

# Credit Card Companies to Raise Minimum Payment Requirements

LOS ANGELES, CA (SEND2PRESS NEWSWIRE) – Knockout Debt ([knockoutdebt.com/free-debt-consultation/index.asp](http://knockoutdebt.com/free-debt-consultation/index.asp)) announced today that it is offering Free Debt Consultations to consumers who may be adversely affected by the increased minimum payment requirements created by the updated guidelines recently released by federal banking regulators. Consumers may soon see significant increases in the required minimum payments on their credit card statements due to the new guidelines. Although the increases may cause a temporary crunch for heavily indebted consumers, financial experts believe that the increased minimums are a sound long term policy.

## Why Raise the Minimums?

Currently, the minimum credit card payback rates are set so low that most Americans can afford to carry significant credit card debt. While credit cards can be a useful means of defraying the costs of certain purchases, the ease and convenience of purchasing with plastic has enabled consumers to spend much more than they can actually afford, racking up huge credit card debts in the meantime. Unfortunately, paying only the monthly minimum can turn a big charge into a twenty year commitment that accumulates a staggering amount of interest over the life of the debt.

Today, the average American consumer carries \$10,000 in credit card debt with an estimated 40 percent of these consumers carrying a balance from month to month. A consumer who faithfully pays only the required minimum of two percent on a \$10,000 credit card balance at 13 percent interest would end up paying \$11,450 in interest alone over the thirty three years it would take to pay off the debt. Recognizing that the current system has fostered a dangerous revolving debt cycle many consumers will never escape, federal regulators are pressuring banks to push consumers toward financial freedom. By doubling the minimum payment to approximately four percent of the balance, the same consumer could reduce his or her repayment period to 13 years and cut the interest paid to \$3,664. MBNA, Citibank, and Bank of America have already instituted doubled minimums and more credit card companies are expected to follow.

Most financial experts agree the increased minimums are economically sensible because it will help consumers get out of debt sooner by forcing them to pay off the interest, fees, and a portion of the balance each month. The newly raised minimums will also compel consumers to rethink what they can realistically afford instead of viewing purchases as a monthly expense, thus encouraging an overall decrease in out of control spending. This is the ideal scenario. However, there may be serious consequences for some.

For the most heavily indebted consumers who are already struggling to make minimum credit card payments each month, this added burden may be the final breaking point that causes them to default on their payments. Credit card

companies have anticipated this reality, allocating more of their 2006 budget to compensate for the expected losses from defaulting cardholders and charged off debt. When this default occurs, many consumers may consider filing bankruptcy. However, with the recently passed Bankruptcy Reform Act, that may not be a feasible solution.

## Reduce Debt and Avoid Bankruptcy

Consumers who are serious about getting out of debt do, however, have an option: debt arbitration. With debt arbitration, consumers can reduce the overall amount owed while still avoiding bankruptcy altogether. Debt arbitration also condenses all payments into one manageable monthly payment that is controlled by the consumer. Typically consumers can find themselves free of debt in only 12-36 months, when utilizing debt arbitration services.

## About Knockout Debt

Knockout Debt ([www.knockoutdebt.com](http://www.knockoutdebt.com)) is a professional debt arbitration company that specializes in helping heavily indebted consumers regain financial stability by negotiating a significant reduction of the consumer's total principle debt. By utilizing experienced negotiators, long-standing relationships with creditors, and financial acumen, Knockout Debt designs customized debt reduction solutions that enable clients to lower their debt to income ratio without filing bankruptcy. At Knockout Debt, our debt arbitration experts will negotiate a settlement with creditors to cut the total principle balance by as much as 60 percent.

More information: [www.knockoutdebt.com](http://www.knockoutdebt.com)

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