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6 new rules of credit card negotiations

If your credit's not top tier, you're going to have to work harder



By Tamara E. Holmes

A popular piece of financial advice for credit cardholders working to pay down debt has always been to call your creditor to ask for a lower interest rate. But with credit card companies [slashing credit lines and raising interest rates](#) across the board to recoup heavy losses, the days of [negotiation](#) may not be over, but the rules are definitely changing.

"Credit card companies are running for cover right now and they don't seem as concerned about maintaining customers as they do about reducing their liability," says Steve Rhode, president of the MyVesta Foundation, a credit counseling organization. As a result, there's less competition among credit card issuers and less of a bargaining chip for consumers. "Right now card issuers are saying, 'I don't want your customers. I've got my own problems,'" Rhode adds.

That doesn't mean you can't negotiate a better deal with your card issuer, but if your credit is not top tier, you'll have to work harder. Here are six strategies to employ in today's economy.



1. Wait until you receive a competing offer. Not long ago, your card issuer would have assumed that you could easily take your business elsewhere, but with banks looking to cut their risk, your issuer may be more likely to risk your unhappiness. However, if you can point to a competing offer in hand when you negotiate, your credit card company may think twice before turning you down. The day an offer comes in the mail is the day to pick up the phone. "If you call a credit card company and say, 'I would like a better rate' and they say 'no,' what are you going to say?" says Rhode. "But if you call up and say, 'I have this offer in my hand and I'd like for you to match it,' then they're more likely to do that."

2. Know the going rates. Do some research to determine the current [prime rate](#) and average credit card rates. Then ask for something in that ballpark. "Don't throw out a number like a 0 percent rate," says Thomas J. Fox, community outreach director for Cambridge Credit Counseling Corp. in Agawam, Mass. "Be realistic." Also, be mindful that what might have been considered a high rate six months ago might be average now since many card issuers are raising rates across the board. See the [CreditCards.com home page for current credit card rates](#), updated daily.

3. Be prepared to give. With card issuers looking to unload risky customers,

Negotiating points for current economic conditions

they may not see much benefit in giving you better terms or making it easier for you to simply run up more debt. Make sure they see what they're getting in return, says Catherine Williams, vice president of financial literacy for Houston-based Money Management International. Let them know that if they drop the interest rate to, say, 9 percent, you'll be able to pay \$15 more than the [minimum payment](#) each month, effectively erasing the debt sooner, or agree to refrain from using the card for a certain period of time, Williams suggests. Banks are more agreeable if you show a strong desire to get out of debt. "We look at ability, stability and willingness to repay," says Betty Riess, a spokeswoman for Charlotte, N.C.-based Bank of America.

4. Ask for a temporary fix. If your card issuer is reluctant to lock you into a lower rate, ask if they'll do so for a short period of time. Explain how that will help you get your debt down faster so the payments will be more manageable at the higher rate, Williams suggests. But always leave room for more negotiation after the trial period, Williams adds, saying, for example, "Could you drop my rate to 9 percent for 6 months and then we'll reevaluate?"

5. Stay under the radar. One way credit card companies are trying to lower their risk is by reducing the credit limits of current cardholders. However, that can hurt cardholders' credit scores since [credit utilization](#) -- the amount of credit used in relation to total available credit -- is a factor that weighs on scoring. While your issuer may eventually lower your credit line anyway, don't call attention to yourself if you know your credit has taken a hit since there's a chance your account will be flagged and your limit may be lowered sooner. "If you're going to call up and your credit is damaged, make sure you're in the position where if they do lower your limit, it's not going to cause you hardship," says Sandra Shore, senior counselor for Novadebt, a Freehold, N.J.-based credit counseling agency.

6. Try, try again. If your credit card issuer refuses to change your terms, try again in a month or so. "Internal programs and policies change," says Rhode. "You might be eligible next week. Once the credit card companies get over their immediate fear, they will then go back into acquisition and aggressive commercial mode and then will start heavily competing for customers."

See related: [Fed report: Banks tighten lending standards even more](#), [6 credit card terms you can negotiate and change](#), [Higher limit or second card will impact your credit score](#)

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Good job outlook. If you have a job in a stable industry and you don't expect layoffs to hit you, let your credit card issuer know about the lessened risk.

Solid payment history. If you've been a good customer of that credit card provider for several years, remind them of your loyalty when the credit card market was more competitive.

Willingness to cooperate. If your credit card issuer says 'no' to your request, let them know that you're really trying to pay down your debt and ask them how you can work together to do so. They might surprise you.

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