

Title:

Bad Credit Debt Consolidation Loans - Unsecured Vs. Secured Debt Consolidation Loans

Word Count:

389

Summary:

Getting out of debt is easier said than done. Fortunately, there are many options available to people hoping to eliminate or reduce high consumer debts. Before filing for bankruptcy, which is more damaging than having excessive debt, consider other alternatives. For example, acquiring a secured or unsecured debt consolidation loan is one method to becoming debt free.

Ways to Eliminate Unnecessary Debts

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Article Body:

Getting out of debt is easier said than done. Fortunately, there are many options available to people hoping to eliminate or reduce high consumer debts. Before filing for bankruptcy, which is more damaging than having excessive debt, consider other alternatives. For example, acquiring a secured or unsecured debt consolidation loan is one method to becoming debt free.

Ways to Eliminate Unnecessary Debts

There are many ways to reduce debts. Some people prefer to eliminate debt without obtaining a loan. In this case, getting second employment or seeking a higher paying job may provide you with the extra cash to pay down balances. There is no easy way to reduce debts. Furthermore, eliminating debts take time. Because of high finance fees, paying double the monthly minimum may not result in a significant reduction. However, debt consolidation loans have lower rates, which mean lower finance fees.

What are Unsecured Debt Consolidation Loans?

Unsecured debt consolidation loans are granted by banks and other financial

institutions. These loans are not secured by property. Hence, they are also termed no-collateral loans. Getting approved for these types of debt consolidation loans are not easy. If you have too much debt, the majority of lenders are hesitant to extend you additional credit. On the other hand, if you have a very high credit score and earn a sizeable salary, obtaining an unsecured debt consolidation loan is feasible. Overall, individuals with a superb credit rating know how to use credit responsibly. Besides, these individuals will not risk injuring their credit rating.

The disadvantage of unsecured debt consolidation loans is the higher rates. Because, lenders are taking a gamble, be prepared to pay a high interest rate. Still, lender rates are low in comparison to typical credit card rates

What is a Secured Debt Consolidation Loan?

A secured debt consolidation involves collateral. To get approved for these types of loans, the lender will request a valuable piece of property. A vehicle title or boat title may serve as sufficient collateral. If you own a home, consider obtaining a home equity loan or line of credit for the purpose of consolidating debts. These loans do not require a high credit rating. However, applicants with good credit will receive prime rates. Avoid defaulting on secured loans. Failure to pay will result in the lender taking full possession of your property.