

Independent Investor

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Can I Lower the Interest Rate on My Credit Card?

The simple answer is: It never hurts to ask. A study conducted by the U.S. Public Interest Research Group found that more than half (57%) of those who called their credit card issuer and requested a lower interest rate were successful. On average, the rate was lowered by between 7 and 10 percentage points.

Now that most of the provisions of the Credit Card Act (signed into law last May) have finally gone into effect (as of February 22, 2010), there is no better time to review your own credit situation with an eye toward making improvements.

Getting to Yes

Your chances of getting a lower rate are improved if you meet most of these qualifying factors:

- **Good credit rating.** A good rating applies both in terms of your payment history with the card issuer and your overall credit score. You are entitled to a free copy of your credit report every year from each of the three major credit-reporting agencies: Experian, Equifax and TransUnion. To save time, log on to www.annualcreditreport.com to access reports from all three. For a small fee, these agencies also provide personal credit scores.
- **Low card balance.** You have a history of paying off the entire balance or paying more than the minimum required each month.
- **Track record with the card issuer.** You have held the card for a year or two before requesting the rate change.
- **Your card is not classified as “sub-prime”.** The credit card is not marketed solely to consumers with bad credit.

The Law of Averages

To negotiate successfully with the credit card company, you will have to be prepared. Know what your current interest rate is and make sure that it is not a promotional rate that will expire within a matter of months. Also research what other banks and credit card companies are charging their customers. According to the Federal Reserve, the average interest rate on existing credit card balances is approximately 13.5%.

If you are paying significantly more than that and have done your research, you are ready to make the call. Be sure to remain upbeat, confident and persistent. If the first person you speak with turns you down, ask for his or her manager. Base your argument on logic and facts and politely threaten to take your business elsewhere unless you get some satisfaction.

Remember, the better your payment record with the card issuer and the higher your credit score, the better your bargaining position.

One final word of advice: Be careful about getting overly zealous in your search for the lowest rate card. Applying for multiple new cards at the same time (three or more inquiries in the same month) could cause your credit score to be lowered.

Doing Your Homework

Visit these Web sites for competitive rate information and more.

<http://www.creditcards.com>

<http://www.lowcards.com/CreditCardIndex.aspx>

http://www.bankrate.com/brm/rate/brm_ccsearch.asp

If you have any questions, feel free to call me or your tax professional at your convenience.

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