What Happens If I Make Only the Minimum Payment on My Credit Card?

Offering only the minimum payment keeps you in debt longer and racks up interest charges. It can also put your credit score at risk.

Claire Tsosie | Jul 14, 2021

Making only the minimum payment on your credit card keeps your account in good standing and avoids late fees, but that's about all it does. It won't get you very far toward reducing your credit card debt.

If you're experiencing a financial emergency, paying only the minimum for a few months never do so under any circumstances. However, as a long-term strategy, it's a recipe for serious trouble.

Can’t afford your minimum payment? Take action before it increases.

- Stop using your credit card to prevent a drastic minimum payment increase.
- Lower the cost of your bills.
- Consider getting a side job to earn extra income.
- Explore your get-out-of-debt options before your balance spirals out of control.
- Learn about ways to find cash fast.

Paying down your debt will take much longer

Credit card issuers tend to set minimum payment requirements at rock-bottom levels. You'll generally owe either a fixed amount — often $25 — or a percentage of the balance, whichever's greater. Some cards require you to pay only 1% or 2% of the balance each month, plus any fees and accrued interest. Making these small payments on time will avoid late fees, but you won't make any real progress on paying down your balance.

> “"If you pay twice the amount of the minimum, that repayment period gets cut in half.””
>
> Ed Mierzwinski, U.S. Public Interest Research Group

See how it affects you: Look at the “Minimum Payment Warning” on your credit card bill. It includes a table that shows how much money and how many years you'll need to pay off your balance if you pay only the minimum each month. You'll significantly shorten that period just by paying more.

“If you pay twice the amount of the minimum, that repayment period gets cut in half,” says Ed Mierzwinski, who lobbied for laws requiring these disclosures as the consumer program director of the U.S. Public Interest Research Group, a federation of nonprofits.

You’ll rack up bigger interest charges

Unless you're using a 0% APR card, your interest charges will grow along with your

"You're running on a debt treadmill if you only make the minimum payment," Mierzwinski says. "You pay, and you pay, and you pay, and you never pay it off."

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See how it affects you: To estimate your interest charges, divide your card's annual percentage rate by 12 and multiply it by your average balance. If your card has a 21% APR, for example, your monthly interest rate would be 1.75%, or 21% divided by 12. Multiply that by the balance you're carrying. If you have a balance of, say, $10,000, you'd owe about $175 in interest next month if you paid only the minimum now.

You can start next month with less debt by paying more against your balance.

Your credit scores could suffer

When your credit card balances climb, so does your credit utilization ratio — the percentage of your credit you're using. And because your credit utilization ratio is a major factor in your credit score, high balances can badly damage your credit. That makes it harder to qualify for affordable loans and credit cards with the best terms. It can even affect your ability to find a job or rent an apartment, as employers and landlords commonly review applicants' credit.

It's best to use less than 30% of your credit limit on any given card. If you can use less, that's even better.

> "High credit utilization can even affect your ability to find a job or rent an apartment."

See how it affects you: Use this credit utilization calculator to determine your ratio. If your debt is bumping up against your credit limit, focus on bringing down your balances as much as you can. If you feel squeezed for cash at the end of the month, try paying your credit card bill right after payday. Or if you're able, volunteer for more shifts at work and put the extra cash toward your debt. To see how your credit utilization ratio impact your credit, check your free credit score on NerdWallet.

If you can't afford more than the minimum, ask for help

Paying the minimum is better than racking up late fees. And because late payments can

But you shouldn't do it forever. If your debt totals more than half your annual income, you can't pay it off within five years, and it's a source of major stress in your life, you might want to consider bankruptcy. Consult a bankruptcy attorney to learn more about your options.

But if you can find a way to pay more than the minimum, do it. Deal with your debt now instead of putting it off until later.

About the author: Claire Tsosie is an assigning editor for NerdWallet. Her work has been featured by Forbes, USA Today and The Associated Press. Read more

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