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Shake 'n' Rate: Scoring a lower credit card rate

You've seen them in your mailbox a hundred times--those offers promising you "big savings" if you transfer your credit card balance. But what is this claim of "big savings"? It means that in transferring your balance, you end up saving money due to a lower interest rate. For someone drowning in credit card debt due to high interest rates, consolidating with a lower rate could spell some relief.

Before you undertake a balance transfer, the first step you can take in getting a lower rate is simple... just call your current credit provider and ask for one.

You make the call

When talking to your credit card provider on the phone, be sure to bring up these points--you may be surprised by the results:

- You have received lower rate offers from other card companies.
- You are a good customer (it will help if you actually are).
- You would like a lower rate, or you will cancel your card and switch.

Be persistent and keep your message simple. Most companies would rather cut you a break than lose your business, so you should be able to whittle your rate down a little. If they won't budge or lower it enough, be prepared to make good on your point and transfer your balance to a different card.

Know the consequences

Before you close your old account and open a new line of credit, consider these factors:

- Credit score: Your score is calculated with a complicated formula that includes payment history, amount owed, length of credit history, new credit, and types of credit used--among other things.
- Creditors: Utilizing 35 percent or less of your available credit is a good credit utilization ratio, which creditors like.
- Accounts: Just closing your old account might not be the best choice. In some cases, keeping your old credit card account open, even if you don't use it, looks better on your credit score than just closing the account. On the other hand, it's possible to have too many open credit card accounts, which can hurt your credit score (it all has to do with the credit utilization ratio).

You can get a free credit report at annualcreditreport.com to help you make the right choice. But don't be scared of balance transfer. If you're paying high interest on a credit

card and want to start getting out of debt, using balance transfer to get a lower rate can be a good call. When starting this process, here are a couple of helpful things to keep in mind:

How long does the promotional rate last?

Sure, the offer might give you 2 percent APR on your balance transfer, but if it's only for six months and then balloons to 20 percent, is it really worth it? The answer is no, unless you know you will have that balance paid off in six months.

What are the terms on the new card?

There are many things you need to look at besides the rate before taking the plunge. Read the fine print on the offer you received (use a magnifying glass if you have to). Many cards have balance transfer fees and annual fees. These could offset some of the savings you would make with a transfer.

Bottom Line: If you carry any credit card debt, getting a better interest rate could save you hundreds or thousands of dollars in just a few years. Don't sit there and accept your rate as-is--you have options.

Sources: bankrate.com; fool.com; creditcards.com; consumeraction.org

Stats

686 million--the number of Visa cards in the United States in 2007.

Source: visa.com

\$16,635--the national average of debt per individual from revolving credit accounts (credit cards) and fixed payment accounts (like car loans) and not including mortgage debt.

Source: nationalscoreindex.com

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