

Unsecured Debt - Consolidation Basics

Most of us have heard the term - debt consolidation and debt reduction. Those terms get thrown around with mortgages, credit cards, balance transfers, equity lines of credit and a wide variety of other financial packages.

But what exactly is debt consolidation and how does it work?

The consolidation of debt is not a difficult or complicated process. It simply involves combining all of your debts that are non-secured like medical bills, credit cards, tuition payments all wrapped up into one nice monthly payment. Very often the payment is much lower than all the combined payments totaled up.

This debt reduction plan works by letting consumers (the debtor) pay monthly a fixed amount of money to the consolidation company. The consolidation company in turn functions works as your payment representative and will negotiate lower rates of interest and sometimes a lower balance. Then the company after receiving your payment will make payments each of the creditors on your behalf.

Why would a creditor even consider lowering the balance or interest rate? The reason is it works! Creditors will usually make these financial arrangements since it is in their best interest to get paid. They understand that if a debt company is making the payments they will most likely get paid on time. They also will not need the same amount of resources contacting consumers about the unpaid balances.

How Can the Consolidation of Debt Help A Consumer?

There are various ways a debtor can be helped by reducing their debt load.

- * Consolidated payments are usually lower payments
- * The debt becomes managed by a professional
- * Stops the addition of more debt
- * Keeps bill collectors and collection agencies from calling

Is it a Better Route Than Bankruptcy?

Yes, anything is probably better than going the bankruptcy route! Bankruptcy is a serious issue and a decision, which should not be taken lightly. Even with a bad credit score you can begin to rebuild your credit history. When bankruptcy is introduced into the equation all your debts get canceled out and your credit rating completely collapses. Where consolidating debt is a much more manageable option and preserves your credit.

What Consolidation Options Are Available?

There are several ways to go about handling your debt problems. Hiring a company as mentioned above is an option for those with serious financial conditions and issues that need to be resolved. The other method involves taking out a loan for the expressed purpose of eliminating many debts and turning them into one debt.

Using a company who has built relationships with people and represent thousands of creditors can give you some bargaining power with any kind of [counseling and debt restructuring plan](#). Loans for debt consolidation will help you get rid of the unsecured-debt and help reduce the combined interest.

Do your research and find the one that best fits your needs for a bright less debt future.

About the Author

It's time to clear things up on the subject of [credit card counseling debt consolidation](#) Visit us at <http://www.everlife.com/debt-consolidation-loans.php>.