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## New credit law means you'll see what you pay in long term

BY SUSAN TOMPOR  
FREE PRESS COLUMNIST

Enjoying a Mexican lunch with the kids. Treating yourself to those blue suede boots on sale. Honoring a departed friend with a contribution to a memorial scholarship.

Priceless.

Taking 16 years to pay off the \$1,300 in credit card debt?

Pointless -- absolutely pointless.

And starting now, you don't have to look any farther than your monthly credit card statement to see the real cost of charging things.

The shocking price tag for long-term credit card debt will be plain on the statement, thanks to one change that took effect Feb. 22 as part of the Credit Card Accountability, Responsibility and Disclosure Act.

"This really will be depressing to people," predicts **Candy S. Wright**, group manager for credit counseling for **GreenPath** in Farmington Hills.

It may be depressing -- but Wright and others agree that consumers must study the cold, hard numbers if they ever want to get out of debt.

### The ugly truth

It's not a great feeling to discover that \$600 on one credit card could take 11 years to pay off or that \$4,500 on another card could take 38 years if you are making just the minimum payment each month -- and not charging anything else.

To discover the ugly truth, look on your statement for the words "payment information."

The boxes of numbers will be calculations based on your balance and interest rate.

### Interest trumps bargains

Consumer groups and columnists, including me, have pushed for years to make credit card companies tell more about the potential cost of using plastic.

Now that they are, you need to read it.

Use the new numbers to motivate yourself to cut back spending -- and to pay far more than the minimum.

The new chart tells you the amount you'd need to pay each month if you wanted to pay off the balance on your card in three years.

For some debt-burdened consumers, the number can be startling.

"They're going to look at that three-year payment amount and their stomach is just going to drop," predicted Gerri Detweiler, a personal-finance expert with Credit.com, a consumer education Web site.

She also warned that, normally, if you can't pay that credit card bill off in three years, you're in trouble.

So you might want to call a phone number now listed on your statement to find out about credit counseling services.

Some young consumers end up buying far more than they really should because they figure they can afford the minimum payments on all their credit cards.

But in the long run, they're blowing through huge sums of money.

### **The warning label**

Monthly statements must now also carry a warning that seems as obvious as the "hazardous to your health" label on cigarettes: "Making only the minimum payment will increase the amount of interest you pay and the time it takes to repay your balance."

A new chart on your statement estimates how many years and how much money it will take to pay off the balance if you make only the minimum payment each month and stop charging on that card.

For instance, making the minimum payment on \$1,331 in purchases -- which would start at \$26 -- would cost you \$3,069, or \$1,738 in interest.

Put another way, those \$44 boots would end up with a \$101 price tag -- not much of a bargain.

And that \$28 Mexican lunch? At \$65, you might get indigestion.

### **Aim for a payoff**

Personally, while I use plastic for most of my family spending, I'd never charge more than I'm able to pay off each month.

But given our horrible economy, I know many people are stuck carrying a credit card balance and not able to make large monthly payments.

If you want to play with some numbers, see [www.federalreserve.gov/creditcardcalculator](http://www.federalreserve.gov/creditcardcalculator).

In some cases, if you've got a high balance and a high interest rate, you could discover that you'd never be able to pay off that card if you made the minimum payment each month.

Yes, in extreme cases, never.

Or look at your latest statements.

You should aim to make that three-year payoff number or better each month -- and stop charging.

Three years is a far more reasonable goal to pay off credit card debt than bumbling along making minimum payments for 10 years or 15 years or more.

Most of us need to get rid of our credit card balances just as quickly as we forgot what we bought last month.

It will bring you peace of mind. And that really is priceless.

Contact SUSAN TOMPOR: 313-222-8876 or [stompor@freepress.com](mailto:stompor@freepress.com)

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