

Ten Things to Think About Before Getting a New Credit Card

1. *Don't apply for a credit card until you are ready.*

Unfortunately, bankruptcy may not have permanently resolved all of your financial problems. It is a bad idea to apply for new credit before you can afford it.

2. *Avoid accepting too many offers.*

There is rarely a good reason to have more than one or two credit cards. Having too much credit can lead to bad decisions and unmanageable debts, and it will lower your credit rating.

3. *Remember that lenders are looking for people who run up big balances, because those consumers pay the most interest.*

You may find that credit card companies are pursuing you aggressively even though you filed bankruptcy. Do not view this as a sign that you can afford more credit. The lender may see you as a good credit risk because you cannot file a Chapter 7 bankruptcy again for quite a few years.

4. *Interest rate is important in choosing a card but not the only consideration.*

You should always try to get a card with an interest rate as low as possible, but it is rarely a good idea to take a new card just because of a low rate. The rate only matters if you carry a balance from month to month. Also, the rate can easily change, with or without a reason. And other credit terms can add to your cost, like annual fees, late charges, over-the-limit fees, account set-up fees, cash advance fees, and the method of calculating balances.

5. *Beware of "teaser" rates ~ artificially low initial rates that apply for a limited time.*

Most teaser rates are good only for six months or less. Then the rate automatically goes up. Remember that, if you build up a balance under the teaser rate, the much higher permanent rate will apply when you repay the bill. This means that the permanent long-term rate on the card is much more important than the temporary rate.

6. *If your rate is variable, understand how it may change.*

Some variable rate terms can make your rate go up steeply over time. Read the credit contract to understand how and when your rate may change. And don't be misled by advertisements that claim "fixed rate," as this may mean the rate is fixed only until the lender decides to change it again.

7. *Check terms related to late payment charges and penalty rates of interest.*

Most credit card contracts have terms in the small print for late charges or penalty interest rates that increase if you make even a single late payment.

8. *Get a card with a grace period and learn the billing method.*

Look for a card with a grace period that lets you pay off the balance each month without interest. The terms are important, as they may not apply to balance transfers and cash advances, which may be higher rate.

9. *Don't accept a card just because you qualify for a high credit limit.*

It is easy to assume that because a card offer includes a high credit limit, this means the lender thinks you can afford more credit. In fact, the opposite may be true. Lenders often give high credit limits to consumers hoping that they think will carry a bigger balance and pay more interest. You must evaluate whether you can afford more credit based on your individual circumstances.

10. *Always read both the disclosures and the credit contract.*

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