

# “Fixed Rate” Carries No Permanent Guarantee

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### **Fixed vs. variable rate credit cards**

Credit card promotions often come with offers for “fixed” or “variable” rates. So, which should you choose?

Credit cards that offer a low “fixed” rate sound like an attractive option. Fixed rate cards usually don’t change interest rates often. However, a “fixed” rate does not necessarily mean the rate is permanent. In fact, it only means that the creditor must give you 15 days notice before a rate change.

“Variable rate” cards are accounts where the interest rate is tied to an economic index, such as the prime rate or Treasury bill rate. The interest rate on these cards can rise or fall depending on how the chosen index is performing.

### **Choosing a card**

The first step in choosing a card is thinking about how you will use it.

If you expect to pay the balance in full every month look for a card with no annual fee and a longer grace period. (Tip: Paying off credit card balances monthly is the most effective way to use credit)

If you carry a balance from month to month, a card with a low interest rate may be your best choice. Keep in mind that if you carry a balance you may not have a grace period. This means that you are charged interest as soon as you make a new purchase in addition to interest you are paying on the unpaid balance.

### **Beware of rising interest rates**

Economic indexes are not the only reason credit card interest rates can increase. Creditors can also raise

your rate if you are late paying the minimum amount on your account. Some creditors have also started raising rates even when you pay that particular bill on time. If they find out you are late paying other bills, they will raise your rate.

### **Keep track**

Be on the look out for changes to your credit card account. In addition to interest rates, creditors can change other terms of your account. This can include lowering the number of days in the grace period, increasing late fees, or increasing your credit limit. Read your monthly bill carefully as well any notices from the credit card company.

Remember you can always try to negotiate terms. If you are not happy with your credit terms, contact your creditor and ask for more attractive terms. Sometimes they are willing to work with you in order to keep your business.

### **Credit card resources on the internet**

The following commercial sites have general information as well as credit card offers. These sites are listed for examples purpose only and are not endorsed by the UF/ Hillsborough County Extension.

[www.Bankrate.com](http://www.Bankrate.com)  
[www.cardtrack.com](http://www.cardtrack.com)  
[www.myfico.com](http://www.myfico.com)

Government sites that offer general information without any commercial sales:

[www.ftc.gov](http://www.ftc.gov)  
[www.mymoney.gov](http://www.mymoney.gov)  
[www.federalreserve.gov](http://www.federalreserve.gov)

Sources:

[www.federalreserve.gov](http://www.federalreserve.gov)  
[www.ftc.gov](http://www.ftc.gov)