5 Tips For Beating Credit Card Debt

LET’S FACE IT: Credit-card debt has become a super-sized problem for many Americans. The average household now owes more than $9,300 on their credit cards, according to CardWeb.com, a credit-card information web site. Ten years ago, that figure was $4,300. Debt like that isn’t easily wiped away. But with some determination, that can be achieved. Here are five tips to get you started:

1. Confront the problem

Now is not the time for denial: Take a good, hard look at how much you owe and how much interest you’re paying. “It’s very common that consumers don’t know where they stand,” says credit expert Gerri Detweiler, author of “The Ultimate Credit Handbook.” “It’s scary to sit down and tally up the numbers.”

Once you’ve faced facts, devise a plan of attack. Find ways to reduce spending and by all means, stop using your credit cards.

2. Transfer high-interest balances to lower-rate cards

These days the average credit card interest rate is 14.09%, according to Bankrate.com, while those with poor credit may be paying as much as 29% or higher. But some credit-card issuers still offer 0% APR introductory offers on balance transfers, says Scott Bilker, author of “Talk Your Way Out of Credit Card Debt.” And many of these offers waive balance transfer fees, which can be as high as $75 or 3% of the balance transferred. Of course, if your credit history is in shambles, you’re not likely to qualify for these deals.

Before applying, make sure you read the fine print. “The credit-card companies wouldn’t offer those 0% deals unless they made money off it,” Detweiler says. So be sure to stay on top of your cards, paying off your balances or transferring them to another low-rate card before the introductory offer ends.

3. Call your lenders

If those 0% offers aren’t exactly flooding your mailbox, try asking your lender to lower your rate. No, it probably won’t drop to zero percent, but it could very well drop a few percentage points. According to a US PIRG study, 56% of consumers who called their credit-card company lowered their APR within five minutes. Those who were successful reduced their APR from an average of 16% to 10.5%.

If the customer service representative refuses to lower your rate, Bilker says, ask to speak to a supervisor and threaten to transfer your balance to another credit card.

4. Tackle the highest-interest card first

Once you’ve done all you can to lower your interest rates, figure out which debts to tackle first. Financial planners often recommend paying off the card with the lowest balance first, so you can see fast results. That’s a fine plan, but if you really want to pay your debt off as quickly as possible, focus on the card with the highest interest rate and pay the minimums on the rest, recommends Detweiler.

5. Beware debt-management scams

If your credit-card debt is spiraling out of control, you may benefit from the services of a credit-counseling agency. Those are nonprofit organizations that help consumers pay off overwhelming debts by lowering their interest rates or placing them in so-called Debt Management Plans (DMPs). Through these plans, the consumer sends a check to the agency, which then disburses it to creditors. Howevever, be wary of some of these firms.

Red flags include pushing you into a Debt Management Plan without carefully reviewing your financial situation and outlining alternative solutions. You should also be wary of any counselor that pressures you to sign a contract right away or one that charges excessive fees, such as 10% of your current monthly payments.

To make sure you are dealing with a reputable credit counselor, check its record with the Better Business Bureau and call your state’s Attorney General’s office to review complaints.