

## **Homeowners Look To Remortgage 'As A Means Of Debt Consolidation'**

*More homeowners are remortgaging in an attempt to clear their debts, an industry expert has suggested.*

August 29, 2007 (FPRC) -- According to Sue Anderson, head of member and external relations for the Council of Mortgage Lenders (CML), consumers have often tended to take out a new loan with a different provider as a means of funding home improvement projects. However, an increasing number are now looking to remortgage so as to consolidate other debts or replace relatively expensive unsecured debt with a secured loan which attracts a more competitive rate of interest.

And with Britain becoming evermore indebted, she suggested that consolidating borrowing could well be "a logical thing" for many consumers as they look to prepare to manage their finances on a tighter budget in the future.

Ms Anderson said: "If people are looking to release equity - which is not by any manner of means a silly thing to do and in many instances is a very sensible thing to do - repaying more expensive credit agreements with less expensive interest rates that are available on mortgages may well be a reasonable and very rational strategy for people, but people should think about how quickly they expect to repay that debt."

However, as mortgages are "a very long-term commitment", the CML representative advised that consumers should take the time to consider whether they will be able to regularly make repayments. She added that they should also look to see if they will be able to "make over-payments or repay elements of that to win in the long-term as well as the short-term".

Meanwhile, those considering switching lenders so as to get a more competitive rate of interest on their borrowing were advised to do so with caution. Ms Anderson suggested that instead of just focusing on the amount of monthly repayments, consumers need to "take account of all fees and charges" such as administration and legal costs. Consequently, borrowers were urged to take the time to shop around to ensure that they get the most competitively-priced product available and compare charges currently offered by their existing lenders with that of any prospective new suppliers.

However, it was pointed out that internally refinancing with current mortgage providers can also be a "sufficiently attractive option" for many consumers concerned about the impact of the recent rise in arrangement fees.

And although remortgaging can be an effective way of bringing together money owed to various creditors, those aiming to use this and any other form of debt consolidation loan are being advised to make sure that they do not incur any extra borrowing.

Earlier this year, a survey carried out by the Motley Fool revealed that some three-fifths of debt consolidation consumers get into the red once again in the future. David Kuo, head of personal finance for the company, claimed that although debt consolidation loans can act as a "welcome lifeline" for those struggling to handle their finances, borrowers should use such credit wisely and

avoid the temptation of getting into monetary difficulties. In addition, the research revealed the average consolidation loan is 16,500 pounds, taking eight years to pay off.

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