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# Consolidating bills could cost you your home

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All you have to do is turn on the nearest television or radio to hear advertisements targeted to people who have bad credit or too much debt. The thing to remember is that each of these agencies is providing a service to make a profit, not to help you get out of debt.

These companies offer to provide a range of goods and services, from copies of your credit report to relief from creditors. Some of them even offer to fix your credit report altogether. It's wise to know which are legitimate offers because when it comes to your credit, there are plenty of offers out there that aren't.

One service that you hear a lot about is debt consolidation. Some companies that frequently advertise themselves as credit assistance agencies are in truth debt consolidation lenders. Instead of helping you de-

velop a payment plan to get out of debt, they encourage you to take out another loan, which will pay off all of your credit card balances.

The sales pitch usually emphasizes that instead of making a lot of payments to a lot of creditors, you'll have only one monthly payment to make. However, the sales pitch does not tell you that you'll usually pay a very high interest rate (not to mention miscellaneous fees) for this kind of loan. It also doesn't tell you how much longer you'll stay in debt - typically, at least five years.

But don't despair. It is possible to get a good deal on a consolidation loan, especially if you own your home. Most financial institutions offer home equity loans, in which you borrow against the equity you have in your house. The advantage to a home equity loan is that the interest is tax deductible which is not the case with credit card debt. However, the risk of borrowing against your home

equity is that you're trading unsecured debt (credit cards) for secured debt, which is subject to foreclosure or repossession. If your circumstances change and you can't pay, you could lose your home.

In addition, many people do not have the discipline to stop using their credit cards once they're paid off. This means that in addition to having a debt consolidation loan balance to repay (regardless of what type of loan it is), without discipline, you could go out and run up your credit card balances all over again.

If you truly want to get out of debt, it's probably best to leave debt consolidation loans alone. If borrowing is your problem, borrowing more isn't the solution!

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