

Title:

Guide to Balance Transfers

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Summary:

Are you tired of fighting high credit card fees? Why not lower your interest payments by transferring your balance to another card. Balance transfers are one the smartest and easiest ways to reduce credit card costs.

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Article Body:

Are you tired of fighting high credit card fees? Why not lower your interest payments by transferring your balance to another card. Balance transfers are one the smartest and easiest ways to reduce credit card costs. Just be sure you understand the terms and conditions of the new card, so you can maximize your savings.

Before you run out and switch credit cards, consider whether you want to keep your current card. If you do, simply ask for a lower interest rate. Tell your credit card company you've found another card with a much lower rate and you'll have to transfer your balance if they can't cut you a deal. However, be prepared to do so if they refuse your request.

Why Use a Balance Transfer?

Balance transfers can provide card holders with a number of advantages. Transferring balances to a lower rate credit card can drastically reduce your interest rate and fees. Credit card companies charge varying interest rates on balance transfers and purchases. The most common rate is 0 percent for six through 12 months.

For example, the Chase Ultimate Rewards MasterCard and Citi Platinum Select MasterCard charge no interest for 12 months on balance transfers and purchases. The Discover Platinum Card and the Hess Visa from Chase drop the introductory rate after eight and six months, respectively.

Some cards link the introductory annual percentage rate (APR) to billing cycles. The GM Card and Fifth Third Bank Cash Rewards MasterCard, respectively, charge 0 percent APR for the first six and four cycles.

Transferring balances can also give you access to more perks. For example, you may be able to get a new card that has no annual fee, a longer payment grace period or cash back on purchases and other rewards. Some cards also offer car

rental insurance, identity theft protection programs and money saving discounts.
How to Transfer Balances

Credit card companies commonly use low interest rate balance transfers to attract new customers. There are three main ways to transfer the balance on a card. One way is by simply filling out the paperwork provided by your new card issuer. Or you can contact the credit card company that you want to transfer a balance to and make arrangements for a balance transfer.

You can also shift balances by writing balance transfer or convenience checks. These simple checks look and act like regular checks. You simply write a check for the amount of the balance transfer and send it to the company you want to transfer a balance from. Some checks have an expiration deadline, so make sure you use them within the appropriate time frame. If you don't, you'll be charge the regular interest rate set for your card.

Regardless of which transfer method you use, you can only transfer as much as your credit limit on the card you are transferring allows.

Transaction Cost and Other Fees

Banks generally treat balance transfers like cash advances and have similar transaction fees. There's no fee for balances transferred in response to special offers. But for Citi Platinum Select and many other companies, the transaction fee for balance transfers is 3 percent of the amount of each balance transfer, with a \$5 minimum and \$50 maximum. Keep in mind that a small amount of funds may not be worth transferring because the transaction fee may outweigh your potential savings.

In addition to standard transaction costs, banks also charge special fees that can take you by surprise. Some of the most common special fees include:

Late fees - Some banks wait a few days before assessing a late fee, but many impose it the day after the payment was due. Companies either charge a flat fee, such as \$10 or \$15, or a percentage, such as 5 percent, of the minimum payment due. To avoid late fees, mail off your payment so it arrives in plenty of time before it's due. If you pay your bill at the bank's branch or ATM, find out how long it will take to process your payment. Sometimes payments made at a branch or ATM aren't credited for a few days.

Over-credit-limit fees - Most cards assess a fee if you charge more than your credit limit. These fees are charged each time you go over your limit, so you could be hit with several of them during the same billing period. Banks typically charge \$10 or \$15 for this fee or up to 5 percent of the amount you're over your limit. These fees are in addition to interest charges.

Lost card replacement fees? If your card has been lost or stolen more than once and you need a new one, some companies will charge you for a replacement. These fees are range from \$5 to \$10.

Making Payments

After you transfer balances, be sure to make all your payments in full and on time or you'll automatically be hit with higher fees. Generally, there's no grace period for repaying balance transfers, so interest will accumulate immediately. (No interest will actually accumulate if you have an introductory 0 percent APR.)

When making payments, it's important to understand that the payments you make will first be applied to balances with lower or promotional balances and then allocated toward higher APRs. That means you'll be paying down 0 percent balance transfers before you even touch the balance on regular purchases which can be charged at a rate of 9 to 18 percent. As a word of advice, consider using a different card for your regular purchases and pay off the balance each month. Keep your balance transfers restricted to a separate card.

After the Promotional Honeymoon Ends

You need to keep a close eye on the promotional period. As soon as it expires, normal interest rates will apply. The standard variable APR for Citi Platinum purchases (8.99 percent) will be applied to all remaining purchase and balance transfer amounts. Likewise, the standard variable APR for cash advances (19.99 percent) will be applied to all remaining cash advance amounts. If you default on Citi Platinum's card agreement, the company can immediately increase the APR on all balances including any promotional balances to a variable default rate of 28.99 percent.

Your post-introductory APR will depend on your credit history. If this interest rate is significantly higher than the rate on your old card and you have a remaining balance, you'll wind up losing money. Of course, you could always transfer your balance to a new card with a lower promotional rate. Just be careful not to entangle yourself in a vicious cycle that could backfire later

To Compare Credit Card

<http://www.bestcreditrates.net>