

Ways to Pay Off Credit Card Debt

What to Know

Credit cards are a convenient way to make both large and small purchases. They can also lead to a significant amount of debt. If you have high balances on two or more cards, below are three strategies to help you to pay them off.

What to Do

Create a Spreadsheet or Chart

Use the following labels for six columns. From left to right:

1. Credit Card Issuer
2. Interest Rate
3. Balance
4. Credit Limit
5. Credit Utilization Ratio (Balance / Credit Limit = Ratio)
6. Minimum Payment

Next, add one row for each credit card on which you owe, and fill in the columns for each one. Once your chart is complete, read through the following strategies and select the one that's right for you.

Strategy 1: Pay Off the Smallest Balance First

This approach builds "pay-off momentum." Note: Online calculators can help you calculate pay-off dates given certain payment amounts.

1. List your credit cards from lowest balance to highest.
2. Pay only the minimum payment due on the cards with larger balances.
3. Pay additional on the cards with the smallest balance.
4. When a card is paid off, apply additional payment to the card with the next smallest balance.

Strategy 2: Pay Off the Highest Interest Rate First

This is the best dollars-and-cents approach.

1. List your credit cards from highest interest rate to lowest.
2. Pay only the minimum payment due on cards with lower interest rates.
3. Pay additional on the cards with the highest rate.
4. When a card is paid off, apply additional payment to the card with the next highest interest rate.



Strategy 3: Pay Down the Debt That Helps Your Credit Score the Most

This approach improves your credit score and potentially reduces your future borrowing costs by paying down cards with the highest credit utilization ratios. For example, a credit card with a \$4,000 balance and a \$10,000 credit limit has a 40% credit utilization ratio. A ratio below 30% is recommended.

1. List your credit cards from the highest credit utilization ratio to the lowest.
2. Pay only the minimum payment due on credit cards with lower ratios.
3. Pay additional on the cards with the highest credit utilization ratio.
4. When a card is paid off, apply additional payment to the card with the next highest utilization ratio.

Other Things You Can Do

Balance Transfer

While making timely payments on your credit cards is important, if you're unable to pay the balance off in full every month, only making minimum payments, you may want to shop around for long-term, low or zero-percent interest rate transfer opportunities. Keep in mind that many zero-percent or low interest offers may only last for a limited time, after which the interest rate and payment may increase. There may also be charged fees, such as a "balance transfer fee," which is usually a certain percentage of the amount transferred. As a result, the new card could end up costing you more in fees and interest.

Talk to the Credit Card Issuer

The issuer may be willing to waive fees, reduce interest rates, or accept lower minimum monthly payments.

Where to Turn

Questions or requests related to your credit cards should first be made to the card issuer. Consulting with a non-profit or credit counselor may be another option.

- For additional information or to file a complaint against a credit card company contact the **Consumer Financial Protection Bureau** (CFPB), 855-411-2372, or visit www.consumerfinance.gov.

EXTRA

The Federal Trade Commission reported approximately 82 million U.S. consumer records were exposed through data breaches.

Be on the lookout for a wireless camera disguised to look like a leaflet holder that may be mounted in a position to view ATM PIN entries. The thieves copy the cards and use the PIN numbers to withdraw thousands from many accounts in a very short time directly from the bank ATM.

