



Consumer Credit Counseling Service of Central Oklahoma

Credit Wise Newsletter

Payment Panic: Are you Ready to Cope with your Credit Card Payment Increase?

CCCS of Central Oklahoma is a non-profit credit counseling agency who has been serving Oklahomans since 1967. We have 11 locations across the Western 2/3 of the state. We offer FREE credit, budget, debt and housing counseling with our certified, professional counselors. We are also approved to offer bankruptcy education for those considering bankruptcy. Our services are available in-person, on the Internet or by telephone. We are a United Way agency, accredited by COA, an NFCC (National Foundation for Credit Counseling) member agency, and a member of the Better Business Bureau. We have offered honest and trustworthy service to hundreds of thousands of Oklahomans.

Need Personal Financial Guidance?

Let us help!

Budget, credit, debt, and housing counseling are all FREE services!

Call (405) 789-2227 or (800) 364-2227 to set up your session today!

Log on to www.cccsok.org for more information.

Email your questions to support@cccsok.org

If you read the recent headlines stating "Credit Card Minimum Payments to Increase" with the feeling of panic growing in your chest, you are not alone. With 40% of all families spending more than they make and Americans owing more than \$750 billion in consumer debt, the recent changes will hit many families where it hurts the most: their wallet.

According to the Office of the Comptroller of the Currency (OCC), they directed all credit card banks under their jurisdiction to increase the amount of the required minimum payment. They did not specify how much to increase but only stated that at least a portion of the minimum payment must go towards paying off the debt. Most creditors will make the changes by the beginning of 2006.

Some credit card companies have announced that they will increase the required minimum payment from 2% of the balance to 4%. For example, if you owe \$5,000.00 on a credit card, your current payment may be \$100.00 per month. If the minimum payment increases to 4% of the balance, your new payment could be \$200.00 per month. If you have other cards with similar balances, you could soon see a huge difference in the amounts you must pay each month. With many families living paycheck to paycheck, doubling debt payments may be devastating to their budget.

Other credit card companies have announced that they will increase minimum payments but they won't double them. Their new minimum payment will consist of 1% of the balance plus any finance charges, and any over the limit and late fees. Let's use the same example of the \$5,000.00 credit card at 21% interest. 1% of the balance would be \$50.00 plus roughly \$87.50 in finance charges. If you don't have late or over the limit fees, your new monthly payment would be \$137.50. Obviously, this option would be a little easier to manage.

While it may initially be devastating to many families to have their payments unexpectedly increase, it will be good for them long-term. The new payment

increases will save them money over time since they will be paying less interest and they will be out of debt sooner. However, it is tough to revel in the fact that you will be debt-free years sooner when you are worrying about how you will pay your bills next month because of the increases. If you or someone you know is worried about the increases, there are some things you can do to prepare.

If you haven't already, quit charging. If you are using credit cards to pay for emergencies or to live beyond your means, there has never been a better time to stop. Managing higher payments will mean tightening your budget and changing your lifestyle. If you continue to charge, you will only make the problem worse.

Set up a budget. It's important to plan ahead for the increases. If money is tight, you may have to make certain sacrifices to afford the increases. If your payments will increase by \$100.00 per month, you need to figure out where that money will come from. Are there any luxuries that you can live without for a little while (cell phone, home phone features, cable or satellite TV, Internet access, gym memberships, tanning memberships, beauty shop, eating out, entertainment, etc)?

Increase your income. If your budget is already so tight that it squeaks, you may have to look at other options. Can you work a part-time job? Can you work from home or do some temporary work in order to produce some extra income? I realize that having to make these sacrifices may not be enjoyable at first, but you won't have to do them forever.

Get creative. Sometimes garage sales or on-line auctions can be a good source of cash. A good chunk of cash that you plunk down on a credit card would decrease the balance, therefore the minimum payment. Look around the house and see which stuff you could sell.

Talk to your credit card company. If you know that the increase will cause you a financial hardship, your credit card company needs to know that. They may have an internal hardship program that may be able to help you with your payments for a period of time.

Consider credit counseling. Credit counseling agencies have agreements worked out with creditors to help you lower your interest and payments. If you can't afford your new minimum payments, a credit counseling agency may be able to help you by securing a lower monthly payment. A debt repayment plan through them will get you out of debt in 5 years or less and should make your payments more manageable. Contact us at (405)789-22227 to schedule your free appointment today!

Basically, I am encouraging you to try not to panic. While the news that your payments may soon double may make you want to hide in bed with your head under the covers, please try to deal with this new development in a practical way. Try to think ahead and develop a good plan. Most importantly, these changes will probably require a commitment to a new, more frugal budget for many families. It may seem radical at first, but it's time to look at your current lifestyle and see which expenses can be eliminated. It may mean less movie rentals and more books being checked out from the library. It may mean fewer sessions on the elliptical trainer in the gym and more runs through the park. It may mean that meals at restaurants become scarce and meals at home become more common. However, some of those changes may be positive. For those of you who just don't see any places in your budget that you can cut, call your credits and/or the local credit counselor and get some help. While you may want to picket the OCC now for making these changes, you will probably thank them later.

For more great budgeting tips check out www.betterbudgeting.com

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**6:30 p.m. to 9:00 p.m.
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Cost: \$15 a person, \$ 25 per couple (fee covers both sessions)

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I (We) plan to attend both Tuesday night sessions unless there is an emergency. To register by mail please send to Education/CCCS,
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