

The Malay Mail : Profit: The perils of credit card balance transfers

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For people who could not seem to manage their finances, they end up getting into debts. This is especially true to those who have accumulated too many debts that they can no longer handle the problems anymore

In reality, 81 per cent of the households in the US today have at least one credit card. But sad to say, out of this percentage, it was reported that the average credit card balance that they accumulate is US\$8,387.

The point here is that if these people will not trim down the balances that they accumulate on their credit cards, chances are, they will really get into bigger trouble. When that time comes, the only way to correct the problem is to employ drastic solutions such as credit card balance transfers.

Balance transfers simply means to transfer the remaining balance in the credit card to another card in order to eliminate the presence of a big interest rate. Usually, people opt for credit card balance transfers so that they can get a new card with lower interest rate.

The low interest rate features of most credit cards who offer balance transfers are actually known as teaser rates. These credit card companies offer much lower rates so as to entice people to transfer to them.

What these people do not know is that most credit card companies that offer low interest rates for balance transfers are actually applying the interest rate from the day the consumers had transferred their balances.

This goes to show that with credit card balance transfers; there is actually no interest-free time.

Another thing is that the low interest rates that credit card companies usually offer when transferring balances are only good for a certain period of time, usually, within a 6-month period. That means when the allotted period is finished, the regular interest rate charges apply.

Moreover, the rules in credit card balance transfers, when it comes to late payments are much stricter. For instance, if a person fails to pay his or her due payment on time, the low interest rate is instantly replaced by a higher one.

What the consumers do not realise is that the low interest rates are only good on balance transfers, but once they have made some purchases, higher rates will be applied.

These are all stipulated on the fine print. The problem is that most of the credit card users do not take highly of the things written on the fine print.

Another problem with most credit card users who opt for balance transfers is that they have this thinking that their debts are paid off. What they do not realise is that the process is simply transferring the balances and the debts remain the same.

This is because most of the credit card companies that offer balance transfers use the phrase pay off your balances on other cards in their advertisements. You have been warned ...