

Keeping Track Of Your Credit Card APR

One of the most basic factors which determines how expensive your credit card is to use is its interest rate, or APR (Annual Percentage Rate). The lower this figure, the less money you'll be charged for the privilege of borrowing money on the card. As APRs are so important when making the choice of which new card to apply for, many advertisements and promotions feature strikingly low rates, at least initially, in an effort to lure in new custom. This is all well and good for people applying for new cards, but what about existing cardholders? Why is keeping an eye on your APR important? The first thing to note is that when credit card companies refer to the APR of a card, they invariably use the word 'variable' enclosed in brackets, and this is vitally important. This one word basically means that the card issuer has the legal right to change the amount of interest they charge on a card debt, regardless of the rate they quoted and delivered when you first applied. All they need to do is to inform you in writing before they make any changes to your account, although this is often done via a longwinded 'terms and conditions' document which might not make it immediately apparent what's actually changed. So what's to stop credit card companies from dramatically increasing their rates, with the potentially devastating consequences that could entail for the financial health of their customers? In recent years, competition between issuers has ensured that any rises would be small enough to keep their customers happy - it was far too easy a matter for a customer to jump ship to another bank if they were upset. These days, the situation isn't as simple. The credit crunch that we're hearing so much about, along with troubling times in the economy in general, means that it's getting much more difficult to be approved for a new credit card. Already issuers are tightening their acceptance criteria, and the number of rejections is rising fast. Some analysts predict that by the end of the year, the average rejection rate for credit applications will be over 70%. What this means for existing cardholders is that they're much more at the mercy of their issuers, who know that many customers have nowhere else to go. Couple this with falling bank profits because of bad debts, and it's clear that there'll be a temptation to increase rates to squeeze more profit out of each account, especially for customers with less than perfect credit ratings. Because of this, it's vital to pay attention to any letters you receive from your card company. If you're told that your APR will be increasing, write back expressing your displeasure, and say that you'll be looking for a new card from one of their competitors as a matter of urgency. This can often have the effect of making them back down and leave your rate unchanged, but if this doesn't work, seriously consider applying for a new lower rate card and transferring your balance onto it, before the credit crunch really begins to bite and makes it nigh on impossible to escape the clutches of your current bank.

About the Author

Michael writes for Credit Card Sense, where you can compare [low interest rate credit cards](#) and [balance transfer credit cards](#) to get the best solution for your financial needs.

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