

Are 0% Balance Transfers a Disappearing Deal?

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Remember a couple of years ago, when credit card offers filled your mailbox, begging you to transfer your existing high-interest credit card balances onto a new card, at 0 percent interest for 18 months, with no transfer fees?

Within the past year, consumers nationwide have noticed declines in the amounts and transfer periods of the newer 0 percent balance transfer offers. "The longest 0 percent period was for 18 months, although the 9- to 12-month range was more common. The offers slowed a little bit about a year ago, and then slowed more noticeably in the last six months," says a representative of Bank of America.

The high balance transfer fees and slower economy have led many consumers to say, "Thanks but no thanks" to such offers. Most of these transfers come with a hefty price tag: the average 3 percent "transfer fee." The price of transferring a balance of \$10,000 to a new 0 percent interest card -- often for just a three to six month period -- can get you slapped with a \$300 fee. The better deal is to find a 2 to 5% interest rate that will last for the life of the loan, until you pay it off. It is always better to pay your debt completely every month but if you have lingering balances it may benefit you to look at those offers.

The real trick is to do your homework and read the terms and conditions "legalese" -- a vital step that many people skip -- of any credit card offer before accepting. Fixed balance transfer credit card offers look great, especially to those who owe a lot of money. It is possible to save thousands by lowering your interest rates and transferring your debt from high interest cards to low interest ones. By doing this, you keep paying more on your principle, instead of paying on interest. Doing this takes some savvy, though, as well as excellent credit, a history of on-time payments, an ability to make large payments toward your principal, and a decision to get out of debt and not accumulate new debt in other areas or on other cards.

Finally, remember that credit card introductory offers, including those for 0 percent balance transfers, require cardholders to adhere strictly to the terms and conditions, or lose all introductory rates and perks. Balance transfers done correctly can save on interest charges. Done wrong can cost you lots of money. If your monthly payment is posted one day late, or if you exceed your credit limit by just a few dollars, that great APR can transform into an APR of 30 percent or higher and you will pay the price, quite literally, for years to come. One trick the companies use is to have excessive 'purchase fees' associated with the account. If you use the same account (with the promotional balance transfer) to purchase a \$10 lunch, you will be paying 30% on that \$10 until you pay off all the balance transfer and the lunch. **Any purchases made on the account get reduced AFTER you pay the entire promotional balance transfer.**

With the market conditions, there will be fewer and fewer 0 percent balance transfers over time. They may not disappear completely, but they will become less attractive.

Here are "**5 Balance Transfer Trip-Ups**" from BankRate.com:

1. Check the time limit carefully.
2. Know what zero interest covers.
3. Beware of hefty fees.
4. Watch out for bait-and-switch.
5. Always pay on time.

Find these and more at

http://www.bankrate.com/brm/news/Financial_Literacy/Feb07_balance_transfer_a1.asp

You can also find information at About.com to help you understand the process.

<http://credit.about.com/od/creditcardbasics/bb/balancetransfer.htm>

Additional information on Family and Community Development is available from UF/IFAS/Monroe County Extension Services, 1100 Simonton Street, Suite 2-260, Key West, FL 33040, phone 305-853-7385 e-mail Monroe@ifas.ufl.edu or visit our Web site at <http://monroe.ifas.ufl.edu>. Our services are free and available to all without regard to race, color, sex, or national origin.