

Credit Card Minimum Payments on the Rise

Many credit card customers could be in for a big shock when they open their next bill and find that their minimum payments have doubled. This will soon be the case, as many companies will change their current guidelines in response to pressure from the government.

San Diego, CA (PRWEB) October 4,2005 -- The minimum payments that credit card companies charge on a monthly basis are increasing. For credit card customers that either pay their bill in full every month or those that can afford substantially more than the minimum, this isn't going to be an issue and could even be benefit to them. For the approximately 40 million people that only pay the minimum, however, this could be devastating.

Many years ago a 5% minimum payment was the norm in the credit card industry. A credit card industry consultant named Andrew Kahr convinced a major credit card company to change this policy. Kahr realized that if customers were required to pay less each month, they would borrow more. This of course was good for the credit card company because the longer it takes for an individual to pay off their debt, the more profitable it is for the company. Kahr explained that having a lower minimum payment would ease consumer anxiety about carrying high credit card debt, and often times consumers even believed they were being financially prudent. Andrew Kahr's "innovation" of the 2% minimum payment became industry standard.

This is a similar situation to the one in Major League Baseball. In the past baseball has had issues that have compromised the integrity of the game, but they have always governed themselves and been able to find a resolution, until lately. The steroid controversy in baseball has been a major concern to the general public. Meanwhile baseball executives were doing little or nothing to ensure that people were paying for a product that was pure and free of illegal drugs. This lack of self-governing and poor public perception has caused Congress to get involved and hold hearings to deal with the issue.

The credit card industry is in similar situation. With consumer debt rising at a staggering rate, bankruptcy at an all-time high, and people on pace to be in debt for 30-40 years, something needed to be done. The credit card industry seems to be doing little to help the mounting financial crisis of many Americans while making billions of dollars in profits. This has caused the Office of the Comptroller of the Currency along with three other entities that regulate nation's banks to take action. They are putting pressure on the credit card companies to establish reasonable periods for repaying consumer loan, preferably within 7-10 years.

"I believe that in the short term this new change in policy is going to have a seriously negative impact on those individuals living paycheck to paycheck," said Brian Blackburn, Director of Operations for DebtWave Credit Counseling. "In the long term however, the change will help people pay down the debt faster which will save them money."

For additional information about this subject, contact Jason Cash or visit www.debtwave.com under the education tab.

About DebtWave Credit Counseling

DebtWave Credit Counseling is a 501(c) 3 Non profit organization committed to educating individuals on the proper use of credit through budget management, to offer sound counseling and to assist clients to reduce and eliminate debt. DebtWave is a member of the Better Business Bureau and the American Association of Debt



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