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## Avoid Debt Consolidation Scams - Get a Home Equity Loan

If you are a homeowner and have found yourself swimming in a deep sea of consumer debt, you have probably looked at all sorts of debt consolidation offers. You will find them in your mail box, in your email, in the newspapers, and even on T.V. Some of these ads can be very tempting, and consolidating debt can be a very good idea. One monthly debt payment, instead of ten or twelve? It sounds nice, but how do you know which programs will really help you out? What is really the best way to consolidate your debt? You should realize that some programs are little more than lies and some are just difficult to achieve. The following are some tips of what to avoid and what debt consolidation paths might serve you best.

### Avoid Anything That Sounds Too Good to Be True

There are some companies out there that will promise to completely fix your debt problems for you. If this sounds too good to be true, it probably is. They will pledge to reduce your monthly payments, and work with your creditors to get you lower interest rates. The problem is that these “magic-workers” will charge you a large fee to do what you could really do yourself. If you do your research, you will find that they take roughly 10%-15% from the “one, low monthly payment” they create for you. If you are thinking about going this route, you may be much better off simply approaching your creditors yourself and explaining your debt woes. They will probably be just as likely to work out a deal with you as they would with a debt consolidation company working on your behalf.

### Avoid Programs That Just Shift Your Balances Around

You might be enticed to try opening a new credit card account or two in order to alleviate some of the higher balances on your other accounts. You can get new credit cards that offer really low interest rates for an initial period of several months or year. You might think you can put some of your debt onto these new cards and pay them off before the interest rate rises. If you do not pay them off though, you will either have to transfer the balances to other credit accounts or have another high interest rate working against you. This is risky and it doesn't look good on your credit report. Opening too many new credit accounts makes you seem like you are desperate for new credit.

### Avoid Unsecured Loans with High Interest Rates

You should also stay away from opening a new loan with a bank for debt consolidation purposes if the interest rate you receive is as high, or higher than the rates on your credit accounts. This will hardly make your monthly payments easier to make and it will not save you money.

### Consider a Home Equity Loan

If you are a homeowner, one of the very best ways to consolidate your debt is to put your home equity to work. How much this will help you will certainly depend on how much equity you have built up. If you do have some equity though, you can go to a mortgage lender and apply for a home equity loan. You will be able to borrow money based on how much equity you currently own. You can then take that sum of money that you pull out and use it to completely



pay off your other debts. Now your debt is consolidated into one monthly payment (in the form of your equity loan repayment) and your interest rate will almost assuredly be lower than the rates on your credit cards. It could be as much as 10% - 15% lower. Another highlight of a home equity loan is that the interest that you do pay is tax deductible. Other forms of debt interest are not. This will net you big savings each year on your tax returns.

Of course, a home equity loan is not a complete cake walk. You will have to pay closing costs on the new loan which could cost anywhere from one hundred to a couple thousand dollars. You might be able to roll these fees into the balance of your loan, but you should plan to stay in your home long enough to make the savings from the lower interest rate worth the amount you pay in upfront charges.

Overall, using your home equity as a means of consolidating your debt is a great way to alleviate some of your stress. It is not a cure-all, but if you amend your spending habits and get serious about paying down your debt, a home equity loan can offer you many great benefits.