The New Credo On Campus: ‘Just Charge It’
Credit-Card Companies Target Students Before Freshman Year; Should Your Kid Get One?

By Ruth Simon
And Christine Whelan

WHEN LAURA CACCAVONE set off for her first semester of college last month, she brought along her favorite stuffed animals, hot pink sheets—and a Capital One Visa with a $300 credit limit.

“I know I have it if I need it,” says the 18-year-old freshman at Drew University in Madison, N.J., who also uses the card to buy gas and the occasional must-have accessory.

As if there weren’t already enough temptations at college, students are using plastic to pay for more of their purchases. In all last year, students used cash for just 42% of expenditures, compared with 53% the previous year. Students now pay more of their bills with debit, credit or ATM cards or even their college IDs.

In addition, more students who have credit cards are getting them before they set foot on campus. While campuses have always been prime territory for credit-card marketers, many students are now getting targeted earlier. Forty-eight percent of college students with major credit cards in their own name got them before their freshman year, according to a spring 2002 survey by Student Monitor, a market-research firm in Ridgewood, N.J. That’s up from 34% four years earlier.

The student market

A Card of Their Own
Percentage of students who have a major credit card in their own name

- Freshmen: 36%
- Sophomores: 55%
- Juniors: 51%
- Seniors: 64%

Sources: Student Monitor, Spring 2002 survey
is a small part of the overall credit-card business, but it's one of the few places where card issuers can find a fresh set of customers each year. Marketing to students also allows lenders to build relationships with people who are likely to need auto loans, home mortgages and other financial services in the future. And with most students carrying just one or two cards, competition to be the first card in the student’s wallet is keen. (For a comparison of credit cards targeted at students, please see chart on page D4.)

Capital One sends direct-mail offers to parents of 16- to 18-year-olds pitching them credit cards for their children. Citibank, Discover Financial Services and Wells Fargo offer cards to students once they turn 18, generally the minimum age to have a card in your own name. MBNA, which has affinity relationships with roughly 700 colleges and universities, sends mailings to about 100,000 freshmen before they arrive at school each year. On campus, issuers offer enticements such as T-shirts and sunglasses.

The deluge of credit cards comes as many students are taking on more debt to pay for college itself. The result: Students are taking on “substantial debt loads that will clearly affect them for the rest of their lives,” says Michael Olivas, a law professor at the University of Houston.

Already, many students can't keep up with their bills. Students are nearly three times as likely to be at least 90 days delinquent on their credit-card payments as older adults, according to
Credit-Card Firms Target College Students Early

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a recent study by the Georgetown University Credit Research Center. They also are more likely to pay late fees and over-the-limit fees. Still, credit-card issuers seldom take big losses on student accounts, both because the balances are smaller and because parents often bail out their children.

Roughly 15% of schools no longer allow credit-card companies to solicit on campus, Discover Financial Services estimates. But such moves don’t always deter solicitors. At John Jay College of Criminal Justice in New York, vendors bring their own portable generators and set up shop across the street from campus, offering promotional T-shirts, mugs and candy bars.

The issue has raised some concerns in Congress as well. The Senate Banking Committee plans to hold hearings Thursday on the marketing of credit cards to college students.

Lisbeth Minoso, a John Jay senior, says she was 17 when she was first solicited by credit-card vendors on her way to classes. “I believed if they were outside the college, the college had granted them permission,” says Ms. Minoso, who was forced to drop out of school for two years after her credit-card charges skyrocketed. She still has about $10,000 in credit-card debt and an additional $23,000 in student loans taken out to pay down debt.

The credit-card industry says such cases are the exception and that cards provide students an opportunity to learn financial responsibility. Issuers also note that they provide special educational materials designed to help students better manage their money.

Parents should shop carefully because rates vary widely, from as low as

Getting the Best Deal

Here are some credit cards targeted at the student market. Shop carefully because rates vary widely. Debit cards, ATM cards and stored-value cards are other options for parents worried about student spending.

<table>
<thead>
<tr>
<th>CARD NAME</th>
<th>PHONE NUMBER</th>
<th>MINIMUM INTEREST RATE</th>
<th>INTRODUCTORY CREDIT LIMIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>USAA College Start MasterCard</td>
<td>800-922-9092</td>
<td>10.00%</td>
<td>$500</td>
</tr>
<tr>
<td>Blue for Students</td>
<td>800-641-2400</td>
<td>8.90%</td>
<td>500</td>
</tr>
<tr>
<td>Washington Mutual Student VISA</td>
<td>800-649-4090</td>
<td>14.24%</td>
<td>500</td>
</tr>
<tr>
<td>Citi Platinum Select</td>
<td>800-950-5114</td>
<td>11.00%</td>
<td>500</td>
</tr>
<tr>
<td>Discover Card</td>
<td>800-DISCOVER</td>
<td>17.99%</td>
<td>1,000</td>
</tr>
<tr>
<td>Capital One College Student Visa/MasterCard</td>
<td>800-548-4593</td>
<td>11.90%</td>
<td>1,500</td>
</tr>
<tr>
<td>Bank of America Student Visa Gold</td>
<td>800-900-9000</td>
<td>15.75%</td>
<td>600</td>
</tr>
</tbody>
</table>

Note: These rates and credit limits are based on offers to incoming freshmen. All of the interest rates and credit limits are variable. Source: Bankrate.com and individual banks

8.9% on Blue for Students, an American Express card, to nearly 18% on a Discover Card pitched to students. Credit cards marketed to students typically carry lower initial credit limits, often $300 to $1,000. Some cards also have special features. MBNA, for instance, recently introduced a credit card that allows parents to set the credit limit, receive a copy of their child’s bill and monitor charges online.

Some students may be better off with a debit card or a stored-value card, which allows students to spend up to a preset amount. Marcus Demott, a Rutgers University junior, opted for a debit card instead of a credit card when he started college. “I’m afraid I would end up using the credit card way too much,” he says.

Indeed, debit cards and ATM cards are more popular than credit cards, accounting for 15% and 11% of spending, respectively. Credit cards are used to pay for 9% of monthly purchases, Student Monitor found. In addition, a growing number of colleges now give students identification cards that can also be used to buy everything from books to pizza, with the school getting a slice of the revenue.

—Michelle Higgins contributed to this article.