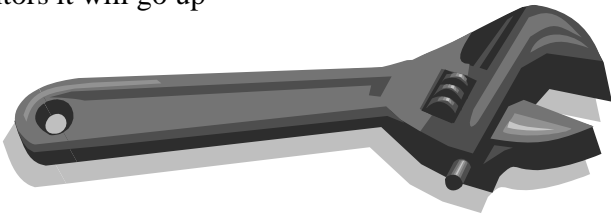


Debt Consolidations Loans: Do-It-Yourself Credit Counseling



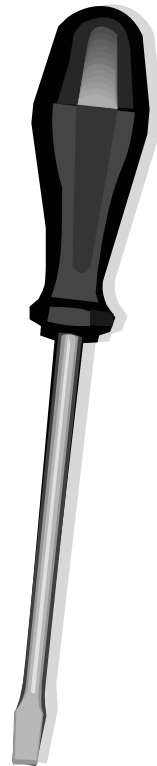
Credit Counseling

- You make one payment to a credit counseling agency and then they divide it and pay your creditors
- The credit counselors negotiate with your creditors for smaller interest rates, lower payments, and other benefits
- You pay your debts in full
- After creditors see you are making regular payments, they will stop collection activity
- Credit counselors provide you with financial education to help you stay out of debt
- Your credit rating may decrease at first, but as you make regular payments to your creditors it will go up



Debt Consolidation Loans

- Using a large loan to pay off other smaller loans, example a home equity loan
- You are replacing debt with debt - not getting rid of it once and for all
- The total interest paid may lower, if it's secured by your home
- By taking out a longer loan you may lower your monthly payments
- Collection calls will stop, but if you are delinquent on your new loan, you will start receiving collection calls again
- There are Debt Consolidation Loan companies
 - Usually these companies' loans have high interest rates and hefty late fees
 - Read the fine print before entering into any contract, so you know what you're getting into



The Do-It-Yourselfer

Would you try and rebuild your house without expert advice? By taking out a debt consolidation loan, that is what you are doing, trying to rebuild your credit and get out of debt without the assistance of an expert. There are many pitfalls and hold-ups to consider if you are thinking about taking out a debt consolidation loan.

- Without a good budget in place, consolidating loans will only be a temporary fix
- Since creditors have been paid, unsecured credit is available again, which often leads to more debt
- Sometimes people making one payment think they are financially secure, and they start spending like they did before consolidation
- By turning unsecured debt into secured debt, your home is at risk for foreclosure if you're delinquent on payments
- It is usually not a good idea to pay one loan with another
- Get a second opinion before you consolidate your bills with a loan
 - Talk to someone close you trust
 - Give Credit Advisors a call (800) 942-9027 and speak with a certified credit counselor

www.creditadvisors.org