

Rate Changes to Credit Cards

Owning credit cards during an economic downturn might look very different than it has the past decade. Like mortgage lenders, banks who offer credit cards are tightening their lending standards. They are decreasing credit limits, increasing interest rates and closing accounts that have been inactive too long. In fact, some customers whose accounts are current have even had their maximum credit amount lowered. And it is estimated that about 60 percent of banks have cut limits for subprime consumers. Banks are examining credit reports and reviewing credit scores for consumers who have existing credit cards with them. They can modify the terms, limits and interest rates for a current customer they feel might be a credit risk. For those who only pay the minimum required each month, an increase in rates could mean higher payments. Banks may even cancel some credit cards that have been inactive for over 12 months. Lower credit limits on credit cards can affect your credit score. Almost a third of your credit score is based upon how much of your actual credit limit you have utilized. Your percentage of debt will increase, if your limit is lowered. That could, in turn, negatively impact your credit score. If you had a card you did not use for a long time that was cancelled by the bank, it could impact your score too.

An estimated two thirds of consumers who own credit cards in this country have an outstanding balance. This translates to a large number of consumers who will be directly impacted by any changes banks make regarding credit cards. You can contact your credit card company if you are notified of credit limit or interest rate changes. If you are in good standing and have a record of low balances relative to your limit, you have a very good chance of convincing the company to give you back your original rates and limits. If you have a spotty record, however, the new rates and limits are likely to stick.

It is always best to pay off your balances in full each month. It is important to be aware of the conditions and rates for credit cards on which you may presently carry a balance. Understand all changes on those credit cards that the bank may notify you about. Your first goal in the New Year should be to tackle those carried balances. The best way to reduce debt is to make more than the minimum required payments. Try to save money whenever you can, so that you can make extra payments. If you have debt on more than one of your credit cards, most people find it easiest to focus on the card with the lowest balance first. You can also shop around for credit cards with lower rates to which you can transfer balances from higher interest cards. If you do open a new card with a lower rate, do not spend more on that card. Be diligent and do not lose sight of your goal. The reward will be financial independence. Related Links [" title="Learn the real scoop on Secured credit cards">Low interest credit cards](#) -- [Secured credit cards](#) -- [Credit cards](#) -- [Credit cards](#) -- [Credit cards for bad credit](#) --

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