Five Possible Answers To "Why Did My Credit Card APR Go Up?"

National nonprofit credit counseling agency Take Charge America decodes APR increases – and the importance of keeping tabs on interest rates

PHOENIX – (July 9, 2019) – A credit card's annual percentage rate (APR) is a crucial detail for credit card holders to understand. That's because, if you carry a debt on your card from month-to-month, your APR determines how much interest you pay on purchases. A low APR is ideal – but it can increase seemingly out of the blue.

"There are several factors that impact your APR," said Michael Sullivan, a personal financial consultant with Take Charge America, a national nonprofit credit counseling and debt management agency. "Some of these factors might be influenced by card holder behaviors, while others aren't. It's important to understand the terms surrounding your APR so you're not surprised by fees down the road, long after you've opened new credit."

Sullivan points out five common reasons for an APR increase.

1. **Your promotional rate is ending.** Many consumers take advantage of promotions like low interest rates when they first open a card. But low APR offers don't last forever – these promotional rates usually last six to 12 months after opening the account. Read the fine print so you aren't blindsided after securing a new card.

2. **You're late on a payment.** Missed a credit card payment by 60 days? In that case, your card issuer may impose a higher APR. It might take a while for this high interest rate to go back down.

3. **Your credit score dropped significantly.** Credit card issuers intermittently monitor your credit score. If you experienced a substantial drop in your credit score, your card issuer might respond by increasing your APR. If your score improves afterwards, though, the issuer must consider reducing your rate.

4. **You have a variable APR.** Some credit cards are accompanied by a variable APR rate, meaning it changes as interest rates in general change. Many companies set rates linked to the prime rate.

5. **You've had the card for at least 12 months.** Legally, credit card companies can't raise your rate until you've had the card for a year or longer. There are a few exceptions, including a variable APR, a 60-day delinquency or a promotional rate that's ending. But after one year, the card issuer can raise your rate if they want to.

The best way to prevent an expensive hike in APR is by paying off the full balance when it's due to avoid carrying a debt from month-to-month.

Want to learn more about credit card management? Visit Take Charge America's Financial Education Center or take a free online debt review.

About Take Charge America, Inc.

Founded in 1987, Take Charge America, Inc. is a nonprofit agency offering financial education and counseling services including credit counseling, debt management, student loan counseling, housing counseling and bankruptcy counseling. It has helped nearly 2 million consumers nationwide manage their personal finances and debts. To learn more, visit www.takechargeamerica.org or call (888) 822-9193.

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