Title:
Getting Smart on a Low - Rate Credit Card

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Summary:
The intense competition among credit card companies has squeezed their creative brains hard, as they try to come up with innovative features on their various credit cards. One of the most attractive - and substantive - features invented by the credit card companies have been the low-rate credit cards.

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Article Body:
The intense competition among credit card companies has squeezed their creative brains hard, as they try to come up with innovative features on their various credit cards. One of the most attractive — and substantive — features invented by the credit card companies have been the low-rate credit cards.

It is a smart move to take advantage of these cost-saving credit card offers. Potentially, you could actually get the bulk of interest savings from these low-rate credit card offers, especially when you are trying to manage your credit card debt. Indeed, there are people who would advise that you jump from one credit card to another, taking advantage of the 0% apr credit card introductory offers and save yourself a lot of money in interest charges. It would be like getting an interest-free loan every time.

However, as attractive as such offers may seem, it would not hurt to thoroughly investigate the finer details of the credit card terms. The credit card companies, after all, are there to make money, so why should they be giving away their chance to make profits with these 0% apr credit card offers? Being in the business of lending money, credit card issuers earn money by charging interest on credit card balances.

It would be prudent, therefore, to check for hidden costs in these attractive offers before you apply for a credit card. Prudence requires that you study and understand the entire offer. Despite a possible distaste for it, you should read the credit card terms, the back of the offer, and all of the fine print.

You should study these conditions every time consider new credit cards. It’s not that you begrudge the credit card companies the right to impose interest and credit card fees; it’s just that you would not want any surprises and would prefer to get the better end of the deal. Let us look at some of these details.

Interest rate. This will always be the most important factor when evaluating credit cards. You will have no problem finding the nominal rate because it is usually printed in big bold type in the credit card offer letter. The long and the short of interest rate is this: if you want a balance transfer as a means to save money, you’ll have to make certain that your current rate in your existing credit card is significantly higher than the interest rate in the new offer for credit cards. While other considerations should also be weighed, you will agree that if this condition is not true, there is no way you will save money on the new card.

Action date. This may not be as obvious, as it is buried in smaller print. The offer from the credit card company may specify the latest day for you to take advantage of the offer. Sometimes, the offer will specify different rates for different action dates.

Effective period. You need to know how long the low rate will be applied to your credit cards. The introductory periods on credit cards, vary anywhere from three months to fifteen months, and this obviously will impact how much you can expect to save. The longer the time you’re in the low rate, the more money you will save. However, if there are credit card processing fees included as a condition on the transfers, you need to calculate a break-even time, that is, you must be in the lower rate for a certain length of time before you start seeing any savings.

Application of payments. You have to make certain how payments will be applied to your credit card account. Sometimes, the credit card issuer will apply your payments to the balance you transfer from other credit cards, which is subject to the low rate offer, while new purchases which may accrue interest at a higher rate will remain untouched by your payments. However, there are cards that offer the low rate for both transfers and new purchases, which is more advantageous to you.

Allowable amount to transfer. Most credit card offers allow transfer balances up to your credit limit, which is great. This can be a little tricky, though, because they often do not specify exactly how much you can transfer. It’s tricky because it is possible for you to go over the credit cards credit limit if there are transfer fees and other charges to be paid, and if you do go over that you will get hit with an over-limit fee. Discuss this area thoroughly with the account representative to be certain you don’t break any rules.

Remember, if the bank thinks it can charge credit card fees for something, they will.

Balance transfer fees. Now most balance transfer offers do not really impose transfer fees. Just double check to make sure; read the fine print carefully. There could be transfer fee schedules based on the amount transferred, which could be something like: a flat minimum fee for any amount; a 2% fee on the amount transferred; or, a maximum fee to serve as a ceiling. It is not saying that credit card fees are automatically onerous, but you must know so that you can calculate if indeed you will save money when comparing the credit card fees to what you currently are paying.

Different rates for different amounts transferred. There may be a varying schedule of rates for different amounts transferred. This could be present in the credit card offer letter, but then again, it may not. Some banks may graduate their interest rate such that the bigger the amount transferred, the lower will be your rate. For instance, amounts below $3,000 will be at 8.9%, $3,000 to $4,999, 7.9%; and over $5,000, the interest is 6.9%. Again you need to know this to calculate the amount you will save on the credit cards.

Late payment condition. You should really be careful with this condition imposed on credit cards. The advantages of the low-rate credit card offer could suddenly terminate and end up costing you hundreds of dollars if you do not read the terms and conditions. Contract provisions like this usually go to the superfine print area, and could read something like, “However, if a minimum monthly payment is not received by the close of the first billing cycle following the payment due date, your promotional APR balances will be 24.9%.” That’s a jump to the stratosphere from a very low rate credit card offer, and that is for being late once! This is where you realize that it is costly to be late on any of your credit cards. The bottom line is that when you opt to take the low rate offer, make your payments on time.

Interest rate after intro period. You must know what the rate will be when the introductory period is over. Hopefully, the bank will raise the rate to a fair level, but if you comparison shop, you will find that some rates can reach close to 20%. That can be painfully high. You need to know this rate after the promotion period phases out, to be more realistic in your estimate of savings. This assumes that you will not switch to new low-rate credit cards. If the bank tries to gouge you, you probably will. There are so many other offers on credit cards to choose from out there.

There are benefits to be gained from these low-rate credit card offers. To ensure that you will enjoy these benefits to the maximum, you must do your homework and become credit card smart.