Title:
Bill Consolidation - What You Need To Know.

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754

Summary:
As easy as it is to get into debt, there are a number of strategies for consolidating your bills and lowering your monthly payments while still paying more to principal and becoming debt-free faster than you thought possible.

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Article Body:
As easy as it is to get into debt, there are a number of strategies for consolidating your bills and lowering your monthly payments while still paying more to principal and becoming debt-free faster than you thought possible.

If you’re ready to eliminate your credit card debt, you need to assess your situation and then look at the best alternative for your financial needs. Do you own a home? If you own, do you have equity in your home to tap? Can you afford more than your monthly payments, or are you struggling to get by? Is your number one goal getting out of debt, or is it to meet your monthly payments?

If you own a home, and have equity available, you can look at a debt consolidation loan, or a related solution – a home equity line of credit. In this scenario, you are shifting your credit card debt from unsecured to secured debt, which allows you to lower your monthly payment and also lets you deduct the interest payments from your taxes. You may determine that this debt consolidation loan, or second mortgage, can put you on a much faster track to eliminating your debt. That’s because the interest rate on a second mortgage can be much lower than what you’re paying toward credit cards or other high interest debt. Trading higher interest debts such as these for a lower interest payment can save you hundreds each month which you can, in turn, put back toward paying off the debt. Last, but certainly not least, the interest you pay on a second mortgage is tax deductible and that savings too can be put toward your bills.

Or perhaps you already have a second mortgage you’ve been paying on for a while. Especially if you got your first and second mortgages at the same time, it might be time to consolidate them into one loan. Many second mortgages in the last decade carried adjustable interest rates which have increased causing payments to rise. Consolidating your first mortgage and your adjustable rate second mortgage into one low fixed rate loan can also save you a great deal each month which you can use to make payments to higher interest debts.

Two other advantages you may gain through refinancing are the elimination of personal mortgage insurance and the chance to get cash out at closing. When you took out your original mortgage, did your lender require you to carry personal mortgage insurance due to a high loan to value? If so, refinancing may eliminate that requirement. If you have since built up some equity and your new loan to value is low enough to drop the mortgage insurance, your payment amount will be much lower. You may also find that you can take some cash out of your home at closing without significantly increasing your monthly payments. That cash can go toward – you guessed it – your higher interest debts.

If you don’t own a home, or if you own and have no available equity, you can look at debt relief options – including debt settlement and credit counseling. If your monthly payment is your number one concern, it’s worth a try to call your credit card companies and see if a payment plan at a reduced interest rate can be agreed upon. This will allow you to pay more toward your balances each month and eliminate your credit card debt sooner. While your creditors are under no obligation to change the terms of your agreement, they may very well be willing to do so, especially as it is to their advantage to receive payment, and negotiating a payment plan shows that you are taking the initiative to do just that.

If calling your creditors doesn’t work, or if you just want a quick fix, you can contact a debt settlement or credit counseling company. Debt settlement is a service for consumers who want out of debt at the lowest cost, in the shortest time frame, with the lowest payment… while avoiding bankruptcy. Credit counseling, on the other hand, is a solution that lowers your interest rates slightly and can get you a lower monthly payment.

The path to becoming debt free is as different as the ways you can get into debt in the first place. The first step toward eliminating your debt is educating yourself with all the options available to you. Once you’ve identified your needs, you can get started taking the right steps for yourself.