How to find the best credit card for you

Why should you shop around?

Comparing offers before applying for a credit card helps you find the right card for your needs, and helps make sure you're not paying higher fees or interest rates than you have to.

Consider two credit cards: One carries an 18 percent interest rate, the other 15 percent. If you owed $3,000 on each and could only afford to pay $100 per month, it would cost more and take longer to pay off the higher-rate card.

The table below shows examples of what it might take to pay off a $3,000 credit card balance, paying $100 per month, at two different interest rates.

APR		Interest	Months
18%	=	$1,015	41
15%	=	$783	38

The higher rate card would cost you an extra $232. If you pay only the minimum payment every month, it would cost you even more.

So, not shopping around could be more expensive than you think. Here's how to get started.

1. Decide how you plan to use the card

You may plan to pay off your balance every month to avoid interest charges. But the reality is, many credit card holders don't.

If you already have a credit card, let history be your guide. If you have carried balances in the past, or think you are likely to do so, consider credit cards that have the lowest interest rates. These cards typically do not offer rewards and do not charge an annual fee.

If you have consistently paid off your balance every month, then you may want to focus more on fees and rewards. Always compare the value of rewards you expect to receive (and use) each year with the annual fee you might pay.

2. Know what to compare

APR Sometimes a credit card offer lists several rates or a range of rates, and you won't know the rate you'll get until after you're approved. Would you still want the card if you had to pay the higher advertised rates?

APR for balance transfers If you plan to transfer your balance from one card to another, compare the interest rate you are paying now with the rate you'll pay on the new card after the introductory rate, plus any balance transfer fee.

Penalty APR Check for a penalty APR. The offer must tell you what the penalty rate is, what triggers it, and how long it would last.

Fees Compare the fees listed for each card. Common fees include a cash advance fee, a late-payment fee, and for some cards, an annual fee.

3. Shop around and ask for better deals

Start your search for a new card at your bank or credit union. Your existing relationship may qualify you for a better offer.

If you have a credit card and are happy with your service but think you're paying too much in interest and fees, then ask the issuer to match or beat the terms and rate on the new card you're considering.

Next, compare the offers with others you've received at home or have seen online.

Only apply for the credit you need. Applying for too many cards over a short period can lower your credit score.

4. Transfer your account with care

Most credit cards charge a fee to transfer your balance. So even though a zero percent interest rate on balance transfers may sound appealing, it may not be free. Some credit card companies charge a one-time fee of 3 to 5 percent of the balance you're transferring.

When you move your account, don't close your old account right away. Continue to make at least the minimum payment while you're waiting for the balance to transfer to the new card.

If you transfer your balance to a new card, and you feel you've made a mistake after reviewing your disclosures, you can generally change your mind if you act within 10 days after the credit card company sends your account opening disclosures. Contact the credit card company as soon as possible if you think you've made a mistake.

Credit card terms to know

APR For credit cards, the annual percentage rate (APR) is the cost of credit expressed as a yearly interest rate.

Annual fee A yearly fee that may be charged for having a credit card. Some card issuers assess the fee in monthly installments. Some cards do not have an annual fee.

Balance The amount owed on the account, including the charges, interest, and fees owed.

Balance transfer fee A fee charged when you transfer your balance from one card to another. It may be a flat fee or a percentage of the transfer. Some cards charge zero percent interest on balance transfers, but if there is a transfer fee, that means the transfer is not free.

Credit limit The maximum amount that may be borrowed on a credit card. Some credit card advertisements offer a credit limit up to a certain amount – but you may not qualify for the maximum. Experts recommend keeping your use of credit to less than 30% of your credit limit, to avoid lowering your credit score and making it more expensive to borrow in the future.

"Go-to" rate Interest rate you are charged after the introductory or promotional rate.

Grace period The number of days you have to pay your bill in full before an interest charge is assessed on purchases.

Introductory or promotional APR Your card may have a lower APR during an introductory or promotional period and a higher "go-to" rate after that period ends. Under federal law, the introductory period must last at least six months, and the credit card company must tell you what your rate will be after the introductory period expires.

Penalty APR The APR charged on new transactions if you trigger the penalty terms in your credit card contract, for example by paying late, going over your credit limit, or bouncing a payment check . Penalty rates usually are higher than your standard or introductory rates. If you become more than 60 days late, the penalty APR may be applied to your existing balance.

Penalty fees Fees charged if you violate the terms of your cardholder agreement or other requirements related to your account. For example, your credit card company may charge a penalty fee if you make a late payment or if you exceed your credit limit.

When your rates can rise

Credit card companies cannot raise your rate for the first 12 months after you open your account, unless:

- You have a variable rate card tied to an index and the index rises
- There is an introductory rate (introductory rates must last at least six months) or
- You are more than 60 days late paying your bill

Your rates can go up at any time after the first year, but the credit card company must notify you about the change in advance. The new rate applies only to purchases you make after the company notifies you.

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