

Title:

Debt Consolidation Can Never Be A Mistake

Word Count:

495

Summary:

The purpose of debt consolidation is to pay only one loan. Many individuals are faced with the problems of paying many loans.

Keywords:

finance, loan, dept, home, consolidation

Article Body:

The purpose of debt consolidation is to pay only one loan. Many individuals are faced with the problems of paying many loans. There might be student loans, home loans, personal loans or even credit card payments. When it comes to all of these, there will be confusion about which one to pay and when to pay it.

Not only will the interest rates vary from bank to bank, the payment options as well as the time of the payment will also vary. To sort out this problem, a debt consolidation is sought. Through this method, the borrower may pool in all his debts, and take a fresh loan against some security. This method is normally sought to seek lower interest rates, and also to make sure the interest rate is fixed.

In most cases the collateral taken for this loan is a house. If there is no security, there are chances that the interest rate may be higher. So it is wiser to set the loan against some security. Many individuals who seek these loans will want to pay back certain credit card loans, as the interest on those will be higher than most loans.

The option of debt consolidation will also have to be thought of carefully by the person going in for such a loan. If he is doing this because he prefers this to declaring bankruptcy, there will be the debts to consider. He will have to pay back all the debts. It is sometimes better to choose this option, as it will allow the person more chances of maintaining his credit record, and it will be good for further use.

Debt consolidation is also used against property, as this will give the lender assurance that he is safe even if his loan is not returned. This is the only

reason for him to reduce the loan interest rates. The borrower should also be smart enough to look around for several lenders, and check all their interest rates, before picking one lender.

The borrower must also not hesitate to ask if there are any various options that he can choose from. Some companies may indulge in forcing the borrower to refinance the loan, and get into a situation where he is unable to come out of it. So before applying for the loan, the borrower should also check the credentials of the company.

Debt consolidation also means that the unsecured loans are all becoming secure loans. This will mean that the borrower risks the chances of losing his property if he is not paying back on time. Though in this debt, the borrower needs to pay only monthly installments, the entire amount including the interest may calculate to a much higher amount.

Some companies also offer the options of offering debt consolidation loans, without it being secured. This option will also have to be looked into by the borrower. And he must seek the advice of a financial consultant before moving forward.