



## What You Need to Know About Canceling Credit Cards

*National nonprofit credit counseling agency Take Charge America explains potential impact of closing accounts*

**PHOENIX – (Sept. 9, 2020)** – Closing a rarely used credit card may sound like a good idea, but it's not as simple as some people may think.

"Many don't realize that closing a credit card can negatively impact their credit scores in the short term," said Michael Sullivan, a personal financial consultant with Take Charge America, [a national nonprofit credit counseling and debt management agency](#). "That said, sometimes it may be worth taking the hit to your credit score — especially if it means saving yourself from overspending and falling deeper into debt."

Sullivan offers several tips to help consumers determine whether closing a credit card is the right move:

### When to Close a Credit Card

- **Tempted to spend:** If you have a hard time controlling your spending, closing the account may be your best option to avoid the temptation.
- **Card fees:** If a card has high annual fees, consider paying off the balance and canceling it. You can also transfer the remaining balance to a credit card with better interest and fees. Remember, though, there may be a balance transfer fee.
- **Fraud alert:** If your credit card is compromised and freezing the account won't protect you from fraud, consider canceling the card.
- **Splitting up:** If a joint account needs to be separated, as in a divorce, canceling makes sense.
- **Balance transfer:** If you transferred a balance to a lower-interest card, consider closing the higher-interest account, unless it's been open for more than three years. However, if you have a longer history with the card, or if there's a cancellation penalty, just put it away or cut it up.

### When *Not* to Close a Credit Card

- **Rarely used:** Canceling a rarely used card can hurt your debt-to-credit ratio and drop your credit score. To remove the temptation to spend, consider cutting or storing the card without closing the account.
- **Making payments:** Whether an account is open or closed, finance charges accrue when there's a balance on the card. Paying down the balance improves your debt-to-credit ratio but only if the account is open.
- **Shopping for a loan:** Looking to purchase a house or a car in the next year? Canceling a card can impact your credit score and prevent you from qualifying for good terms and interest rate on a loan.

Consumers who are overwhelmed by debt or struggling to pay bills may find guidance with a [free online credit counseling session](#).

**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](http://www.takechargeamerica.org) or call (888) 822-9193.

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