



Debt Consolidation Guide

Smart steps for successfully consolidating debt

This time of year, so many of us are looking at our holiday spending fallout and realizing it's time for a fresh start. If you're struggling with high-interest credit card balances and other assorted debt, you may feel like you could get a better handle on it if you had all your eggs in one basket. That means you may be considering consolidating your debt via a credit card balance transfer, an unsecured consumer loan (such as UBT's Ready Loans), or even a home equity loan. Another major perk of transferring your debt (besides convenience, improved financial health, and reduced stress) is that you could potentially save big on the interest you're accruing, which could in turn leave you more money to put toward your debt.

Sounds great, right? Well, before you can successfully consolidate your debt, you need to accurately assess what you're up against — and that's where this guide comes in. We've divided it into sections, each with actionable items designed to help keep you moving toward your goal. Let's dive in!



Gather your documentation

Your debt consolidation journey starts with taking a deep dive into your finances and gathering up all of the information you'll need to move forward. So, channel your inner detective and track down the following:

- Your monthly budget — and if you don't have one yet, now's a great time to start
- Credit card statements
- Loan documents and other payment information
- Checking account statement
- Statements from any other accounts used to pay expenses



Pare down your expenses

It's good to minimize expenditures while you work on paying off your debt, so you'll want to reduce other payments and costs. Here are some steps you can consider taking:

- Cancel or reduce non-critical services such as cable, streaming, excess subscriptions (like a magazine you don't read), and other services (think housekeeping or lawn care) — and remember, this doesn't have to be permanent!
- Shop around to reduce your car insurance premiums
- Look at changes to your meal budget, like cooking at home more or bringing your lunch to work rather than dining out
- Find ways to lower your transportation costs, like trading in for a more efficient vehicle, carpooling, taking the bus, or biking
- Sell unnecessary assets, such as "toys" (think boats, jet skis, etc.) that you're making payments on or paying to store
- See if you can lower your rent or mortgage by refinancing or taking on a temporary roommate
- Look around for items to sell on consignment or online
- Take on a side hustle, freelance at something you're good at, or look for odd jobs



Consider your options

Once you've gathered your information and looked for ways to streamline your expenses, you can get down to the nitty-gritty of exploring your debt options. Start by estimating how much debt you want to consolidate and then research the methods available to you. Some options to consider:

- **Balance transfers:** A common approach is to refinance your existing credit card balance(s) to one card, ideally one that charges low or no interest for an introductory period. This is a great option if you have a good credit score, can pay off your new balance (or get close) within the intro period, and can find an offer with no balance transfer fees. Above all, be smart about it: Credit cards can be a slippery slope and require discipline to avoid winding up in the same situation again.
- **Personal loans:** Look into an unsecured loan, such as a UBT Ready Loan, or take out a secured loan (such as an auto loan) that uses your property as collateral. This is a good option for transferring higher-interest loan balances or credit card balances larger than what you can realistically pay off in a year, assuming your credit score allows you to obtain one with a low APR.
- **Home equity loan:** If you're a homeowner and have built up some equity in your home, you may be able to take out a home equity loan (a lump-sum loan with a fixed interest rate) to pay off your credit cards or other debts. This is usually a lower-interest option for dealing with larger amounts of debt. Just be sure to talk with your banker or lender to determine whether a home equity loan makes sense for your overall financial picture before you borrow.

If none of these seem like viable options, check with your financial institution to see if they have a financial literacy program that offers one-on-one debt consolidation guidance.



Take action

It's time to take another look at your interest rates and balances and get ready to make some decisions. Estimate how much debt you want to transfer, then start shopping around to find the best credit card offer or loan rate to fit your needs. Consider accessibility, reputation, and customer service in addition to interest rates — and if you're considering a new credit card, look at the rewards program, too. Here are some things to keep in mind.

Credit cards:

- Look for a card with an offer for 0% introductory APR on balance transfers
- Check into balance transfer fees

- If you'll have to pay fees and interest, calculate the different between those expenses and what you're currently paying to ensure it's actually worth the effort

Secured or unsecured loans:

- Look for a low APR and processing fees
- Try to find a loan with no prepayment penalties
- Check into the length of time before your first payment

Post-approval

Once you've applied and been approved for your preferred method of debt consolidation, it's important to be deliberate about your actions to avoid unwanted penalties or missed payments. Some things to consider:

- Formulate a plan to pay down your balance within the introductory period or loan term
- Transfer your balances as soon as you're approved, but be sure to keep paying on your "old" cards or loans until you're sure the transfer has gone through
- If you transferred a credit card balance and plan to keep the original account open, resist the urge to use it if you can and aim for a zero balance
- Avoid using your balance transfer card for purchases until you've made measurable progress on the consolidated debt
- Make all your payments on time and pay as much as you can each month to help reduce the debt quickly
- Choose statement credits or cash back for your credit card rewards
- Spend carefully and thoughtfully during the pay-down process to make sure you're not impeding your own progress

Track your progress and reward yourself!

Choosing to take control of your finances and consolidate your debt is no small feat, and it deserves to be celebrated. So be sure to check in from time to time to take stock of how you're progressing in your debt reduction goal and reward yourself (responsibly, of course). Some ideas:

- Chart your progress in a spreadsheet, budgeting app, or favorite notebook
- Celebrate both mini goals and major milestones with inexpensive, budgeted rewards (like a meal at your favorite restaurant or a massage appointment)
- Set a specific target purchase or investment goal to work toward after you reduce your debt

Debt consolidation is a huge step forward toward financial health, and we see good things in your future! And remember, you don't have to go it alone. Your friendly neighborhood bank is here to help however we can.