

## Should you consolidate?

- **Pro:** Can reduce total monthly debt payments by hundreds or even thousands of dollars
- **Con:** Wide variations in closing costs and fees

# YOUR MONEY

# One cure for debt

*The Money Pros are standing by to take your questions.*

**Q. I am burdened with a lot of debt and am looking into a debt consolidation mortgage. With mortgage rates up, is this still a good idea and what do I need to know?**

**A.** Those who own a home and face big bills from high-interest credit cards, department store cards and student loans, should consider getting a debt consolidation mortgage, combining all their payments into one monthly mortgage payment.

Most homeowners will see a large drop in their total monthly payments.

Despite a recent rise, mortgage rates are still much lower than rates on credit cards and other consumer debt. Mortgage rates are in the 3% to 5% range, depending on the type, while credit card rates are in double digits, up to 24%.

Getting a mortgage is more difficult than a few years ago. But with home values up, homeowners have a better chance to qualify for a loan to get cash out and pay off debt.

This can reduce their total monthly debt payments by

hundreds or even thousands of dollars.

For example, one homeowner saw his monthly payments drop by a whopping \$1,700 after consolidating all of his credit card balances into one mortgage.

He was even able to take \$94,000 in cash out for home improvements.

Homeowners in more complicated situations, such as the self-employed, should work with a lending company that has expertise.

The lender, moreover, should

be able to provide a good rate with low closing costs and have the ability to understand the homeowner's finances.

There are wide variations in closing costs and fees that different lenders charge. For example, one lender may charge an \$800 fee to process the loan and another may charge up to \$2,500.

Similarly, a single-family home appraisal can cost \$325 from one lender and \$495 or more from another.

Attorney's fees vary too, from \$500 all the way up to \$1,500. And title insurance costs can range by as much as 35% from one provider to

another, increasing or decreasing a borrower's closing costs by \$300 to \$800.

By choosing the right lender, a homeowner can save in the range of \$1,000 to \$3,500 on closing costs.

Certainly there are important choices to make. But if you are burdened with a lot of debt, a debt consolidation mortgage might be right for you.

**Michael Moskowitz**

*Moskowitz is the president of Equity Now, a New York-based direct mortgage lender.*

*Do you have a question for the Money Pros? Send it to [pfurman@nydailynews.com](mailto:pfurman@nydailynews.com).*

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DEBT CONSOLIDATION  
LOAN