Debt Consolidation Loans

Tired or getting angry phone calls from collection agencies?

Debt consolidation is regarded as the first step towards getting rid of credit card debt. A credit-card debt-consolidation loan is one of the ways of consolidating credit card debt. Besides this, you can also ask for a balance transfer to another credit card. In fact, due to the credit card advertisement, balance transfers seem to be more popular than consolidation loans. Some people forget that debt consolidation is available as a method of getting rid of their credit-card debt. However, it is an important option to consider.

So what is a debt-consolidation loan?

Put simply, the debt-consolidation loan is a low-interest loan that you apply for with a bank or financial institution in order to get rid of your high-interest credit-card debt. This loan is based on the same principle as balance transfers (combining one or more high interest debts into one low-interest one). This loan must be paid back in monthly installments as per the terms and conditions you agreed upon with the lender.

In general terms, this is an unsecured loan (it doesn't require you to pledge any security). However, if you have a really bad credit history, the loan will have to be secured. A secured loan requires you to pledge a security, such as the home you own or something else that has value. So, the worse your credit rating, the more difficult it is to get a credit-card debt-consolidation loan.

Though balance transfers and debt consolidation loans have the same objective, debt consolidation loans are considered better because you close most of your credit card accounts (the main culprits in landing you in this difficult situation). However, balance transfers have advantages not available with debt-consolidation loans. Choosing between a credit-card debt-consolidation loan and a balance transfer is really a matter of personal choice.