

Good News, Bad News

Good news: Credit card companies are increasing their minimum payments.

Bad news: Credit card companies are increasing their minimum payments

Under pressure from federal regulators, many large national credit card companies have announced they are increasing minimum monthly payments on credit card balances and others are expected to follow suit in the near future. Some cardholders will see this as a good thing. To others it will be devastating.

If you can handle the increased payment it's good. Let's face it; if you pay only a 2-percent minimum each month, your debt would probably last longer than most marriages. Hiking your minimum might put you back on the financial straight and narrow. Apparently designed to help consumers get out of debt faster, the increased minimums will force cardholders to pay off fees, interest and at least 1-2 percent of the principal each month.

This comes at a particularly bad time for Americans who are facing both higher interest rates and the newly enacted Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, which makes it harder for consumers to write off their unsecured debts. But if you simply can't make that increased minimum month after month, it could put you and many other debtors in over your head.

It's extremely important to dissect your credit card statements to calculate where your payments could end up very soon. On a debt of \$12,000 now at 2%, your minimum payment would be only \$240. Regulators with the Office of the Comptroller of the Currency is pushing for 4-5% of your principal amount due, which would make your new required minimum monthly payment on that same \$12,000 around \$600.

Your credit union will continue to calculate your required minimum monthly payment at the rate of 3% of your principal balance, specifically; \$5,000 balance payment would be \$150, \$4,000 balance would be \$120 and so on. We also will continue to maintain your current rate of interest you are used to paying because we do not tie our interest rate to the prime rate.

If your credit card debt has become unmanageable or you just want to take care of your financial situation prior to rate increases or unbearable new minimum payment amounts, please read article on the front cover "Fixed rate home equity loans" or stop by the credit union let us create a loan that will make you financial healthy in 2006.

