

Credit Card Applications

When your credit rating is good, credit card companies stuff your mailbox with credit card applications. 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 paying no attention to any 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. Use the real interest rate to sort your offers, and throw away the offers at the high end. Give your attention only to the offers with the lowest regular interest rates.

The exception is promotional offers offering you a low rate for the life of the loan. 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. Before you can start to pay off the charges you made at a higher interest rate, you must completely pay off the original sum you transferred onto the card. During the months or years it takes you to pay off the original sum, the new charges will accrue hefty interest, all of it money in the credit card company's pocket. Consider this kind of promotion only if you need to roll a large balance onto a card with a lower interest rate, not if you are looking for a credit card to use on a regular basis.

When you have a selection of credit card applications with attractively low rates, consider their default 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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