

When you apply for a credit card, look before you leap!

In the early 1970s, banks were eager to introduce the consumer public to the then-new concept of the credit card. Prior to this time, people would have charge-accounts at their favorite department stores, but that was about the extent of living on credit. Unsolicited credit cards were sent out by the millions and consumers eagerly accepted this new way to buy what they wanted on time. Lots of people got in trouble, overextending themselves and facing debt that might take years to pay. Today, both banks and consumers are smarter. When you apply for a credit card, there are a few things you should know before you accept an offer of credit.

Applying for a credit card is ultra easy these days. You can apply for a credit card online and be approved in just minutes. What you may not know is that as soon as you've entered your information and submitted it for approval, the issuing bank runs a credit check which determines what your lending rate will be.

If you have no credit history, or your credit record is not so great, you may well be approved, but the lending rate will knock your socks off. Be sure to read the fine print before you apply for a credit card. What's the APR? Should you be late on a payment, how much is the late fee? Is the rate offered an introductory rate which reverts to a much higher rate a few months down the road? Make sure you have all these questions answered before you sign on the dotted line. Otherwise, your initial excitement in receiving the credit can turn into future disappointment and a worse credit rating.

Some banks offer a balance transfer arrangement, whereby you can consolidate other credit card debt into a single payment to their company. This can be a good solution, assuming your credit is good and you can afford the monthly payment. Again, check for introductory rates, the APR and late fees.

When you apply for a credit card, keep in mind that you're making a serious commitment. Your credit rating is important. Getting into a position where you are late on payments or can make only the minimum payment each month is not desirable. You also need to realize that if you are late, even once or twice, both your lending rate and the dollar amount of a late fee will increase.

Finally, do not assume your payment date remains the same each month. Sometimes the bank adjusts the billing cycle with the result that your usual due date of the 5th of the month becomes the 4th. If you don't look each month and make your usual payment on the 5th, you'll end up with a late fee and perhaps a higher rate.

Be a smart consumer when you apply for a credit card. You'll then build a good credit rating and enjoy the many advantages of credit.