Why Should I Consolidate Debt?

Debt consolidation programs are very popular in Canada, which is available through credit counselling agencies in a repayment plan, or alone. This program is simple to understand and offers actual savings from lowered interest.

Organization

The first reason many people choose to go with debt consolidation is organization. From having just a few debts to 5, 6 or more the more payments to make each month, the easier it is to keep track of. This is unnecessary hassles that can easily be taken care of, instead of continuing to stress you out and risk late payments. In the event you overlook a payment, it results in late fees, possibly increased interest rates and negative impacts to your credit rating. The snowball effect can kick in, often forcing bankruptcy. When you qualify for debt consolidation, it combines all payments, so you only have one payment to make, and has a minor impact on your credit compared to other options.

Affordability

Debt consolidation is best for those who are currently able to maintain their minimum monthly payments. If you cannot, a more drastic debt relief program may be better. Debt consolidating will usually lower your interest rates, lowing your monthly payment amount. This is another great benefit, in addition to the single payment. Lower payments mean an opportunity to put the extra savings towards the principal amount to pay the debt off quicker.

Credit Score

Not every debt relief program is equal. There are some that will assist consumers keep assets, others require consumers to sell all assets, such as bankruptcy. Additionally, bankruptcy and consumer proposal’s have strong negative effects on credit ratings for years. However, debt consolidation will not hurt credit scores as bad, only showing as another loan application as the lender does a credit check to determine interest rates.

After getting a debt consolidation loan, your credit score could return right away, or in some cases you may need to make several on time payments for it to come back, but some notice their credit improves as payments are made on time.

Avoiding Bankruptcy

You should always leave bankruptcy as a last resort to get out of debt. It remains on your credit report for seven years, ruining your credit score and any chance of qualifying for nearly any type of assistance. In addition, it requires surrendering most assets and possessions, with a few exemptions. Furthermore, it can result to other issues. Whereas, debt consolidation is able to help make debt payments easier to manage, more affordable, and avoid bankruptcy.

Is Debt Consolidation Right for Me?

It is best to find out and become consolidating debt early for the best results. Simply fill out our debt relief form to learn more regarding your options from debt relief and determine the best options for you.