

Credit-card companies catch college students

■ Students should be wary of the consequences that can accompany credit-card use

By Jeff DeMoss
For The Emerald

Before you sign up for that shiny new credit card you saw advertised in the EMU or down by the bookstore, remember the old saying that there is no free lunch. Or dinner, or plane ticket or whatever you plan to buy with your newly acquired plastic piece of purchasing power.

In response to the rising cost of tuition and life in general, or for whatever personal reasons, college students are turning more and more to credit cards as a means of financing their higher education.

According to the Consumer Federation of America, a consumer advocacy group, approximately 70 percent of four-year college students have one or more credit cards. Of this 70 percent, almost three-fourths have revolving debts of \$2,000 or more. Credit-card companies are well aware of the huge customer base that college campuses provide and are marketing cards to students more aggressively than ever. According to the CFA, student debt has tripled since 1990.

This phenomenon has triggered concern among academics about the potentially harmful effects of debt on students' lives. Dr. Robert D. Manning, a sociologist at Georgetown University and conductor of a recent study of credit-card use among students, believes that excessive credit-card use by students

has created unforeseen social consequences that both college administrators and the credit-card industry purposely ignore.

Manning's study produced a long list of negative effects that he attributes to student debt, including anxiety, depression, damaged personal relationships and lower grades because of the need for students to sacrifice study time in order to work off their debts.

Good credit is an important asset for students as they begin their professional careers. Without good credit, it can be difficult or impossible to obtain a mortgage, car loan or other major purchase, and some employers will not hire an individual with scars on his or her credit history. Students can and do use credit cards responsibly by keeping track of their finances and making regular payments. "Most of them are extremely responsible and handle credit cards as well or better than most adults," said Brian Dalphon, a spokesman for MBNA Corp., the largest issuer of student credit cards in the country.

Manning, however, believes that new college students are often unable to see the long-term consequences of their immediate actions and often use new credit cards impulsively. Some students echo this sentiment.

"My first card felt like instant freedom in my hand," said Phil Gerhards, a senior art history major, who "maxed out" his first credit card in a few weeks. Gerhards managed to pay off his card before doing permanent damage to his credit rat-

ing, but many thousands of students don't realize their mistakes in time. In an extreme case in 1997, the parents of University of Central Oklahoma freshman Mitzi Pool attributed her suicide to problems with debt.

Manning blames the credit-card industry for its failure to warn students of the consequences of going into debt and for its eagerness to give essentially unsecured loans to teenagers who lack experience in their economic affairs.

Despite Manning's opinions, which consumer protection agencies such as the CFA largely share, college campuses continue to serve as a lucrative market for credit-card companies, which are increasing their presence on campuses nationwide.

Many universities offer "affinity" cards — credit cards with a university logo in which a small percentage of each purchase made with the card is donated to the university (the University has such an agreement with VISA). First USA, another major college card issuer, recently donated \$16 million to the University of Tennessee for exclusive rights to market their card on the UT campus. MBNA has donated big bucks to several schools, including \$2 million to Manning's own Georgetown.

As a student, the best defense against out-of-control debt and aggressive marketing is always knowledge; learn how to manage your debt and understand the



terms of a credit card agreement before signing it. Helpful information can be found at www.consumerfed.org and www.studentcredit.com.

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