Published based on Need Debt Consolidation? - Try Second Mortgages

Need Debt Consolidation? - Try Second Mortgages

For many of us, money can get tight every now and then. We have felt the pinch, and many are feeling it now. If you are in that situation where you now have a lot of debt, and are wondering what you can do about it, there is a possible solution for you with a second mortgage. If you already own a home, have some equity built up in it, have a decent credit rating, then you probably already qualify. Here are some things you need to know about getting a second mortgage for debt consolidation.

First Things First

Before you think about getting a second mortgage, there is the possibility of a more economical way to consolidate some debt. That step would be to refinance your first mortgage. It only makes sense, though, if you can refinance at a lower rate of interest than what you currently have on your existing mortgage and present debts, such as your credit cards, that this would be a good way to go. This should be looked at as your first choice because a second mortgage will have higher rates of interest than a first mortgage.

How It Can Help

If refinancing is not available to you, then consider getting a second mortgage. This type of loan is usually against the equity of the home – often called a home equity line of credit. A second mortgage can save you a considerable amount of money by giving you lower interest rates than credit cards, and by making your payments smaller each month.

Look At Loan Costs

When you are ready to choose which loan is for you, you need to look at more than just the interest rates. One of these would be the length of time for the loan. While it is a good thing to have lower payments, you also need to make sure that the total amount to be paid puts you in a better situation. A longer time period may end up meaning that you are actually paying more over the long run. In addition, you need to consider all other fees (points and closing costs) before you commit yourself for the long haul.

Consider The Type of Loan

Then, you should think about the type of second mortgage you want. A fixed rate mortgage allows you to have a steady payment for the duration of the loan. On the other hand, a variable rate mortgage has flexible payments that are dependent on the economy. This means you could have a real savings some years, and higher payments in the bad times. Generally, if the economy looks like it will be good for a while, then this would be the best way to go. Be sure, though, that you refinance it before the rates get totally out of hand and you lose your home.

Whenever you deal with loans and second mortgages, be sure to compare it with other lenders. You can do this very easily online and get an online quote very quickly. While a second mortgage can be used for any purpose, you should apply the money you need to pay off all existing debt (debt consolidation is good, but debt removal is better) before you do any thing else with it.

Joseph Kenny
http://www.articlesbase.com/finance-articles/need-debt-consolidation-try-second-mortgages-82395.html