

Determining Which Credit Card Applications Are Right for You

When your credit rating is good, credit card companies stuff your mailbox with credit card applications. Consumers with especially good credit can get several offers a day, every day. When you are given so many options, how do you decide which credit card offer is the best one for you?

Start by ignoring most of the promotional offers. Those 0 percent interest rates are good only for an introductory period; after six months or so, they shoot up to the real interest rate, which is usually in the double digits. Examine your credit card applications for the real interest rate, which is usually hidden in the small print or in a chart on the back. Sort your offers by interest rate, and give serious consideration only to the offers with low regular interest rates.

The one exception is promotional offers in which you are invited to roll over debt from another credit card, and the low interest rate will apply to the transferred amount for as long as it takes you to pay the loan off. If you are already trying to pay off a large sum on another credit card at regular interest rates, and you do not plan to use the new credit card for any other purchases after you have rolled over the balance, then this type of credit card promotion can be an inexpensive and uncomplicated way to pay off a large debt at a low interest rate. However, if you do charge anything to the card after the introductory period, the charges are added to the card at the much higher regular interest rate, and your payments are applied to the charges made at a lower interest rate first. You might not be able to start paying off the higher interest charges for months or years, during which they will accrue a healthy sum of interest for the credit card company. Consider this type of promotion only when you want to transfer a large debt onto a card with a lower interest rate, not when you are shopping for a credit card for daily use.

When you have winnowed your options down to a handful of credit card application with appealingly low interest rates, take a look at their default interest rate. The default rate is the interest rate you will pay if you make a payment late, run over your credit limit, default on your credit card, or make a number of other credit mistakes. These mistakes can be ridiculously easy to make, so even if you are scrupulous about paying your bills, give serious thought to the default rate. Select the lowest default rate you can find.

Once you have a collection of credit card applications with low regular and default interest rates, then you are free to consider the other goodies the companies are offering. You can get some fantastic perks from companies that are eager for your business. Then fill out the credit card application for the best card, drop it in the mail, and use your new credit card with confidence.

About the Author

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