



Debt Consolidation Loans – the Solution to Debt Relief

Increasing costs continue to put pressure on family budgets, budgeting and balancing the home finances is something very few take time to do. Access to credit cards and personal finance is fast, easy and convenient until you have to pay it back.

Many people feel like they are in a downward spiral from which they don't know how to regain their financial footing. It's hard to find simple answers to money problems and it may seem impossible when there isn't enough money left at the end of the month.

A debt consolidation loan is the replacement of multiple loans and debts, such as credit cards, store cards and unsecured personal loans, with a single loan. This gives you room to breathe by reducing your monthly payments on loans and combining them into one simple payment.

How does this work? By using the equity in your home you can combine your debts into your home loan. This will reduce your monthly repayments to a more manageable level. Effectively you have now spread the debt across 30 years and also reduced the equity you had in your home. The benefit of this is that all of the debt is at home loan interest rates.

This can also be seen as a negative, the thought of paying off personal debt for 30 years is not a pleasant one, on the other side of this argument getting back control of your finances may be worth it.

If you reduce your monthly repayment by \$500 per month or more, the reduction in stress may outweigh the thought of paying off the debt over a longer period. Many families are put under stress and conflict over money, a debt consolidation loan may help release some of these money pressures and allow the family to function normally again.

Should I do a debt consolidation loan?

The choice is a personal one, it will depend on your current situation and where you are at with your personal finances or if you can service your current debts. The ease of one monthly payment may be worth the debt consolidation, and the availability of extra money for the family budget and release of financial stress may also be worth it. If you do follow this path my suggestion would be to put 25% of the extra savings back into the home loan, this offsets the longer term and still puts you in a better position than you currently were.

You may feel that with a bit more effort you can make it through to the end of the finance contract and have the loan paid off without the debt consolidation. If you feel this may be the better option then you need to sit down and physically write out a budget, all expenses and income and form a plan to pay off your loans as soon as possible. Pay off the higher interest loans and credit cards first. It sounds good to say you are in advance on your home loan and have credit card debt you are fooling yourself. Pay them out first and then the home loan.

If you are in financial difficulty and can't make your repayments then consolidating debts will allow you to make your repayments on time and not default on them, then you probably should consider this option. If you get to a point where you fall behind in your repayments it may not be possible to do a debt consolidation loan with a traditional lender, the only option left may be with a non conforming lender, which may attract a higher rate if you have fall too far behind. Debt consolidation loans can provide welcome relief for families struggling with debt repayments.

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### **About the author:**

Rob Donald is a Mortgage Broker with over seventeen years experience in helping people arrange their finances. Rob is the business owner of Altrust Finance Group, a mortgage manager and trainer in the financial field he is regarded as one of the most knowledgeable mortgage brokers in Australia.

With a Diploma in Financial Services, Rob Donald draws on a wealth of experience in all facets of the lending arena. During his early years with finance Rob concentrated on arranging finance for first home buyers. Now with the changing marketplace Rob Donald is one of the leading non conforming brokers in Australia and has built a successful

business with Altrust Finance Group providing a range bad credit non conforming loans both low doc and fully verified lending in Australia.

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