

## Are Debt Consolidation Loans Helpful?

When you run into trouble paying your bills, and you can't seem to find any other way out, you may want to consider a debt consolidation loan. On one hand, this type of program is helpful, but you need to understand that it is not a loan in the traditional way.

No one is giving you money and paying off all of your debts, as is the case with a bill consolidation loan. Debt consolidation loans are programs that are initiated with the help of debt management counsellors to assist you in paying off your debt. The counsellors work with your lenders in order to work out terms that will allow you to do that in as short a time as possible by convincing the lender to accept either a reduced interest rate or eliminating the interest completely.

Another feature of debt consolidation loans is that the counsellor will work for you so that you make one payment per month on all of your debt rather than having to pay many small payments. Doing it that way prevents the possibility that you will forget someone and also allows you to make the payments all at one time. The counsellor will work with you to discover what is best for you – if you are paid weekly, you may choose to make the payments to the debt management company on a weekly basis, though they may still remit to your lender on a monthly basis. This takes the headache off you, and you aren't the one who has to deal with the lender as long as the debt management company fulfils their obligation to remit the payments to the lender on your behalf.

When dealing with debt consolidation loans, it's important to make certain that the debt management company you choose is reputable. With so many in business today, the potential for fraud is highly visible, so know the warning signs. People have been led astray by debt management companies who have paid them to handle their bills only to discover that they have not done so, sometimes under the premise that the first two months' payments are their "fee," so you end up having to still make payments to the lender yourself. Still others make agreements for a "settlement" on your behalf without telling you or obtaining your permission.

Though they may attempt to convince you that they are working in your best interest, a settlement actually is recorded on your credit report the same as a bankruptcy and also has the potential effect of increasing your tax liability. One of the easiest ways to avoid these kinds of issues is to check the debt management company's reputation with the Better Business Bureau, get referrals from people who have used their services, and/or ask your lender which debt management companies they find to be the easiest with which to work. In addition, once you sign on with a debt management company, be sure to follow up each month with your creditors to be sure your management company is following through on their end of things.

## About the Author

James Copper is a writer for <http://www.any-loans.co.uk>

Source: <http://www.divresource.com>