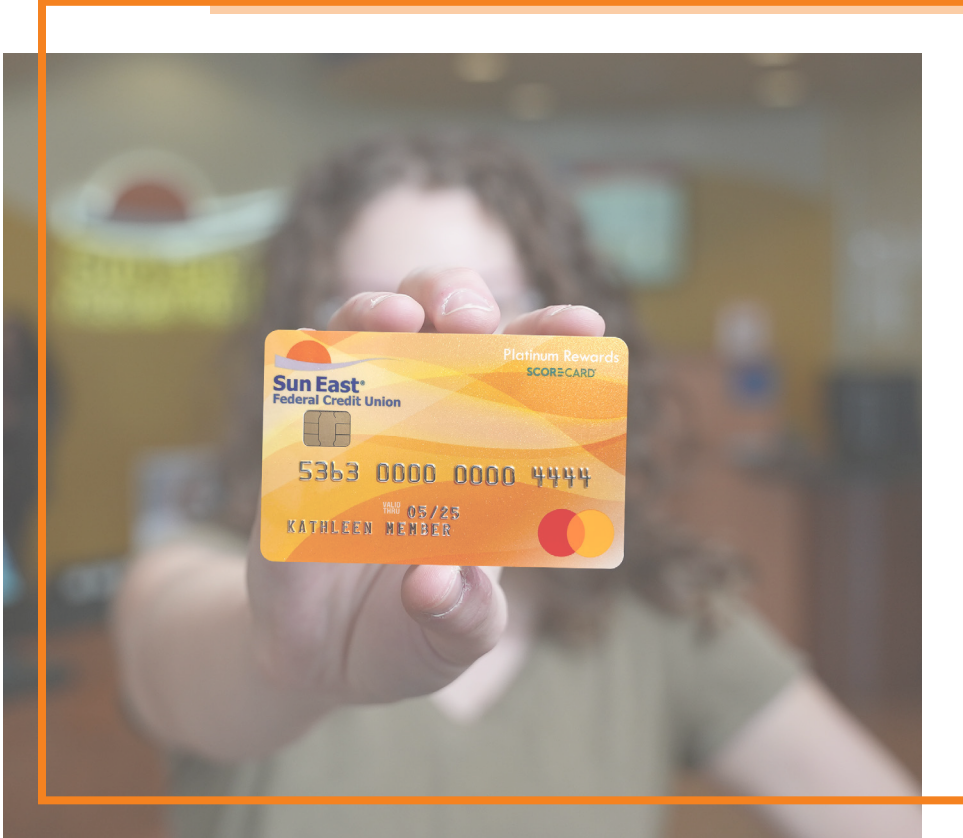


# Understanding Credit Card Holds



We're all working to manage our budgets and be mindful of spending these days. And probably **many of us are using credit cards for everyday expenses on a regular basis.**

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Some merchants may initiate a credit card hold – which basically “locks” funds in your credit card account. This preauthorization of funds may be unexpected and could impact your purchasing power if you are close to your card’s credit limit. There are two types of credit card holds:

## **Authorization Hold**

This is a temporary hold on part of your credit line to ensure the card works, and there are enough funds available to cover the amount due. This often happens with gas merchants; hotel stays or car rental transactions – to name a few. This hold may be as short as a few hours or several days, depending on the type and amount of the transaction. USA Today recently reported that a few major credit card issuers increased their holds on gas purchases up to as much as \$175, due to the escalation in gas prices. Here’s an illustration offered in the article:

“... a gas station puts a temporary \$175 hold on your credit card when your tab only came to \$75.... you have another couple of days left in your billing cycle and the \$175 charge puts you at your spending limit. ...if you need to charge \$125 worth of groceries that same day, you may not have the option.”  
(M. Beckman, The Motley Fool, 7/10/22)

**TIP: Be aware of the credit limit on your card, and the amount of charges you are applying, in relation to the time left in the billing cycle – especially if you are close to your credit limit.**

## **Administrative Hold**

This hold is applied by the credit card issuer if you exceed your credit limit, to make sure you don't use your card until a payment is applied to bring the balance below the credit limit. The hold may also be incurred if you regularly make late payments; and may also lead to your card ultimately being canceled. To avoid this from happening



altogether, plan your payments prior to the due date and stay below the credit limit on the card.

### **Avoiding Credit Card Holds**

Here are few ways you may be able to avoid a credit card hold, or at least lessen the impact on your credit limit:

- Pay in cash
- Find out how much the merchant's pre-authorization is going to be on your card prior to the transaction being processed
- Always be aware of your credit limit – most credit cards offer notification alerts when you are close to your limit, as well as other helpful account activity alerts
- If possible, ask for the hold to be removed after paying your bill – or contact your credit card issuer and request that the hold be removed In summary, you are your best advocate. If the credit card issuer offers an app, use the tool to check your balances on a regular basis and use the notification tools to help manage your account.

*Source: Lendingtree.com (Medine, 8/31/2022); USA Today (M. Beckman, The Motley Fool, 7/10/2022)*