

A&M students given too much credit

BY JOHN LEBAS
THE BATTALION

wipe the card, sign at the "X," and get food, clothes, gas, books, or cash.

Swipe the card, sign at the "X," and get buried with fees, interest charges, incoming minimum payments, and long-term financial woes.

Credit cards can be a college student's best friend or worst enemy. Used responsibly, a student may easily purchase daily necessities while building solid credit. Irresponsible charges, however, can suck a student into a seemingly inescapable cycle of debt.

Most college students can easily obtain credit cards; several companies offer "student cards." Especially at the beginning of fall semesters, credit card company representatives can be found throughout campus with applications for free T-shirts for students who wish to apply.

Jennifer Madden, a senior elementary education major, said students should be wary of gimmicks and special offers as incentives to apply for credit cards. She said she recently dealt herself with several open accounts and high credit limits and is now working to reduce the risk of financial disaster.

Madden said she opened her first credit card account when she was a sophomore.

Her credit limit on the card was originally \$500, but since she established a solid credit history through timely balance payments, her credit card company periodically raised this limit to \$6,000.

Madden realized her job did not pay enough to justify such a high credit limit, and she decided to get herself out of possible financial trouble.

"I called them, and to keep me from canceling it, they offered me a 12.9 percent interest rate and lowered my limit to \$2,500," she said.

"It seemed like they kept [raising my limit] because they wanted me to keep spending more," she said.

Madden said she falsely assumed she was qualified to handle a high credit limit.

"It makes you think that if they're offering it to you, you have what it takes to pay them," she said. "But if you're in college, there is no way you're going to be able to pay it off."

An account manager with a major credit card company said the biggest trouble college students get into involves not being able to pay their account balance.

However, Jim Harrell, a representative for Consumer Credit Counseling Service (CCCS), said he disagrees with this assessment of student credit card use.

"We usually don't hear about it, because the parents end up paying it off," he said.

Harrell said the most important thing students must consider when using credit cards is responsibility. He said students should avoid using a credit card for income or impulse purchases.

"Most people don't have a goal, and you've got to have that," he said. "Always have a plan — make a budget and stick to it."

Brett Tohlen, a senior biochemistry major, said he uses his credit card when he knows he has the cash to pay for his purchases when the bill arrives. He got his card to establish credit and disciplines himself to spend within his budget.

"I don't like knowing I owe someone money — I'd rather be debt free," he said. "It's good to have as long as you don't get carried away."

Harrell said credit card users should not charge more than they can pay off in 90 days.

He also said students should remember that monthly minimum payments often cover little more than monthly interest charges.

"Always try to make more than the minimum payment," he said.

"If you can pay even five or 10 dollars more than that, you'll be paying less interest and get the balance paid off quicker."

Madden said minimum payments can quickly add up for people with several accounts.

"I know people who spend every paycheck just paying the minimum payments on all their cards," she said.

Madden and Harrell suggest that students keep a maximum of only one or two major credit cards, or none at all.

"Everybody usually has to have a card, but if you can go on a cash basis, you're much better off," Harrell said.

Harrell said students who do find themselves laden with credit card debt should stop using their cards immediately and cut them up or send them back to the creditors.

The next step in managing debt, he said, is to contact a free service such as CCCS for budget and debt counseling and the appropriate creditors.

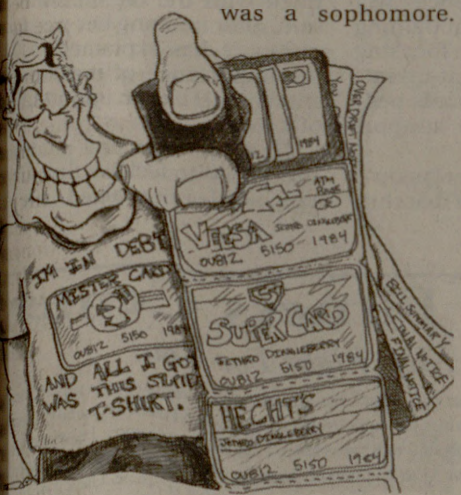
He said creditors may be willing to reduce interest rates or work out a payment plan with those in debt.

Harrell said debt may counter a student's intention to build solid credit. Delinquent payments remain in one's credit bureau for seven years, he said, and may haunt graduates trying to get mortgages or car loans.

"The most important thing is to use credit cards responsibly," he said.

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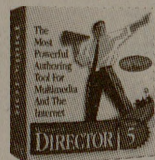
Jim Harrell
CCCS representative



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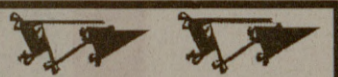
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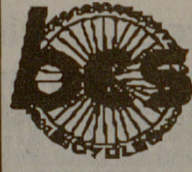
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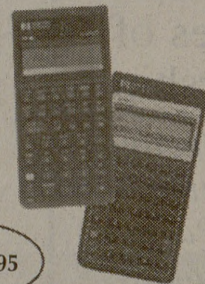
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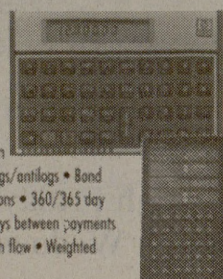


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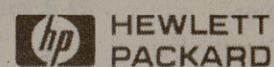


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