Making the Most of Bad Credit Card Interest Rates: Weekly Interest Rate Report

It's an unfortunate rule of finance—the worse the credit, the higher the interest rates. And according to the Nilson Report, it's a reality that 61 million people with subprime credit scores must contend with a high APR.

Credit Card Select found that as the national interest rate averages 15.41 percent, bad credit applicants can expect average rates of 20.20 percent.

While these numbers suggest that poor credit consumers can't have the first pick at premier credit cards, it doesn't mean they have to settle for bottom of the barrel interest rates either.

In fact, experts suggest it's possible to take the lemons of a bad credit standing and make lemonade, by understanding their benefits as well as creating future opportunities to tap into the market's best interest rates.

Bad is Relative

Bad credit credit cards are often plagued by an unfair reputation. Some actually boast many of the same features as those with excellent credit, including rewards, credit tracking and buyer protection plans.

Additionally, bad credit card interest rates are colored by different shades of cardholders. Students and newly immigrated consumers with the potential for responsible payment habits may have the same score as delinquent borrowers simply because they have a brief credit rap sheet. Fortunately, issuers recognize these nuances.

Credit Card Select Weekly Rate Report	
	Average APR
National Average	15.41%
Low Interest	11.07%

"Usually, the APRs offered to the 'new to credit' consumers are slightly better than those offered to 'past bad credit' consumers," says Saurabh Sharma of Indus Insights, a firm that analyzes credit risks. "In fact, some of the largest players in the subprime space even offer reward based products to students with little or no credit."

Balance Transfer	14.19%
Rewards	15.27%
Student	16.96%
Business	14.75%
Bad Credit	20.20%
Source: CreditCardSelect.com (Updated November 19, 2012)	

The advantage of using these cards correctly is that they give consumers a foundation to build their credit. And implementing full repayment every month will only shift cardholders out of that subprime category.

"As time goes by the scores should improve and better credit cards can be gained," says Tracy Becker, President and FICO Certified Profession with North Shore Advisory.

Just a few percentage points can make the difference in your financial well-being.

Getting the Best from the Worst

When you're boxed in by the confines of bad credit, a subprime score can limit the number of card choices available. But it doesn't mean you're ruled out of obtaining a great offer. Instead, know how to exercise the options you are equipped with.

Paula Langguth Ryan, author of *Bounce Back After Bankruptcy*, indicates that bad credit consumers sell themselves short on comparison shopping.

"Too often consumers with bad credit take the first available offer rather than doing their homework," she says.

With a dose of research, one can spot cards with hidden fees and weigh a card's pros and cons. Consumers may have to utilize their best judgment to weigh whether a higher APR with better rewards is worth choosing over lower interest rates, by determining the potential to carry a balance.

Next, understand the purpose of the card. Sharma suggests there should be a clear borrowing need, whether it's buying an appliance or needing to transfer balances from a higher interest loan. He says this can help point consumers toward the best card for them.

"Whatever the purpose of the card the applicant should always know what they are getting into including annual fees, interest rates, and credit report updating," Becker adds.

Otherwise, one may risk extraneous spending or features that are ill-equipped to handle spending habits, which defies the purpose of a bad credit plastic in the first place.

Langguth Ryan outlines a couple of basic card offer guidelines to help avoid the sting of high interest:

- Look for a card with no application fee.
- Seek out a card with a generous grace period (20 to 25 days) to avoid racking up interest from the start.
- Verify that the issuer reports your payments to the three major credit agencies (Experian, Equifax, TransUnion).

“I highly recommend folks get a card and then pay their balance off every month in full, or at the very least over two to three months.” Langguth Ryan says. “That way the interest rate that’s being charged on the card is a non-issue while they’re rebuilding their credit.”

Bad Credit Interest Rates Subject to Change?

Sky-high interest rates may cause some consumers to feel like their sitting in financial timeout. But it’s up to their payment behavior to determine how long they’ll stay there. While credit card issuers typically don’t negotiate interest rates with bad credit borrowers, they are willing to bend in other areas.

“Consumers can expect better promotional offers, such as 0 percent or 6 percent APR balance transfers, once they start exhibiting responsible behaviors,” Sharma says.

However, there’s nothing to lose by haggling. If the current issuer won’t budge on rates or incentives, consumers need to ask themselves if they’re willing to make the switch to a different card. This may require going back to the drawing board to compare rates that are competitive with their current cards.

Know that the biggest bargaining chip to better interest rates is the score. Work on the credit building that these cards afford, and higher rates may eventually become just a small blip on one’s overall history