

## **Credit card cancellation how-to**

By Jeremy Simon

Canceling a credit card the right way involves more than simply cutting it in two with a pair of scissors. It can be a confusing process for many consumers, so it is important to know the right steps to take.

### **Before you cancel the card**

It is important to consider the effects canceling a credit card may have on your credit score. Even closed credit card accounts can legitimately appear on your credit report for up to seven years after the date of last activity. Be aware that closing an account is not necessarily a good short-term strategy for boosting your credit score. One method creditors use to evaluate your ability to manage credit responsibly is how much credit you are using compared to the total amount of credit available. It could look bad to owe the same amount to creditors while having less credit open. Consumers seeking a loan for a car or home mortgage may want to wait until they get the loan before canceling a credit card.

You should also think twice about canceling if it is your oldest credit card, as having longstanding accounts with good payment histories can help your credit score. If the credit card account has no negative items, there is probably no reason to close it. Additionally, avoid canceling a large number of credit cards all at once.

A major perk of canceling an account is that one less credit card means one less risk for becoming an identity theft victim. Clarky Davis, the Debt Diva for CareOne Credit Counseling, based in Columbia, Md., says there are other benefits to closing an old account. "Closing credit cards will lower your potential debt and it prevents the temptation to overspend," she says. "If the credit card is also a bad deal, it is beneficial to lose it." When considering which cards to get rid of, Davis says cardholders should hang onto those with low interest rates, no annual fees, reasonable credit limits and clear billing policies.

### **Steps for closing an account**

The first step for closing a credit card account is to pay down the balance in full on your credit card. Know that if you inform the card issuer you are thinking about leaving and you still have an outstanding balance, the issuer could raise your interest rates to the highest allowable by law as a penalty for closing the account.

Next, call the issuer using the customer service number printed on the back of your card or on the monthly statement. Confirm that your balance on the credit card is zero and say you are canceling the card. Be aware that some credit card companies will allow you to cancel without even speaking to a representative.

Others will transfer you to a special department for the sole purpose of trying to convince you not to cancel. You may be offered incentives for keeping the card active, such as a lower interest rate or a small bonus. Even though these offers may sound appealing, consider the impact of keeping the credit card open. If you are convinced you want to cancel, remain firm. Davis says you should follow up the

phone call with a written request for cancellation and for written confirmation of the account's closure, so while still on the phone, ask for the name and address you should write to.

Use the address given to send a letter including your name, address, phone number and account number. Davis says it is important to state that you want your credit report to reflect that the account was "closed by customer request." If you don't and the issuer puts "closed by creditor," it might reflect negatively on your credit report, Davis says.

You may also want to include the check number (or a copy of the canceled check or other payment verification) that you used to pay off your account balance, as well as the date the check cleared with your bank. Make a copy of this letter for your records. Additionally, you can place your destroyed credit card in the envelope with the letter. Send the letter via certified mail or return receipt requested so you can prove the company received your letter.

### **After you cancel the card**

Davis says it's best to wait 30 days for the account to be closed, then request a copy of your credit report to ensure it says "closed by customer request." Should the credit report show the account was "closed by creditor," repeat the process: call customer service to report the mistake, follow up with a letter by certified mail (including a copy of your original letter requesting that the account be closed) and check your credit report again. Be sure to keep at it; it is not the credit bureau's responsibility to make sure your credit report is correct, so you need to check that what the creditors have told the credit bureau is accurate.

As you go through the process of canceling your credit card, it is advisable to keep thorough notes on who you spoke to, what they said and when. That way, if anything goes wrong, you will have all the facts recorded. When you receive a return receipt from your certified mail, keep it with your log and note the date the receipt comes in.