

Know Your Way in Debt Consolidation Loans

Contributed by Administrator
Sunday, 02 December 2007

Debt consolidation loans are the novel idea of transferring all your existing debts to a new bank that would offer you a new strategy to pay off your debts with a more affordable perspective. Debt consolidation loans reduce your monthly outgoings and to a greater extent reduce the interest that you have to pay. Ultimately it improves your credit rating. Moreover it also avoids the need to remember all the payment details and the risk of late payments.

The debt consolidation loans depend upon the amount that you want to borrow, your credit profile, and the tenure that you have to repay the money back. If you have a good credit with fewer amounts of outstanding debts, then getting debt consolidation loans would be much easier.

You can pay a lower interest if your loan is secured rather than when it's unsecured. Debt consolidation loans for students are quite different from the normal consolidation loans. Federal loans are given by the federal government for the students. Depending upon the type of loans that the student holds, the loans are bought and terminated by either a loan consolidation company or by the Department of Education.

The rates of interest is widely variable from 4.70% to 8.25% for Federal Stafford loans and 9% for PLUS loans. Though not all the loan consolidation companies report your credit to credit bureaus, yet they are very effective in accelerating your credit ratings. The act that facilitates debt consolidation loans for students is the HEA or Higher Education Act that provides the base for FFEL or Federal Family Education Program and the Direct Loan Program. As any other financial service, debt consolidation programs too have the risk of scams and professional cheating.

You have to be aware of the companies that claim that they would repair your credit history because no one can alter your credit history. It is considered to be an irreversible process. Another famous claim made by the companies is giving you a new credit identity which is impossible. Perhaps they can do it through illegal methods, but it is never authorized by the government. Make sure that you pay a lesser amount than the entire sum that you have borrowed or else you may end up paying more than you owe. You must also have a glimpse of the clients' history who has taken the debt consolidation loans from the company.