The Basics of Credit Card Debt Consolidation

Credit card debt consolidation is a term that gets thrown around on television quite a lot. You see so much advertising for this service that you have to know that someone is making a lot of money off of people like you and me that have serious credit card debt problems. But once you understand what credit card consolidation is and how it is accomplished, it is very likely you can accomplish the same goals and get the same benefits without paying anyone an excessive fee.

The reasons these services have sprung into existence is that with the economy being so difficult and with gas prices and prices for so many of life’s necessities going higher and higher, many people are spreading their debt over many credit cards. The result is an average family might have three or four or even more credit cards with high debt run up on them and the interest fees being charged can get quite high.

Despite the customer friendly language credit cards use when they try to lure you into running up your debt even higher, these credit cards are making credit card companies a lot of money and they want you to pay them down slowly so they can continue to charge big fees month to month. So the first of credit card consolidation is to get all of that debt into one account, get rid of the credit card debt and perhaps close those accounts entirely and get a reasonable interest rate you can deal with over time.

So the first core principle or “basic” of credit card consolidation is getting rid of multiple creditors and getting all of your debt into one account or at least fewer credit accounts. At the same time its preferable to work with a creditor who is willing to work with you with the goal of reducing debt so the interest rate can be set at a level significantly lower than what you were paying to the credit cards so more of what you pay goes to pay down the debt and less to interest and fees.

One tactic that is often used to move your debt to lower rate interest loans is to use zero percent short term offers from credit card companies. Now watch those because sometimes there are transfer fees that are as high as an interest payment. But if you can move several thousand dollars to a zero percent loan for six months, you can then work on paying off higher interest credit cards while that part of your debt is not running up the balances. But watch out because at the end of the zero percent period, sometimes the interest rate on that loan will shoot up higher than any of your other loans.

The important things that you take charge of your credit and not let it be in charge of you. Start a log or a spreadsheet where you document each credit card you have, what the interest rate is, the expiration date on short term low rates, what you credit limits are and what your payments are. This kind of consolidation of your records will tell you which credit cards need the most attention and where you should look to consolidate two credit cards into one or all of them into the one credit source that you feel you can work with long term. Then you have a partner to help you make a plan to get out of credit card debt and stay that way.

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Word Count 597