

Credit card rate

All about credit card rate

What's the thing that is most prominent on any credit card ad? Well, it's the credit card rate (or the APR, as we know it). The credit card rate is the most publicized thing in the world of credit cards. A lot of people just compare the credit card rate of various credit cards and just go for the one that is offering the lowest credit card rate (or APR). Credit card rates are, in fact, one of the most important factors in the selection of a credit card (though not the only factor). Therefore, a proper understanding of Credit card rates is even more necessary.

So, what is a credit card rate or APR? Very simply, credit card rate is the rate of interest that the credit card supplier will charge you with on the amount you owe them. The credit card supplier will charge you an interest only if you don't make full payments in time. When you receive your credit card bill, it specifies the full amount you owe the credit card supplier. It also specifies the minimum payment that you must make (by a particular date), in order to avoid incurring a late fee and other inconvenience. You have the option of making either a full payment or just the minimum payment. If you make a full payment (by the due date), you are not charged any interest. However, if you decide to go with the minimum payment or some amount that is lesser than the full amount, the credit card supplier will charge interest based on the credit card rate and the balance amount. This credit card rate is the interest rate that you agreed with them at the time of applying for the credit card. The credit card rate or the annual percentage rate, as is obvious, is an annual interest rate. The credit card suppliers use this annual credit card rate to calculate the monthly credit card rate and then they calculate the interest on the balance amount that you owe them. The balance amount here is simply = Full amount - (payment made by you). This interest is added to your balance for the next month (at the time of next billing cycle). If you again make a partial payment, the new balance is calculated again and the credit card rate (monthly one) applied to it for calculation of new interest; and it keeps going on and on until you make the full payment.

That's how credit card rate acts in this vicious circle. Hence, credit card rate is termed as the most important consideration in choosing a credit card.