ADVANTAGES OF A DEBT CONSOLIDATION LOAN

It's as American as apple pie, as part of growing up as the senior prom. You graduate high school. You get a job or go to college. You get a credit card.

Over the years you charge some things. The credit card company doubles and then triples your credit limit. Another company offers you a better rate, so you take that one too. The car breaks down and you charge the repairs. You get an apartment and buy some furniture. You take a vacation and get married and have a baby.

You keep telling yourself you will pay everything off with your tax refund or your bonus check, because you realize that paying 18% on purchases made a year ago is not good money management. And you do pay it down—but not completely. Then the unthinkable happens. You are downsized, a family member has a medical emergency, you get divorced. You look over your bills and realize there is over $40,000 worth of credit card debt; the bills keep coming, two or three or four a month, and you cannot even pay all the minimums.

Then a credit counselor suggests a solution: a debt consolidation loan that pools all your bills into one, with a single affordable monthly payment.

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A debt consolidation loan can help you in five ways:

1. A Single Payment. Because consolidation converts all of your credit cards into one account, you only need to make one manageable payment each month. If your credit-card payments are late or behind, a debt consolidation loan can get you quickly caught up.
2. Smaller Monthly Payments. When your debt is consolidated, it is usually done at a much lower rate than you were paying on your credit cards. This results in a smaller monthly payment than you were making before, providing immediate financial relief to you and your family.
3. Improved Credit. High debt and late payments push your credit score down—which in turn makes harder and more expensive to get approved for new loans, including car loan and mortgages. A low credit score also can raise the cost of insurance, and hurt your chances to be approved for an apartment or even get a job. Consolidation does not change the amount of debt you have, but the restructure, by lowering your payments and putting them on one single bill, helps you get back on track and improve your score over time.
4. Lower Interest Rates. The new loan will offer a lower interest rate than you are currently paying and help you avoid late payment fees. Typically credit-card companies charge 15% to 21% on outstanding balances, plus each one charges high penalties every time your check is late.
5. Shorter Payoff Period. If you make just the minimum payments on your credit card each month, it will take over 30 years to pay off your debt. This will result in total payments of double or even triple the cost of whatever you bought with the cards. A debt consolidation loan will generally be paid off over just a few years, saving you thousands of dollars in interest.

HOW TO GET STARTED

A debt consolidation loan can provide the relief you are looking for. The best way to decide if one will benefit you is to talk to a trained consultant about your situation. Make a list of your current credit card debt, along with minimum payments, balances and interest rates.

Then compare that with what you will pay with a debt consolidation loan. You will be surprised at the immediate and long-terms savings you can achieve by consolidating your credit card debt into one loan at a dramatically lower interest rate.

The sooner you get started, the sooner you will get your debt under control and your financial life back on track.