

Title:

Debt Consolidation Options: What Form is Right For You?

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492

Summary:

Sure, you can go to your bank and ask them to consolidate all of your debts.

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Article Body:

When you decide to consolidate your debt, the obvious first question is "how?" - and that's a question that isn't easy to answer right off the bat.

Sure, you can go to your bank and ask them to consolidate all of your debts. You could get a new credit card with a 0% interest rate on debt transfers. You could call a credit-counseling bureau, many of which were recently taken off 'tax exempt' status by the IRS, because rather than working to help you, they work to earn a huge profit off you...

Every option has a downside, and there are more options besides. But let's go through these three possibilities and break down the advantages and disadvantages.

1. GETA BANK CONSOLIDATION LOAN

Banks love it when their customers decide to get smart with their debt burden, and they love it even more when they do so with that bank. When you transfer \$10,000 of credit card debt (at 19% interest), a car loan (at 15% interest), and a retail charge account (at 18% interest) into a single bank loan at 9% interest, both you and the banks win. The downside of this is that banks can be tougher to get credit from than other lending institutions, and that means if you're in real debt trouble, they might not view you as a good bet.

2. CREDIT CARD WITH 0% ON DEBT TRASFERS

Some credit card companies send out special offers to try to entice you to bring your business to them. For example, one is the offer where they'll give you a new credit card with a sweetheart rate, and any debt you transfer from an existing credit card, they'll let you pay zero percent interest on. That's not a

bad deal, but the devils in the details - after a certain amount of time, your account reverts to above-standard interest rates, sometimes as high as 29%. In this instance, using a credit card to consolidate debt may actually see you with more debt burden in six months time.

### 3. CREDIT COUNSELING BUREAUS

These outfits claim to be non-profits that are only there to help you get out of debt, but the reality is the industry has been taken over by people who earn big money from your creditors by getting you to pay them back in a prompt fashion. For example, let's say your best option is bankruptcy - hey, sometimes you just need to start over. A credit-counseling bureau, which gets paid, based on how much you pay back, will be much more inclined to tell you to NOT go for bankruptcy, because they make more if you spend three years eating noodles and sending all your money to Visa. Avoid.

In the end, your best bet, if you can manage it, is to have your bank set you up with a debt consolidation loan. The rate will be better, the payment structure easier, and you can cut those credit cards into pieces at last!