

## Marketing plastic to students causes lawmakers, educators to melt down

By [Lucy Lazarony](#) • Bankrate.com



The volatile combination of credit cards and college students is causing an uproar.

Legislators, college administrators and consumer advocates all are shaking clenched fists at credit card companies for pushing cards on cash-strapped college students.

The problem is that students are flooded with offers from card issuers. They often set up tables right on campus at the start of the school year to hand out applications and free goodies. More offers land in students' hands at the college bookstore, stuffed into bags with the receipts. Still more get pinned to bulletin boards.

As a result, some students get in over their heads and start out their adult lives deep in a financial hole.

Now, Congress and several state legislatures are considering bills that would curb the marketing and issuing of cards to college students and force the card issuers to pump up educational efforts.

Colleges are outraged as well. More than 300 colleges and universities have banned credit card marketers from their campuses. Another 140 universities are set to give card marketers, their tables and their freebies the boot by the end of the year, according to [United College Marketing Services](#) in Oak Brook, Ill.

"We're not credit bashing," says William Stanford, financial aid director at [Lehigh University](#) in Bethlehem, Pa., which banned card marketers from its 6,300-student campus in January 1997. "We're just trying to level the playing field so the student has a fighting chance."

Mary Rouse, dean of students at the [University of Wisconsin](#), which has long banned card marketers from its Madison campus, says credit card debt "puts young people behind the eight ball. It exacerbates the educational loan debt that's already accumulated."

### Students getting in deep

The average undergraduate has \$1,843 in credit card debt, according to [Nellie Mae](#), a student loan provider. Nine percent have

See Also

- [Shop for the best deal with our latest survey of student credit card issuers](#)
- [How to teach your teen credit basics with a low-limit card](#)
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card debt between \$3,000 and \$7,000. One-fifth of all college students have four or more credit cards.

### **Today's lesson: Plastic 10 steps for students who want to handle credit wisely**

The risks are higher than ever if a student racks up lots of card debt. More employers and landlords are checking the credit reports of job candidates, so the cleaner the credit, the better. Here are the experts' 10 steps for handling it wisely.

- 1.** Always remember that credit is a loan. It's real money that you must repay. Before you apply for the first card, decide what the card will be used for -- Emergencies only? School supplies? -- and determine how the monthly bills will be paid.
- 2.** Go slowly. Get one card with a low limit and use it responsibly before you even consider getting another.
- 3.** Shop around for the best deal. Bankrate.com has just conducted a [survey of student credit cards](#).
- 4.** Study your card agreement closely, and always read the fine print flyers enclosed with every bill. Credit card offers differ substantially, and the issuer usually can change the terms at will with 15 days notice.
- 5.** Try to pay off your total balance each month. Just paying the minimum is a trap: If you pay off a \$1,000 debt on an 18 percent card by just sending in the minimum each month, it will take more than 12 years to repay.

A scathing new study from Georgetown University sociologist Robert Manning and the [Consumer Federation of America](#) is adding fuel to the fire. It suggests that past studies of students and credit cards have under-reported the problem.

"The unrestricted marketing of credit cards on college campuses is so aggressive that it now poses a greater threat than alcohol or sexually transmitted diseases," says Manning.

His study estimates that a whopping one-fifth of students at four-year universities carry credit card debt of \$10,000 or more. The true size of credit card debt is hidden, the study charges, because part of it gets refinanced with student loans or with private debt consolidation loans.

Credit card companies aren't the only lenders to target students. Payday lenders have begun setting up shop near college campuses, offering short-term loans at sky-high interest rates to students caught in a financial pinch.

### **Why students get in credit trouble**

Manning says several factors are pushing more and more students into consumer debt, including "the extension of unaffordable credit lines, increasing education-related expenses, peer pressure to spend and financial naivete."

Stanford estimates that 10 to 15

**6.** Always pay on time. A single slip-up will place a black mark on your credit record -- and likely will cause your issuer to jack up your interest rate to the maximum.

**7.** Set a budget, follow it closely and watch how much you're paying on credit. A good rule of thumb is to keep your debt payments below 10 percent of your net income after taxes. So if you take home \$750 a month, spend no more than \$75 a month on credit.

**8.** Keep in touch with your issuer by notifying the company promptly when you move. In the event you must be late on a payment, call them before it's late. They want your business for life, so they may be willing to make alternate payment arrangements that won't leave a mark on your credit rating.

**9.** Close accounts you aren't using. Having available-but-unused credit counts against you when it comes time to buy a car. That's because lenders don't like it when you have the ability to quickly go deep into debt.

**10.** At the first sign of credit danger, such as using one card to pay off another, make the card harder to use. Only carry it when you plan to use it, lock it up in an inaccessible place or entrust it to your parents.

percent of the students at Lehigh have been "stung" by problems with credit card debt. Plenty of times parents step in -- just as card companies expect -- and pay down the bills. Other students aren't so lucky, such as a Lehigh sophomore who is facing \$5,000 in card debt.

"The monthly payments are choking him," Stanford says.

Lonnie Williams, director of Consumer Credit Counseling Service in Austin, Texas, tells a similar story.

"We see some students reduce course load to work more hours at a part-time job. We also see them apply for student loans to pay off what they've run up on credit cards," Williams says. "In some cases they drop out for a semester or a year and think they can pay it all off and go back."

She pauses and adds, "Once they've left school, it gets real hard to go back."

The Austin area has seven colleges and universities, including the 48,000-student University of Texas main campus. Six or seven years ago the number of student clients at her counseling service was "so negligible we hardly thought about it," Williams says. Today, students make up nearly 15 percent of its clients.

She believes the increase in card debt among college students stems from "lack of knowledge and very easy accessibility."

### **Federal, state lawmakers react**

Legislation proposed in Washington and around the country is aimed at changing that.

- [HR 900](#), introduced by U.S. Rep. John LaFalce (D-N.Y.), would ban issuing credit card accounts to anyone under 21, except with parental approval or evidence of means of payment.
- Legislators in Oklahoma and New York are weighing bills similar to LaFalce's.
- A bill in Tennessee would ban credit card promotions on public colleges.
- A California bill would ban card marketers from handing out free gifts unless they are accompanied by educational brochures on credit; require credit education programs and counseling sessions on campus; and require credit information in brochures stuffed in shopping bags at college bookstores.
- A Louisiana bill would prohibit college administrators from giving the names and addresses of students to credit card companies without students' permission.
- A resolution in Virginia calls for the state Department of Agriculture and Consumer Services to provide consumer credit information to college students, parents and universities.

### **Credit smarts begin at home**

Many colleges and universities are stepping up credit education efforts as well, but experts say the best education starts at home with parents.

"Parents, whether they believe it or not, are the No. 1 source of financial information, according to surveys of students," says Richard Flaherty, president of [College Parents of America](#).

The organization's Web site includes a "Money Talks" section with money management guidelines and tips for selecting and using a credit card as well as advice for parents on how to get the conversation going.

"Many times parents and students aren't comfortable talking about money matters," Flaherty says. "They're not sure how to begin that dialogue."

During the financial heart-to-heart, parents should be sure to discuss annual percentage rates, teaser rates, late fees, over-the-limit fees and minimum monthly payments. Another key point to discuss is who will be paying the bill.

[Visa](#), [MasterCard](#) and [American Express](#) also have Web sites with financial tips and advice geared toward college students.

United College Marketing Services has been conducting educational seminars on college campuses for more than a decade. Students arrive on campus with almost no knowledge of credit, says Dennis Meunier, the company's vice president of marketing. "The freshmen don't know anything coming in," he says.

By the time they're upperclassmen, the students are often deep in debt and looking for ways to cut their losses.

"They say, 'I have \$3,000 or \$4,000 in credit card debt. I have three or four cards. What can I do?' " Meunier says.

### **Cutting the debt**

The best bet is to try to consolidate the debt onto the card with the lowest interest rate and then work on paying down the balance, he says. If it's not possible to consolidate the card debt, focus on paying down the balance on the card with the highest interest rate first.

In its sessions with students, United College Marketing Services also gives some advice card companies are unlikely to give -- such as calling a card company and asking for lower interest rate.

"They don't know that they have a lot of negotiating power," Meunier says. Many times, card companies will, if pressed, cut a break for a student because they want to keep the young debtor for life.

A student who slips up once on a card payment, for example, may be able get that late fee waived with one quick phone call.

"Nine times out of 10, they'll waive the fee to keep the account," Meunier says.

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