

Doron F. Eghbali Banking Law

[How To Lower Your Credit Card Debt](#)

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Credit card debt is a nightmare for most consumers. Often, minimum payments become a routine practice and they eat away at what is left to be spent on essential items or services. In addition, the debt tends to grow as a result of credit card companies' mathematical manipulations and consumer's entanglement in making down payments every month with little or no attempt to pay down the debt. Let us educate ourselves to intelligently pay down this debt.

1. STOP USING YOUR CARD

Stop using credit card seems to be the most logical approach in paring down credit card debt. This approach has received a boost with the new [CARD Act](#). In fact, if you face an interest rate hike, seriously consider declining such increase. The newly enacted CARD Act mandates credit card companies to afford a reasonable time to consumers to pay down their card at old rates.

Nonetheless, if you opt out of the rate hike, you would not be able to use your card anymore. If you use your card, you are charged at higher interest rates. Thus, it behooves us to stop using our credit card altogether, except in emergencies and with an intelligent plan to pay down the debt and not just accumulating it.

2. STOP USING HIGH-INTEREST CREDIT CARDS

If you are stuck with a high interest credit card, consider transferring your balance to another card. Nonetheless, it is imperative to consider costs involved in such balance transfer. For example, fees for such balance transfer could range between 3% to 5% of the amount transferred.

3. STOP USING TWO LINES OF CREDIT PER CREDIT CARD

Credit card companies used to apply any amounts in excess of minimum payments to the line of credit with the lowest APR. In effect, this caused your high interest line of credit to grow larger and larger. The CARD Act proscribed such practice.

However, the CARD Act does not mandate how the minimum payment should be applied. This means if you have two lines of credit with the same credit card issuer, still credit card companies could apply your minimum payment to your lowest APR. Hence, it is prudent to maintain ONLY one line of credit with one APR per issuer. The rule of thumb is if you cannot make more than 15% of your balance, you should ONLY carry one type of balance with ONE APR.

4. STOP USING DEBT SETTLEMENT AGENCIES

As indicated before, debt settlement agencies should be seriously avoided. The most prudent approach is to discuss with your credit company lowering your payments and being placed on a program to pay off your debt in 5 years or so. This requires you to know what your monthly expenses are and cogently convince the credit card company you can afford lower payments.

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