

FOR IMMEDIATE RELEASE

BORROWING YOUR WAY OUT OF DEBT: THE FACTS ABOUT DEBT CONSOLIDATION LOANS

Consumer Credit Counseling Services Provides Real World Advice about Debt Consolidation Loans

Consumers now owe more than \$1.7 trillion, not including mortgages. We are concerned about the economy and our jobs. With interest rates relatively low, some consumers may think that a debt consolidation loan is an easy answer to debt trouble. While it may seem easy, it's not always smart.

“Debt consolidation loans are appealing because it is much easier to make one payment instead of writing checks to all of your creditors every month,” said Kelly Rote, communications manager for Consumer Credit Counseling Services of Louisiana (CCCS). “But it is hard to borrow your way out of debt. Before you rush out and apply for this type of loan, make sure you know what the commitment involves.”

CCCS offers the following considerations for consumers who are evaluating whether or not a debt consolidation loan is a good deal financially:

- **What is the interest rate of the loan?** The interest rate should be less than what you are currently paying on your debt. However, you may be able to negotiate lower interest rates on your current accounts by contacting your creditors.
- **What is the length and terms of the loan?** Often, debt consolidation loans offer attractive low monthly payments by extending the loan for a number of years. In such cases, you may be required to pay substantial sums in interest. First, calculate your total payments and ask for a breakdown of principal and interest.
- **Am I swapping unsecured debt for secured debt?** When you get a home equity loan, you take out a loan against the equity you own in your home. The advantage of this type of loan is the interest charges are often tax-deductible. However, your home is at risk for foreclosure if you are unable to make the payments.
- **Am I willing to make lifestyle changes?** Many times, people take out consolidation loans, only to run up their credit card balances within a year or two. To be successful, you must make significant lifestyle changes by altering your spending patterns.

Rote adds that it is important to remember there are alternatives to debt consolidation loans. Consumers should consider collecting on money owed, selling-off unneeded items, and/or establishing a strict budget. If people in debt experience difficulties creating a workable plan, they should seek a financial professional's help.