



ABA News to Use

Keeping banking's frontline personnel informed

Coping with Changes in Credit Card Minimum Payments

Credit card customers may have learned recently about a change in their monthly minimum payments.

That's because new regulatory guidelines have prompted credit card issuers to make sure the minimum payment they assess their customers each month covers interest, any fees and at least 1 percent of principal.

The bottom line is the changes may increase the minimum payment due on a card. Though credit card issuers are notifying consumers in advance of these changes, the increase may still come as a shock. This is especially true for those who live their financial life on the edge, paying only the minimum due each month -- which, according to a recent consumer survey by the American Bankers Association, 4 percent of consumers do.

While the change may cause some pain in the short run, bankers, regulators and consumer groups agree that it's a change for the ultimate good. The larger payments will help consumers pay down their debt faster, avoiding a debt treadmill. And with cardholders on firmer financial footing, card issuers have a greater likelihood of being repaid.

Consumers who fear or find they are unable to afford higher payments should contact their credit card company immediately. Card issuers often work with consumers through alternative solutions, such as switching them to another type of loan to meet their budget, or suggesting credit counseling or a debt-management plan that would ultimately help reduce their debt burden.

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