What's The Difference Between Refinancing And Debt Consolidation?

Source: ConsolidationCompanies
Dated: Dec 31, 2009

If you are currently experiencing a situation where you are overwhelmed with massive debt, it is important to realize the situation is not a hopeless one.

There are options available to those that need a way out of their crushing debt. These options are quite varied and this can lead to some confusion. Specifically, there may be some confusion over the difference between debt refinancing and debt consolidation. While there are similarities between these two processes, there are also pronounced differences. That is why it is necessary to clearly explain the main differences.

Hector Milla Editor of the "Best Debt Consolidation Companies" website -- http://www.BestDebtConsolidationCompanies.net -- pointed out;

"…One of the reasons people find it difficult to get out of debt is because of high interest rates. Often, they will acquire a credit card with an introductory rate that increased significantly after the first year. This makes paying off the debts difficult because the high interest rates make paying off the principle difficult. As a result, many will look towards refinancing as a way out of the problem with the high interest rates…"

Refinancing is, essentially, acquiring a new loan to pay off an old loan. (Of course, you could refinance several loans at once) In most instances, people will refinance a loan in order to acquire a lower interest rate. After all, it will be quicker to pay off a loan with an 8% interest rate than it would be to pay off a loan with a 22% interest rate. But, in some instances, refinancing may not be a viable option. This is where a debt consolidation service can prove helpful.

With a debt consolidation loan, the debt a person owes will be negotiated down to a settlement amount. This is usually done because the borrower is completely unable to pay the money owed and may have to go into bankruptcy. In such a scenario, a debt settlement offer is a much better deal for the lenders. So, the consolidation service will negotiate the various debts down and then issue the payments. These payments will take the form of a consolidation loan that the client will have to pay back. Obviously, the amount the loan will be far less than what the client originally owed to the various lenders.

"…For many, this is a much better option than refinancing the various loans. Actually, those with massive debts may not be able to procure a refinancing loan. In such instances, a debt consolidation may be the only viable option available…" added H. Milla.

Further information about trusted and reputable companies for debt consolidation by visiting; http://www.BestDebtConsolidationCompanies.net

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