

The Easy Money of Student Credit Cards

When I was an undergraduate student, you could walk through the student union on any given day and be handed a couple applications for student credit cards. In the spring and fall, there were big booths set up outside giving away shirts, mugs, music and cash. The banks were trying to lure new applicants for student credit cards and it worked. It was an effortless sell and it appeared that anyone would be approved. Everyone I knew who applied for a credit card on campus had one in their hands within a week or two. I can think of just as many students whose balances grew and grew, because they only paid the minimum required payments. You can see why it was an easy sell. It was like free money during a time when most of us had little. With credit cards we could be wild and free. The things we could buy. The amount of debt we could ring up.

Many university administrations and state governments are now restricting solicitations for student credit cards on campuses. The main concern about the mutually beneficial contracts between universities and banks is that they rely on students opening new credit card accounts and maintaining balances on them. Students are a vulnerable lot. Most are strapped for cash and are experiencing more freedom and independence than ever before. Handing out student credit cards to young people who may not understand the long term effects of debt is not the noblest undertaking. A U.S. PIRG study released last March surveyed college students and their credit card habits. The freshman that were surveyed carried an average \$1300 balance on their student credit cards, and seniors carried a \$2500 balance on average. A late fee had been incurred by about 25 percent of those surveyed. 5 percent of the students surveyed had been so behind on payments on a card that it was canceled.

Banks who offer [student credit cards](#) claim they are doing so responsibly. Student credit cards provide a chance for students to build a foundation for their credit history. Banks also cite studies that indicate that the use and abuse of student credit cards is not as bad as the U.S. PIRG study claims. According to those studies, the unpaid balance on student credit cards is an average under \$500, and only 34 percent of students actually have a credit card in their name only. A lot of banks provide free budgeting workshops and financial planning seminars for students. They believe there is a role for student credit cards in the financial development of students.

University administrators do not want to ban student credit cards from campuses. They simply want to assure that banks offering them on their campuses are doing it in a way that is not predatory or misleading. If they are used appropriately and with an understanding of the long term effects of debt, student credit cards can provide students with a sound and dependable financial resource.

About the Author

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