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## CREDIT CARD HELP: The basic fundamentals of credit cards

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## Picking the right card

## 9 things you should know about balance transfers

By Melody Warnick



If you've racked up debt on a high-interest credit card, transferring the balance to a card with a lower interest rate

may sound like an enticing way to save cash, but it's not quite as simple as it sounds. Here's the scoop on nine things you need to know about balance transfers before you make the big switch.

**1. Get a new card to pay the old.** When you [transfer the balance](#) from a higher-interest credit card to one with a lower interest rate, you are, in essence, paying off credit card A with new credit card B. For example, if you've been paying 13 percent interest on a \$2,000 debt, you'd have to make a \$347 monthly payment for six months to pay off the debt. Transfer that \$2,000 to a 0 percent card and your payments will be \$334, saving \$77 in interest in the process. "The only real, solid, definable benefit from a balance transfer is you can save money over the long haul if you pay back the previous amount you owed and you pay it at a lower interest rate, including all your costs," says Mike Sullivan, director of education for Take Charge America, a Phoenix-based nonprofit consumer credit counseling company.

**2. Consolidating debt simplifies payments.** Another reason to transfer balances to a single low-interest credit card is to simplify your financial life. If you've maxed out multiple credit cards, can't keep payment dates and minimums straight and often accrue late fees, putting all your credit card debt on one card may be a good move. You'll have just one card to keep track of and one payment to make each month. Of course, you won't be able to shuffle through a stack of [Visas](#) and [MasterCards](#) to find the one that hasn't reached the credit limit, but that could be an incentive to rein in spending. "There is some value in using one or two cards to consolidate purchases," says Lynne Strang, a spokeswoman for the American Financial Services Association Education Foundation. "When you get your



## Credit card tips mentioned in this article

1. [Get a new card to pay the old.](#)
2. [Consolidating debt simplifies payments.](#)
3. [You can transfer other kinds of debt.](#)
4. [Fees are inevitable.](#)
5. [Transfer rates expire.](#)
6. [Great transfer rates don't apply to everything.](#)
7. [You can't always say where you want payments to go.](#)
8. [Don't expect to transfer again and again.](#)
9. [You must have good credit to qualify.](#)

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statement at the end of the month, it's a lot easier to do that with a few accounts rather than getting several statements."

**3. You can transfer other kinds of debt.** It's not just balances from other credit cards that can be transferred. You may be able to move loans for cars, appliances, furniture, and other monthly installment payments to a no-interest balance transfer credit card, using checks from the bank that issues the credit card.

**4. Fees are inevitable.** It isn't quite as simple as making a swap from a high interest rate to a low interest rate anymore. You will almost always be charged a [balance transfer fee](#), which is determined as a percentage of the total amount you're transferring. In the past, most transfer fees were capped at 3 percent of the first \$1,000 transferred, or 3 percent of the balance up to \$75. Today, on many cards, the cap has been lifted. If you transfer a \$10,000 debt from another card, you'll pay \$300 right away in fees. Even if you have the cash to do so, it might or might not be worth it, depending on how much money you'll save on interest over the life of your debt.

**5. Transfer rates expire.** A balance transfer card woos you with an extra-low APR between 0 percent and 5 percent. That teaser rate, however, doesn't last forever. After a set period of time, often a six to nine months, the APR can revert to a mediocre interest rate between 8 percent and 18 percent -- perhaps even worse than the interest rate you were trying to get away from. Make a misstep, like paying a day late or going over your credit limit, and your great rate will disappear even sooner.

#### Credit card videos

For more on this topic, check out this video:

 [Balance transfers and your credit](#)

**6. Great transfer rates don't apply to everything.** Just because the balance you transferred to the new card gets a free pass with perhaps a 0 percent interest rate right now doesn't mean new purchases on the card will be interest-free too. In the fine print of some balance transfer credit cards are rules specifying that only transferred balances qualify for the lower rate, while new purchases collect interest at the regular APR, which can range anywhere from 8 percent to 28 percent. Some cards do apply the introductory interest rate to new purchases too, but often only for the first six months.

**7. You can't always say where you want payments to go.** To make matters even more complicated, you can't make payments only on your new, higher-interest purchases if your card rules specify that some or all of your payment must go straight toward the lower-interest balance first. Why? The credit card issuer doesn't make money from it. In some cases, this makes it impossible to pay down your higher-interest new purchases until you've erased the lower-interest transferred balance. Because of this, it may be best to avoid actively using a balance transfer card and select a different card altogether for new purchases.

**8. Don't expect to transfer again and again.** You may think applying for a new balance transfer card when your teaser rate expires is the perfect solution to avoid ever paying interest on your credit card debt. Moves like that can damage your overall credit score. When you continue to open new low-interest accounts, but maintain high debt levels, lenders may see you as a risk, which will make it hard for you to borrow money for big-ticket items like a home or car.

**9. You must have good credit to qualify.** Zero interest balance transfer cards were once widely available. They're now harder to come by and usually available only to those with good or excellent credit. If you can qualify, and if it'll save you significant cash or help you pay off your debt sooner, it might be the way to go.

**See related:** [Credit card balance transfers: The landscape is changing](#), [Balance transfers impact your credit score](#), [Are 0 percent balance transfer credit cards doomed](#), [Compare today's 0 percent balance transfer offers](#), [How balance transfers affect your credit score](#)

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