

Rate Changes to Credit Cards

The recession may change the way both banks and consumers deal with credit cards. 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. Many banks have already decreased credit limits for consumers in good standing. Customers who are considered subprime have been hit the hardest though, as over 50 percent of them have had their credit limit decreased. 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. Credit cards that have had a zero balance for a year or more are at risk of being closed altogether. Your credit score can be impacted by changes in the maximum limits allowed on your credit cards. Almost a third of your credit score is based upon how much of your actual credit limit you have utilized. That means that if your credit limit is decreased, the same balance you had on a higher limit now uses up a larger percentage of your limit. 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. You do not stand a good chance if your account is not in good standing or you carry a large balance regularly.

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. When possible, make cuts to your budget so you can put those funds toward your outstanding balance. 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 may wish to transfer debt from higher interest credit cards to one with a lower rate. Do not wrack up more debt, even if you have a lower interest card. Keep making payments on that debt until it is paid off. The reward will be financial independence. Similar Blogs [Credit card applications](#) [Best credit cards](#) [Best credit cards](#) [Bad credit credit cards](#) [Credit cards](#)

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