

College Students in Debt

Contributed by Administrator
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WASHINGTON — Lavina Ramchandani, 20, got an American Express card two months ago so she could pay a tuition bill.

Holly Jackson, 19, got a credit card when she needed a laptop.

Ethan Elser, 20, recently used his card to pay for a spring-break trip to Mexico.

All are college students, and all are in debt.

As the economy worsens, largely because so many people took out mortgages they could not afford, the nation is questioning how credit could have been made so easily available and why consumers were so eager to accept it.

But experts say it is behavior that begins at an early age. Decades ago, credit cards didn't typically enter the picture until a consumer had a career or a family. Now, once people turn 18, they are bombarded with credit card offers. College campuses have become breeding grounds for new consumers of credit, with companies using free T-shirts, sandwiches, even iPods to entice potential customers.

Students are an attractive market because "most adults already have too many credit cards," said Ed Mierzwinski, program director for U.S. PIRG, a federation of state Public Interest Research Groups that defends consumers. "It's expensive to market to people who have credit cards with other companies."

Consumer advocates say college students can least afford to graduate with debt these days, with an unstable job market. Many of them will graduate with student loan debt.

"Going into a recession, which it looks like we are, are you going to spend all this money on school and then graduate and not be able to find a job?" said Emily Davidson, a financial expert at www.Credit.com, a Web site that rates credit cards.

In a recently released U.S. PIRG survey of 1,500 students at 40 colleges in 14 states, nearly two in three students reported that they had at least one credit card. Fifty-five percent of cardholding students said they used their card for day-to-day expenses. Reflecting escalating college costs, 55 percent said they charge their books and nearly one-quarter said they pay their tuition with a card. On average, those freshmen whose parents were not helping them with their bills had a balance of \$1,301. Seniors had more than twice that, \$2,623.

Nellie Mae, a student loan company, gathered similar data when it did a study of undergraduate credit card use in 2004. Seventy-six percent of undergraduates began that school year with credit cards, and the average balance was \$2,169, lower than it had been in 2001.

Jackson, a sophomore government and politics major at the University of Maryland, has more than \$2,000 in credit card debt. She has two cards, one that she opened to buy a Dell laptop and another that she used to pay for gasoline, food and books.

She works part time at the Gap, earning \$7.75 an hour. Most of that goes toward her credit card bills. So far, she has not made any late payments, but she said she feels overwhelmed and might get a second job.

"I'm learning my lesson," she said. "After I pay these off, I don't plan on getting more. They're awful."

Card companies argue that college students are adults and therefore have a right to credit. For the most part, industry experts say, they are no less responsible than the average adult.

In a survey of 1,200 full-time undergraduates conducted last month on 100 campuses, the marketing research firm Student Monitor found that the percentage of students with a credit card in their own name had decreased, from 46 percent in 2004 to 35 percent this year. Of those who have cards, 63 percent said they pay their balance in full each month. The 37 percent who do not carried an average balance of \$452, a decrease from last year, the report said. Students had more student loan debt than credit card debt, the study pointed out.

Elser, a sophomore business administration major at George Washington University, said he considers himself informed.

"I think once you hit 18, you're old enough to make your own decisions, and you should absolutely be able to sign up for a credit card," he said.

He said that he has never missed a payment on his Visa card and that he always pays more than the minimum. (But he would have to pay interest on any unpaid balances.) He did not choose his card based on a marketing gimmick. Instead, he applied for one at his parents' bank before he went to college. Now, after that trip to Mexico, he has a balance of slightly more than \$1,500, but his mother plans to help him pay it off. He has scaled back on his spending, eating out less and doing no unnecessary shopping.

"I always have a plan for how I'm going to pay for it," he said.

By Nancy Trejos
Washington Post

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