

Debt consolidation puts paid to Weet-Bix diet – Sunday Star Times, 29 April 2007

Life's about to get a lot easier for Waikato resident Sarah Brown, who has been eating Weet-Bix for lunch every day as part of her plan to clear almost \$50,000 in debt.

The Sunday Star-Times story about how her \$4000 credit card debt snowballed to \$47,000 in eight years prompted a big response.

Budgeters say it is a common scenario when people borrow money from finance companies at high interest rates to clear existing debts. They want legislation to make it tougher for creditors to lend to people already struggling with debt.

Determined to clear her mammoth debt, Brown has been living on a minuscule amount of her pay earned working in international freight forwarding.

But with the help of a mortgage broker, the 25-year-old is now consolidating the money she owes by borrowing the total amount from a reputable finance company. Lowered monthly repayments will free up about \$500 a month for daily costs like food and petrol that she has been struggling to pay. And no more Weet-Bix for lunch. In the long term, making regular repayments to one lender will improve her credit record, helping her achieve her goal of owning a home. Brown thinks there will even be enough to start saving for a deposit. "Life's going to be better."

Broker Keith Kelsall, from Dunedin company The Highland Group, said consolidating the debt would have positive spin-offs for Brown.

While interest on the loan would add to her total debt, having more money available for living costs would reduce the chance of needing to borrow money for unexpected costs like car repairs.

Consolidating the debt would also improve her future financial dealings. "The biggest thing that is going to come out of this is it's going to tidy up her credit profile," Kelsall said.

Federation of Family Budgeting Services president Maureen Pitman said that while debt consolidation was not an option for everyone, it was a reasonable tool for dealing with debt. She was happy it would improve Brown's life and agreed with Kelsall that regular payments to one creditor would improve her credit rating.

Brown is just happy she'll be able to do good things with her money. "I can save at the same time. At least I'm not just paying off debt. "Once I start saving, I'll be saving forever."