

Know Your Debt Consolidation Options

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Content:

Nobody likes being in debt or the additional stress it adds to their life. Additionally, most individuals have some form of debt that is weighing heavily on them and they simply want to get rid of it. If you are in this situation then you might consider debt consolidation. When it comes to debt consolidation there are basically two options you have. You can either borrow money and pay off all your bills and then just pay the one loan payment each month or else you may choose to use a debt consolidation or credit counseling

services. The option that is best for you is most likely the option you qualify for. The following pros and cons of each debt consolidation option will help you see which option is best for you as well as inform you regarding each option.

Borrowing to Pay off Bills

The first option you have to pay off all of your debts is to apply for a debt consolidation loan or a home mortgage loan. However, this particular option requires you have good credit and equity in your home if you are applying for a mortgage loan. As a result, many people do not qualify for this particular option. Although, there are pros and cons for this option for those individuals who do qualify.

The pros of borrowing to pay off your bills include paying off all of your bills at once and dramatically decreasing your monthly payments. You will have to make a monthly payment on the debt consolidation loan you received, but this will be significantly lower than the total of all the other monthly payments you were paying. As a result, a debt consolidation loan will grant you some serious relief in your monthly expenditures. Another benefit of paying off all your debts at once is that if you were at risk for collection of your debt you will not need to worry any longer. Once your debt is paid off any debt collection activities will be stopped in their tracks and this will grant a significant amount of relief as well. Another major benefit that is important to everyone is that when you borrow to pay off your loans your credit will not have any negative marks and you will likely experience an increase in your credit rating simply because you decreased your debt ratio.

These benefits may have you excited however borrowing to pay off your debts also has its drawbacks. For instance, if you receive a home mortgage loan to pay off your debts and you cannot make the monthly loan payment then you risk losing your home. This is a significant drawback and if you do not believe you will be able to make the monthly payment on the mortgage loan you should avoid this option. Another negative is that you are not eliminating your debt you are simply changing the way you pay for it. As a result, the stress of the overall amount you owe still exists and you can easily overextend yourself again because you have a false sense of security that you have your debts under control.

If you qualify for a home mortgage or debt consolidation loan then you should work with a loan counselor to help you meet your monthly obligation and avoid any other negative impacts of your debt. However, if you do not qualify for a loan you may very well qualify for help from a debt consolidation service or credit counseling service.

Debt Consolidation and Credit Counseling Services

This option helps you in a variety of ways, yet is significantly different than receiving a debt consolidation loan. Many individuals have found success by using these services while others do not recommend them at all. You must review the following benefits and drawbacks and compare them to your personal financial and debt situation before you can make the right choice for you.

The benefits of the debt consolidation and credit counseling services include an immediate decrease in your monthly payments. This provides significant relief immediately for individuals suffering from too much debt. Also, any debt collection actions in progress will likely be reduced because the debt consolidation agency informs your debtors that

you are actively trying to pay your bills. Frequently, these services can also help eliminate late payment fees as well as decrease interest rates. A required element in using these services is learning money management skills that will help you avoid getting in debt and over your head. With your money management skills you will understand how much money you have and not try and live beyond your means. However, there are cons that exist with this option of debt consolidation as well.

When you use these debt consolidation services you will not be allowed to use any credit you have, so basically your credit is on hold. Also, there are debt minimums you must meet before you qualify for these types of services. If you have a very low amount of debt then you will likely not qualify. Additionally, debt consolidation services only provide services for an individuals unsecured debt and not all individuals unsecured debt will qualify. And finally, when you use these services it might negatively impact your credit score. However, it will not impact your credit any worse than not using the services and continuing to make late payments and getting behind.

As you can see there are two viable options for debt consolidation and both are widely different with their own sets of pros and cons. Once you have evaluated the options for consolidating your debt you need to compare them to your personal financial situation in order to make the best decision for paying off and managing your debt. If you are over your head in debt then one of these options will certainly help you, it is just up to you to figure out which one provides you the most benefits and the least drawbacks.

People have many options when selecting a debt consolidation service. I wrote this article to help people understand these options. <http://www.freedebtconsolidationquote.net>
Nathan Dawson writes for <http://marriedfinances.com> a great online source for finance information.

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