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# Easy credit can mean long-term hardship for college students

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By Kathy Chu, USA TODAY

In 1997, Mitzi Pool, a freshman at the University of Central Oklahoma, hanged herself in her dorm room, a pile of credit card bills splayed on her sunflower-print bedspread.

Her mother, Trisha Johnson, of Enid, Okla., blames Mitzi's despair about \$2,000 in credit card debt for the loss of a daughter whom friends nicknamed the "Joker" because she was always smiling.

"The companies at the student union had stands up, offering free hats, free T-shirts," Johnson says. "She got one, maxed it out, got another and then a third."

**STORY:** [Schools give student data to banks](#)

Her grief has encouraged Johnson to speak out to legislators, parents and students about the need for a nationwide ban on credit card marketing on college campuses. College students tend to have less financial experience than older adults, making them more susceptible to these pitches.

Each fall, concerns about young adults falling prey to aggressive credit card marketing resurface as 17 million college students flock to campuses across the USA. Nearly a dozen states, including New York and California, have made it harder for card companies to market on public campuses. And a growing number of colleges, on their own, have begun to impose restrictions.

But these steps belie a stark reality: Credit card marketers today are as aggressive as ever — just more creative — about reaching students. Some solicit students by phone or e-mail, and flood their mailboxes with credit card applications. Other marketers set up tables around heavily trafficked campus areas, hawking free sandwiches or pizzas to hungry students to get them to sign up for a credit card.

At universities that restrict credit card solicitation, marketers legally bypass the rules by moving across the street from campus. It takes about five minutes to fill out a credit card application. In a few months, students can fall deep in debt, charging beer and designer jeans, as well as school supplies, to these cards, according to consumer advocates.

"These credit card issuers circle the campus like sharks circling a fish," says Elizabeth Warren, a Harvard Law School professor. "Companies are turning over every possible rock to find a live human being to take one of their credit cards and use it. The college-age student is a prime target."

Credit card issuers are also increasingly striking partnerships with colleges for exclusive marketing privileges on campus, and many are gaining wider access to students. The largest four-year colleges are earning up to millions of dollars each in annual fees by giving banks the right to market credit cards on campus (story, 1A).


These "sweetheart deals" are like "letting the fox into the chicken coop," says Ed Mierzwinski of the U.S. Public Interest Research Group. "Credit card companies are driving hard bargains (with students), and colleges are looking the other way."


Bank of America, which commands the most contracts, has struck deals with about 700 colleges nationwide, a result of its acquisition this year of MBNA. Such contracts mean that at a college such as the University of California, Los Angeles, only Bank of America can sign


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students up for credit cards on campus.

At the University of Tennessee in Knoxville, the alumni association gets \$10 million over seven years in return for giving Chase, a top credit card issuer, exclusive access to solicit alumni and students at athletic events, among other perks, says Beth Gladden, a school spokeswoman.

### **Gauging financial responsibility**

Why are college students so appealing to card issuers? They earn more on average during their lifetime than those who don't attend college. Many of them can also rely on parents to bail them out of financial trouble. And, "Every year, there's a new cohort to market to," says Robert Manning, a finance professor at Rochester Institute of Technology

Students tend to be more loyal to their first financial providers. "It's a bit of a life event," says Ed Stolbof, a senior vice president at Discover Financial. "They get their first card" and tend to stick to it.

When college students graduate, they will also need a host of financial products, including car loans and mortgages. Anthony Merola of Citigroup says what's "paramount to us is establishing a relationship" with college students so they will expand their ties with the bank as their financial needs change.

This year, Citigroup has more than doubled the number of college campuses, to more than 200, where it's marketing its bank accounts and credit cards. The bank says it follows all state and local rules in soliciting college students.

But consumer groups and parents say that banks make it too easy for college students to get credit and to become mired in debt. Johnson, nearly a decade after her daughter's death, is still struggling to understand how Pool — who worked part time — could manage to rack up so much debt in so little time.

"How could a college student who works 12 hours a week get a credit card and get another one before she makes a payment" on the first? asks Johnson, who still holds out hope for tighter marketing curbs on campuses.

In 2004, the latest year for which figures are available, three out of four college students had credit cards, and more than 40% had at least four, according to student lender Nellie Mae. As students advance through school, their card debt tends to swell. Seniors carry an average debt load of \$2,864, nearly double a freshmen's average of \$1,585, Nellie Mae's data show.

Banks don't appear to be dissuaded by most students' lack of significant income, steady jobs or credit history.

In a saturated industry — where the average household has 14 credit cards — students are "probably one of the last frontiers of the low-cost new-account generation," says Robert Hammer, CEO of R.K. Hammer, which consults with financial service firms.

Sara Langham, 19, a sophomore at New York University, got her first credit card this summer with a \$2,000 credit limit, even though she had no steady income. In a few months, she's racked up \$1,500 in debt on a round-trip plane ticket to Spain, school books and supplies.

Langham, an art history major, says she doesn't worry about the debt because she pays \$50 to \$100 a month from her babysitting stints. Still, "I feel like the (card) could get me in trouble if I get used to it," she says. "I walk by a store and think, 'I can get that.' "

Banks contend that, even though they grant cards to students without income, jobs or credit history, they have other ways to gauge financial responsibility. "Issuing to someone who can't repay is bad, period," says Tracey Mills of the American Bankers Association.

But Elizabeth Schiltz, an associate professor of law at the University of St. Thomas in Minnesota, says banks count on students paying late or exceeding their credit limit to bring in fee income.

"It's a market where they can make a lot of money because of (college students') youth and inexperience," Schiltz says.

Hailey Gilmore, a junior at the University of California, Berkeley, was charged a \$35 credit card fee this July based, she says, on an "average" credit card balance higher than her \$750 limit. Then, she got hit with another \$35 penalty for the first fee pushing her over the credit limit by the end of the billing cycle.

"I don't appreciate" these fees, says Gilmore, 21. "This is not why I signed up for this credit card as a starving student."

### **Free pizza for applying for plastic**

At UC Berkeley on a sunny September day, the smell of steaming pizzas wafted across Bancroft Way, which borders the university. A marketer, pitching a Discover Financial card, enticed students to sign up by shouting about free pizza. The marketer had set up a table about 100 feet from university grounds, outside an off-campus bookstore.

In past years, marketers had swarmed all over campus to pitch their cards. But doing so hasn't been worth the effort for many marketers since a new UC system policy was issued in 2004. The policy lets issuers pass out credit card information on campus but bars them from signing up students for cards.

On this Wednesday afternoon, the table with free pizzas just outside the university campus attracted a flow of students.

"I sign up for these things because I don't have a lot of money; getting food is a hassle," says Sandra Martinez, 19. "I don't really need (the

credit card)."

That day, the Discover credit card applications came without disclosures about the interest rate or terms. Students were told to fill out the form, and they'd get the card, along with its terms, later in the mail if they were approved.

"There wasn't much print besides the part you fill out," says Jassi Virk, 18, a sophomore who wandered over after smelling the pizza. "They send you all that information with the card."

Discover, responding to the incident, says it uses a third party to market its credit cards and requires this marketer to provide the card terms and features with each application. The company says it will look into any violations of its policy.

Credit card marketers, though, "more often than not" ask students to sign blank credit card applications without giving them information about the products' terms and features, says Robert Bugai, who used to market credit cards on campus to college students for 12 years ending in the early '90s.

"Students had no idea what they were getting into," says Bugai, who, as founder of College Marketing Intelligence, now monitors marketing on campuses. "They basically had no idea what the interest rate might be in addition to the responsibility of carrying a card."

Still, students may be more responsible than some might assume. The average outstanding balance on credit cards held by undergraduates dipped 7% to \$2,169 from 2001 to 2004, says Marie O'Malley of Nellie Mae. During this period, the percentage of students with credit cards fell to 76% from 83%.

But Warren, the Harvard professor, contends that "the numbers are declining slightly because more parents are becoming generally alarmed and inoculating their students against credit card use."

**Paying debts with credit**

A trend by students to roll over credit card debt into student loans may also mask what seems to be lower credit card balances. Student loan debt has risen to record levels in recent years, even as credit card balances have fallen slightly.

James Scurlock, the producer of *Maxed Out*, a forthcoming documentary about America's addiction to debt, says his research shows that collection agencies encourage financially troubled students to pay off card debt with other credit lines — including student loans.

Alan Brock, a 2003 graduate of Florida State University, regularly used his student loans to pay off his credit cards during college. The problems started, Brock says, his first year. He obtained four credit cards within six months, lured by the free pizza offered by marketers and the "ability to buy things I didn't have money for."

At one point, he couldn't make his minimum payments for months and owed \$3,000 in finance charges, late and over-the-limit fees. Today, Brock is still digging himself out from under more than \$30,000 in student loan debt and \$8,000 in credit card debt.

"I knew that credit card problems happen," says Brock, now a political consultant. "I didn't think it could happen to me."

*Contributing: Tom Ankner*

**Largest universities' credit card marketing policies**

College/university	Enrollment	Allows marketers access to student info?	Allows credit card marketing on campus?	Restrictions
Arizona State	51,612	Yes <sup>1</sup>	Yes	Only Bank of America at athletic games.
U of Minnesota	51,175	Yes <sup>1</sup>	Yes	Only Chase at athletic venues.
Ohio State	50,504	Yes <sup>1</sup>	Yes	Only Bank of America allowed at athletic games.
U of Texas, Austin	49,696	Yes <sup>1</sup>	Yes	Only at certain events, and only under sponsorship deals, such as with Bank of America.
U of Florida	49,693	Yes <sup>1</sup>	Yes	Only Chase allowed at athletic games. Elsewhere on campus, info allowed, but no gifts, no sign-ups.
Michigan State	45,166	No	Yes	Only Bank of America at certain events, such as athletic games.
Texas A&M	44,910	Yes <sup>1</sup>	NA	NA <sup>2</sup>
U of Central Florida	44,856	Yes <sup>1</sup>	Yes	Only Bank of America, Wednesdays, at student union.
U of South Florida	42,660	Yes <sup>1</sup>	Yes	Only Bank of America at athletic events. Other credit card companies only Wednesdays in certain location.
U of Illinois, Urbana	41,938	No	Yes	Only Bank of America at athletic games.

Largest four-year brick-and-mortar universities as of fall 2005, according to National Center for Education Statistics. Excludes schools that emphasize online learning or two-year programs; 1 — by schools' interpretation of state law, students can opt out; 2 — university alumni association has credit card marketing deal with Bank of America, but did not disclose info about bank's on-campus solicitation. Source: USA TODAY research

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