

African Bank Limited press release: May

May 2019

### **Thinking about consolidating your debt - here's what you need to know**

With multiple petrol increases, productivity losses from ongoing load shedding and a generally tough economic climate many consumers are in debt and finding themselves hard-pressed and in need of good advice about how best to manage their debt.

A consolidation loan for bad credit could be the answer. Some people refer to it as debt displacement, others see it as a very savvy way of managing a debt crisis. Neil Thompson, Head of Product at African Bank, says there are certainly benefits if debt consolidation is done properly but if one is a reckless borrower you could run the risk of digging yourself even deeper into debt.

He provides the following advice:

- Understand what a consolidation loan is. A consolidation loan should be used to settle loans from a pre-defined list of credit providers. They are especially helpful if you want to simplify your credit by settling other debt and turning several loan payments into one cost-effective payment. Remember not all credit agreements can be settled however, for example credit cards. The maximum loan amount that can be granted varies. Remember look for the best consolidation loan. At African Bank, for example, we offer a consolidation loan of up to R250 000 with a maximum term of 72 months. This amount however, together with the rate applicable, is risk based and will vary depending on the individual customer's credit risk profile.
- What is the main benefit for considering a consolidated loan? One of the biggest benefits is that instead of having several creditors all with different credit agreements - all with their own terms, monthly fees and interest rates - debt consolidation bundles these payments into one monthly repayment, often lowering the total monthly repayment (cost of credit) and reducing the monthly service fees to the consumer. Loan consolidation can also help you prevent the nasty credit damage which can come with missed payments and defaulted accounts.
- When is it a bad idea to consider a loan application? It is not advisable to consider a consolidated loan when you are at the end of term of an existing loan, as the cost of consolidating may well then be more expensive. Remember that a consolidation loan should be used to settle debt which will result in one monthly instalment that is lower than the combined payments and less monthly service fees and transactional debit orders costs being paid.

- How do I know if I even qualify for a consolidation loan? Qualifying depends on whether you can afford the loan, the health of your credit profile and the credit provider's in-house risk assessment criteria. It also takes compliance and regulatory rules into account. The credit provider will need to understand whether you can afford the monthly instalment for the consolidation loan. The compliance and regulatory rules relate to who the credit provider can and can't lend to i.e. customers in debt counselling can't be granted new credit. The affordability regulations require that a specific affordability assessment is done and requires the credit provider to ensure the settlement has been done.
- What do I need to bring when applying for a consolidation loan? You need to bring your ID, your latest original pay slip and your latest bank statement reflecting three months of salary deposits.

“With expert guidance, determination and discipline, debt consolidation loans are a financial lifeboat that could help you pave the way to a healthier financial future. Or simply help you tidy up your financial commitments. If you are disciplined and you're determined to sensibly manage your debt, a consolidation loan may be the answer for you,” he concludes.

## BLOCK

8 good reasons for considering a consolidation loan?

1. **Simplify multiple debts** with one consolidation loan
2. **Reduce the monthly fees** on up to 5 loans, with one monthly fee on one consolidation loan
3. **One lower instalment** on up to 5 loans with repayment terms up to 72 months
4. **Lock interest on your loans** with a fixed loan interest rate on your consolidation loan
5. **Improve your cash flow** with one lower repayment on up to 5 loans
6. **An easy and convenient consolidation process** - no settlement quote is required. Proof of payment that your loans have been settled (this benefit is unique to African Bank)
7. Choose your break on your qualifying consolidation and **for one month, take a break on your repayment** (this benefit is unique to African Bank)
8. **Peace of mind that your consolidation loan is covered** with credit life insurance

ENDS

Visit the African Bank [website](#) or like them on [Facebook](#)

PREPARED ON BEHALF OF AFRICAN BANK BY CATHY FINDLEY PR. CONTACT JACQUI RORKE  
ON [JACQUI@FINDLEYPR.CO.ZA](mailto:JACQUI@FINDLEYPR.CO.ZA) OR (011) 463-6372 WITH ANY CONSUMER PR QUERIES.