

What is credit card debt consolidation?



What?

Combining multiple high-interest credit card bills into a single payment.



Why?

You can potentially save money on monthly payments, interest, or both.



How?

Opening a new line of credit or taking out a loan to pay off existing debts.

Potential Benefits

- One monthly payment is easier to manage than keeping track of multiple bills.
- If you secure a favorable interest rate, you can potentially save money on interest payments in the long run.
- With fewer payments, you can more easily monitor debt and avoid overspending.

Potential Risks

- Some balance transfer credit card introductory rates are only good for a limited time.
- If you take out a debt consolidation loan and fail to stay on top of payments, you could fall into the same untenable patterns.
- You may end up paying more in the long run if you don't consider your new potential monthly payment.

Steps to decide if it's right for you:

1. Calculate your total debt
2. Make note of interest rates on each card
3. Collect information about debt consolidation options
4. Read the fine print!
5. Compare your potential monthly payment to what you're paying now

3 Credit Card Debt Consolidation Methods:



Balance Transfer Credit Card

Transfer credit card debt to a balance transfer card with no interest for a promotional period.

- Pay off debt without interest for a year or more
- Usually carries a balance transfer fee
- Requires good to excellent credit



Debt Consolidation Loan

Consolidate credit card debt with an unsecured personal loan from a credit union or lender.

- Fixed interest rate, low APR for strong credit
- Hard to secure a low rate with bad credit
- Can carry an origination fee



Home Equity Loan or HELOC

Pay off credit card debt with a lump-sum home equity loan or a home equity line of credit.

- Lower interest rates than personal loans
- Can secure with weaker credit
- Can lose your home if you default

How does consolidating credit card debt affect your credit score?



A hard credit inquiry will be required for whichever debt consolidation method you choose. This could cause your credit score to temporarily dip.



If you make your payments on time and avoid future debt, consolidating your credit card debt can have an overall positive effect on your credit score.