should not be done habitually. Debts like credit cards can be controlled through careful spending. If such debts are avoided in the nip of time, there will be very little need of debt consolidation.