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# **A Bunch Of Information With Regards To Debt Consolidation And Debt Settlement**

When you have debts you wish some incredible financial alchemy would shrink the debt itself and also come up with a neat small debt settlement package. It may sound just a fantastic magical thought but to support it an entire industry has sprung up. And you often hear of terms like debt consolidation and debt settlement with regards to debt payments. So before you venture out and are on the look for one, it is very important to know some facts. Like the basic difference between the two and which is a better option that suits your financial struggle. Further, this will also allow you to separate those who are making alluring promises that sound too good to be true from the genuine organizations that are there to help you.

Now, debt consolidation is basically centralizing your debt into one location and negotiating to lower your monthly payments and interest rate. Like for example you may have 5 debt accounts and the outstanding balance on each debt account is USD\$1500, USD\$150, USD\$200, USD\$ 650 and USD\$700 respectively, you take out a consolidation loan of an amount USD\$3200. You can either use collateral or take out an unsecured debt consolidation loan. It is always better to take out a debt consolidation loan that is unsecured. This is because you will not lose your home if you fall behind on payments.

Other than debt consolidation relief methods, you might be able to make some financially responsible moves and get a hold on this debt and also lower your APR to get a secured debt consolidation loan, like for example Home Loan Equity loan (HEL) which is a type of loan which the borrowing party get it against a collateral. It is also termed a second home loan as it is secured against the value of the property. This loan comes usually with a low APR whereas credit cards have high interest rates. But you need to measure your risks before putting your house as collateral.

While debt settlement works differently, an advisor company will help you to get rid of your debt for a fee. Now this may sound too good to be true but debt settlement is, in fact, a perfectly legal solution. It is suited for those who have fallen 3 to 6 month behind in their payment and seek it as an alternative to bankruptcy. The debt settlement companies negotiate with the creditor and the creditor would much rather agree than to have you file for bankruptcy and lose all their money. However, it has a down side as a history of delinquent payments or charge-offs will remain on your report.

So as you weigh your options to settle either with debt consolidation or debt settlement, it is equally important to know who you would be doing business with.

As you square in on a company find out about its service cost and whether you can afford it and see if it has IAPDA (International Association of Professional Debt Arbitrators) certified debt arbitrators as they have a solid understanding of the laws governing Debt Settlement Industry. Further find out if the company offers any type of service guarantee. Like, if the company could not negotiate a settlement, the fees will be refunded.

Most of all, the company should be your one stop resource for saving cash.

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