

***Guide to:  
Consolidation Loans***

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# *Consolidation Loans*

## *Consolidation Loans*

*Consolidation Loans are widely advertised in the media and appear to be an attractive way of dealing with your debts by transferring them into one loan.*

*Consolidating your existing debts into one smaller monthly repayment can sometimes put an end to the stress inducing demands made by your current creditors.*

*If used properly these loans can help you get debt free faster but there can be disadvantages for some people, particularly if they already have a poor credit rating.*

*You will need a good credit rating to qualify for a consolidation loan.*

*If you have already missed or made late payments on your debts you may be unable to obtain this type of credit or you may be offered a loan at high interest rates. If this is the case, you should consider other types of debt help solutions.*

*If a consolidation loan is unable to clear all of your debts and you still have unaffordable sums going out of your bank account each month, it may be best to talk to us about other available options.*

*There are a number of ways that you may be able to obtain a consolidation loan and they include:*

- *Re-Mortgaging*
- *Secured Loans*
- *Unsecured Loans*

# ***Re-Mortgages***

## ***Re-mortgaging***

*Re-mortgaging involves raising additional money on your property. Although the repayments involved can be cheap, arrangement fees and additional charges can prove to be expensive particularly if you are changing to a new lender. You need to carefully consider if you can afford the new mortgage payments.*

***Like other debt solutions, remortgaging has its own advantages and disadvantages.***

*Some are listed below:*

## ***Advantages***

- *You could be making a lower monthly payment with a remortgage than you would be with secured loans, credit cards or overdrafts.*
- *A remortgage can be more flexible than other borrowing. You may be able to repay the remortgage over a longer term and if it is a flexible loan, you may have the ability to make overpayments, underpayments and take payment holidays.*
- *By lowering your monthly payments, you may have the potential to increase your disposable income.*

## ***Disadvantages***

- *You may be securing previously unsecured debts against your property.*
- *If you are increasing the term over which your existing debts are currently being repaid, it could result in you paying back more in interest over the term.*
- *Although a remortgage can reduce your monthly outgoings, there could be charges involved if you are changing lenders. These could include a redemption penalty for changing your current loan, an arrangement fee for moving to a new lender and valuation and legal costs.*
- *If you have or have had credit problems then obtaining a remortgage may be difficult.*
- *Your home may be repossessed if you do not keep up repayments on a mortgage or other loans secured against it.*

# Secured Loans

## Secured Loans

*Secured loans are sometimes known as Homeowner plans and they can be used for a range of purposes which including debt consolidation.*

*A secured loan is when you release equity on your property by means of securing a loan against it. If you fail to make the repayments on the loan, the lender has the power to take legal action to force you to sell the property to repay the amount borrowed and any additional charges and fees.*

*Secured loans may be easier to obtain than unsecured ones because the lender is taking less risk by having security in your property.*

***Like other debt solutions Secured Loans have their own advantages and disadvantages and some are listed below:***

### Advantages

- *You could be paying at a lower rate with a secured loan than you would be with credit cards or overdrafts.*
- *A secured loan could help raise additional funds without having to face the potential charges of remortgaging with a new lender.*
- *By lowering your monthly payments you may have the potential to increase your disposable income.*

### Disadvantages

- *You may be securing previously unsecured debts against your property.*
- *If you are increasing the term over which your existing debts are currently being repaid, it could result in you paying back more in interest over the term.*
- *If you have or have had credit problems then obtaining a secured loan may be difficult.*
- *Your home may be repossessed if you do not keep up repayments on loans secured against it.*

***Warning: Your home is at risk if you do not keep up your repayments on loans secured your property***

## ***Personal Loans / Unsecured Loans***

### ***Personal Loans***

*Personal loans are sometimes known as unsecured loans which can be used for a range of purposes including debt consolidation*

*An unsecured loan involves borrowing money without offering any security in return to the lender.*

*As this involves a greater degree of risk for the lender if you fail to keep up the repayments, unsecured loans are usually more expensive than secured loans.*

*To obtain an unsecured at competitive rates you will need to have a good credit rating.*

*Like other debt solutions Unsecured Loans have their own advantages and disadvantages and some are listed below:*

### ***Advantages***

- *Less risk involved to you as no security is required*
- *Subject to their credit rating, both tenants and homeowners can qualify for them*

### ***Disadvantages***

- *They are usually more expensive than secured loans and those with a poor credit rating may not be able to obtain an unsecured loan or may have to high interest charges*

### ***When Debt Consolidation Loans Can Be The Solution:***

- *If you are paying high interest rates on debts and you can get a cheaper alternative.*
- *When you need to reduce your monthly payments due to other demands.*

### ***When Debt Consolidation Loans Are Not The Answer:***

- *When you have already consolidated debts several times in the past.*
- *If this consolidation loan will include debt from previous consolidation loans.*
- *You intend to move debts from credit or store cards so that you can reuse them.*

## **Your Next Step**

*The hardest thing to do is to recognise that there is a problem and then take the steps to find the right people to help.*

*These Days there are many companies offering to help you solve your debt problems, so who should you turn to?*

*Debt Advisory Service (Scotland) Limited has many years' experience in helping people deal with their financial difficulties. We are aware that almost everyone encounters financial difficulties at some time in their lives, sometimes through no fault of their own.*

*We can help point you in the right direction, providing you with friendly, professional and confidential advice when you need it most.*

*Careful consideration should be taken before choosing any debt solution.*

*Debt Advisory Service (Scotland) only recommends appropriate debt solutions after we have conducted a full review of your personal financial circumstances.*

*Our Financial Review Service is completely free and there is no commitment for you to action any of the solutions that we recommend to help you deal with your financial problems.*

### **For Further Information**

**Call Us Now on – 08000112322**

**Or log onto**

**[www.scottishdebthelp.co.uk](http://www.scottishdebthelp.co.uk)**

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