

Students learn credit card abuse the hard way

Linda Findley
Reporter

Tim Crawley, a 1990 graduate of Elon College, learned the hard way that credit cards bring debt, not freedom.

During college, he racked up \$4,000 on credit cards. Four years later, the debt still hangs over him.

"I have tried to get a debt-consolidation loan to pay off the cards," Crawley said. "But I can't get the loan because my credit is bad. It's a vicious circle."

Crawley fell into a common trap for college students: Too much debt on too many credit cards that they don't really need.

Today's college students are flooded with offers for credit cards which they may not need and prob-

ably do not have the knowledge to use, says the director of a national credit card education group.

A 1992 survey found that 61 percent of college students have at least one credit card. More than two-thirds of these students got it before the end of their freshman year. Many of these cards start with limits as high as \$1,000.

The problem is students don't usually have the income to support a credit card. But more important, they don't have the education to understand what credit means, said Ruth Susswein, executive director of Bankcard Holders of America.

A survey by American Express and the Consumer Federation of America found that 70 percent of college juniors and seniors did not know that banks can set their own

interest rates, and 78 percent did not understand how the annual percentage rate on a credit card increases the cost of what you buy.

Sharon Radford, regional supervisor of the Budget Counseling and Education Centers of North Carolina, sees eight to 10 students a month who have gotten into credit problems. She said that by then, it's usually too late.

"When students overload their credit cards and don't pay it off, that stays on their credit history for seven years," Radford said. "We need to help keep them from getting in that situation."

The problem runs a lot deeper than students just getting in over their heads, Radford said.

"When students default on these credit cards, it raises the per-

centage rates for all credit cardholders. Then, when these students get older and try to buy a house, they get turned down for loans because of bad credit," she said.

Susswein said students are more likely to default than standard cardholders because of low income and little understanding of the responsibility behind spending. But the companies expect it, she said.

So why would credit companies send students cards if they are not paying their bills?

"What we hear, more often than not, is that parents are bailing their children out," Susswein said. "The credit card companies know this. Some applications even ask for the parents' names, even though they are not necessary."

Susswein is lobbying for tighter restrictions on how credit card companies target students. Last March, she testified before the House subcommittee on consumer credit on behalf of Bankcard Holders of America (BHA), a non-profit consumer advocacy group.

Students' mailboxes are flooded with letters from credit companies making these cards seem like the keys to freedom. A Citibank advertisement states "no need for a job or cosigner" and suggests using the credit card to pay for spring break in Florida.

Credit card advertisements are posted in classrooms, put in students' bag when they buy books and inserted in with the college newspaper.

These advertisements might not have as much of an impact if students were taught about credit cards in high school. Susswein also lobbied congress to start more educational programs.

"No where in our school curricula are students required to learn about basic finance," she told the House sub committee. "If our parents don't know or don't teach us, we are expected to pick up this vital information hit or miss - and too often it's miss."

Susswein discussed one case referred to BHA in which a student had accumulated more than \$25,000

worth of debt on his credit card just in his freshman year. She he was still receiving offers for more credit cards when he was ready delinquent on his first.

Crawley understands the lesson firsthand. When he graduated more than four years ago, he had accumulated more than \$4,000 in debt on three credit cards. He got his first credit card as a sophomore when Alpha Sigma Alpha was offering pre-approved credit cards to college students as a fundraiser. He received a Discover card a Mastercard the next year by mail.

"I used the cards for food, car maintenance and once for a plane ticket," Crawley said. "I couldn't pay it off every month so it built up."

After college his first job at a television station did not pay enough so he had to continue living on credit cards.

Because of his experience, Crawley feels students do not need credit cards.

"If a student needs a credit card," he said. "It should be through the parents and with a limit higher than a \$500 limit."

There is little chance of an industry self-regulating through the College Credit Card Corporation, a marketing marketer of credit cards. Susswein estimates that card companies are earning \$16.5 million a year on every 100,000 student cardholders. More than \$10 million of that is interest income.

Education is key to making students more financially responsible, Susswein said.

"College students with no assets, no income, no credit history, and no means of supporting themselves are eligible for credit. And in some cases, they have quite a bit of credit," Susswein said.

Radford believes in teaching students and anyone else who uses credit card.

"Never owe more than 20 percent of your income, or what you can pay off in three months," she said.

Angel Tree gives to the less fortunate

Stacey Ward
Staff Reporter

An "Angel Tree," presented by Lambda Chi Alpha, has been set up in Alamance Rotunda.

From Nov. 16 until the end of classes, students and staff have the opportunity to choose an "angel." Individuals from the Elon and Burlington areas are invited to participate.

The "Angel Tree," in its third year, is a program where participants pick an "angel" card from the tree and buy a gift for that child. There are gift suggestions on the card. The fraternity works with the Salvation Army in order

to provide gifts for less fortunate children.

Participants should put wrapped presents underneath the tree. Lambda Chi Alpha takes all of the presents collected to the Salvation Army. The gifts are distributed to the children on Christmas.

"I think it's a wonderful spirit of Elon College. Everyone's chipping in and getting into the spirit," said Pete Peterson, Lambda Chi Alpha adviser.

In 1992, Lambda Chi Alpha member Richard Campbell started the "Angel Tree" at Elon. The first year, the fraternity collected about 50 gifts. As the idea caught on the group ended up with hundreds of

gifts, said Peterson.

The "Angel Tree" has been on the master calendar since August. However, most of the preparation took place about four weeks ago, said Lambda Chi Alpha President Whitney Newton.


The fraternity expects a decent response, because Newton said, people remember it from last year.

"It creates the opportunity for Lambda Chi Alpha to be recognized for its philanthropies. Also, it gives more Christmas spirit to people who otherwise wouldn't have as much," Newton said.

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