

*From the desk of Attorney General Bob Cooper*



**September 11, 2008**

### **Make Sure Your College Student Understands the Risks of Credit**

Financial responsibility and budgeting are often new skills that today's college students must acquire or they could find themselves graduating with a huge burden of debt.

According to U.S.PIRG (Public Interest Research Group) college students are graduating with about \$4000 in credit card debt, and according to other studies, 56 percent of undergrads get their first credit card at age 18. By graduation, 56 percent of students carry four or more credit cards.

Recognizing this problem, Tennessee's General Assembly recently enacted a law that prohibits credit card issuers from recruiting students through university facilities or student organizations, with the exception of days when there are athletic events scheduled. Sponsored by Representative Lois DeBerry and Senator Reginald Tate, this new law covers all universities, community colleges, and private colleges in Tennessee. Credit card companies are also banned from offering gifts or incentives on campus to entice students to fill out credit card applications. Offering "free stuff" such as t-shirts, food, music, etc., for filling out a card application has been a highly successful marketing strategy for credit card companies targeting college students.

Tennessee's new law will cut down on the dominant presence credit card companies have on campuses and limit the way that cards can be marketed to students. Yet, according to U.S. PIRG, 80 percent of college students reported receiving direct mail from card companies, while 22 percent said they received an average of about four phone calls a month from credit card companies.

The new law also provides that any Tennessee college or university that collects personal information from students for the purpose of including that information in student or campus directories must give its students the option to opt-out of solicitations and offers. Credit card companies and other advertisers access the information in these directories to generate mailing lists. By opting-out, students can be listed, but will not receive solicitations.

When other states implemented similar laws credit companies have set up shop at popular college hangouts just off campus. The issuers often use free food coupons passed out on campus as lures to get college students to leave campus only to find out they must fill out an application to redeem the coupon. Some students are reportedly unaware that they were even signing up for a credit card. These marketing strategies would be subject to close scrutiny to determine whether they are deceptive and violate consumer protection laws.

Graduating with revolving, high interest credit card debt may mean bankruptcy and damaged credit for years. This is why parents are urged to take time to speak with their child about

financial matters as they head off to college. Parents should be forthright and honest about what they can pay and what they cannot pay with respect to college and living expenses. By planning for these expenses in advance, parents can help their child develop a reasonable budget. The key to avoiding debt is education; provide your children with information about the benefits and dangers of credit before they go out on their own.

For more tips to help college students manage spending and learn the pros and cons of credit go to these websites, <http://www.fdic.gov/consumers/consumer/moneysmart/overview.html> or <http://feedthepig.org/>. If you decide a credit card is an option, select one together. Help your child research terms, develop a payment schedule, and limit the available credit. Here is an excellent resource to get started from the Federal Reserve Board, [www.federalreserve.gov/pubs/shop/default.htm](http://www.federalreserve.gov/pubs/shop/default.htm).

Spend some time talking with the new college student in your family about financial responsibility and credit pitfalls before they leave the nest. Teach your child about using resources such as the Better Business Bureau ([www.bbb.org](http://www.bbb.org)) and the Tennessee Division of Consumer Affairs ([www.tn.gov/consumer](http://www.tn.gov/consumer)) and other consumer websites to research major purchases and credit decisions.

College students want and need to learn how to manage their financial independence. It is part of leaving home and assuming more responsibility. A little planning and communication now can help avoid a burden of unmanageable debt in the future.