

Telling Good Credit Card Applications from Bad Credit Card Applications

If you have good credit, credit card applications will arrive in the mail with alarming regularity. Especially attractive consumers often get several offers in the mail 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 low, low interest rates are only introductory rates. After about six months, the honeymoon period ends and the interest rate shoots up to the real, double digit interest rate. 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 have a large balance to transfer off another credit card, and you do not plan to charge any purchases to the card after you have transferred the balance, then this kind of promotional offer can be an excellent way to get a low interest rate on a large outstanding balance. However, any charges you make to the card after the introductory period have a much higher interest rate, and any payments you make to the credit card company are applied to your lowest interest rate balances 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. This is the interest rate you will be charged if you are late with a payment, exceed your credit limit, go into default, or commit a host of other credit sins. 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. This is the fun part, so enjoy! Then fill out the credit card application you choose, send it in, and enjoy your card knowing you have gotten a great deal.

About the Author

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