

Debt Consolidation

Do you have too many bills for too little income each month? If you do, you have probably been attracted by an ad like this:

Have your monthly payments mushroomed into more than you can pay?

Let us help you pay off all your bills.

Let us consolidate your debts.

Make only one low payment each month.



What does debt consolidation mean? It means you borrow enough money from a lending agency to pay off all the charge accounts and credit plans you are now paying monthly. Then you make only one payment each month to the new lender. This usually means you pay out less each month, but you must make payments for a longer time and you usually pay more in finance charges.

Before Consolidating

Debt consolidation is sometimes the best answer to a financial problem. But before you take that step, look at your other choices.

- Contact your creditors to see if they would be willing to reduce the amount of your monthly payments by letting you pay a few extra months.
- Seek budgeting help and financial counseling from a bank, credit counseling service, legal aid society, or your regional Extension agent. They may know a solution to your problem that you haven't thought of.

If Consolidation is the Answer

Shop carefully for a lending agency. Banks and credit unions generally have lower finance charges than finance companies.

Find out from each agency and compare the following important facts:

- What they charge for the service
- The annual percentage rate (APR)
- The amount of your monthly payment
- What happens if you miss a payment

Remember

If you consolidate your debts, you will be making one payment that is less than your combined original debt payments. However, you will be paying more in finance charges in the long run because you have taken out a new loan and you have had to pay interest on the old loans. Also, you will be taking longer to pay off your total debt because your new monthly payment is smaller.

Watch Out

Making only one payment a month may make you think you are better off than you actually are. You may be tempted to buy something else on credit, and before you know it, you will have the same old problem: Too many bills for too little income each month!



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For more information, call your county Extension office. Look in your telephone directory under your county's name to find the number.

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