



NATIONAL FOUNDATION FOR  
CREDIT COUNSELING

*Knowing the difference can  
make all the difference.*

## ***NFCC PRESS RELEASE***

For Immediate Release  
August 17, 2009

Contact:  
Gail Cunningham  
(940) 691-6322 - direct  
(240) 672-2700 – cell  
[gcunningham@nfcc.org](mailto:gcunningham@nfcc.org)

### **IS A CREDIT CARD A MUST FOR COLLEGE STUDENTS?**

*NFCC Offers Alternatives for Building a Credit History*

Silver Spring, MD - Parents across the country are having *the* talk with their young adult as he or she heads out the door to college. This year, however, the talk isn't about sex, drugs and rock and roll. Instead, it's about whether or not the student should apply for a credit card before the new regulations go into effect in February 2010. The recently passed CARD Act will require a person less than 21 years of age to either document their ability to repay the debt, or have a co-signer before being granted credit.

The new law will also regulate aggressive credit card marketing to college students. In years past, issuers enticed students to apply for cards by making offers of free t-shirts, beach balls, or even chances for an iPod. Some states have already passed laws restricting or regulating credit card marketing on college campuses, and with good reason.

A recent Sallie Mae study revealed that college seniors carried an average credit card debt of \$4,100 compared with \$2,900 five years ago. College freshmen tripled the amount of debt on their credit cards, going from \$373 to \$939 over the same date range. Keep in mind that this segment of the population typically has no income and no credit history, but has nonetheless been extended credit.

“We live in a credit-dominated society, with most of us dependent upon credit for major purchases,” said Gail Cunningham, spokesperson for the National Foundation for Credit Counseling (NFCC). “Ideally, while in school the student will build a thick credit file, and graduate with a positive credit report and high credit score, allowing them to then realize some of the financial dreams they'd put on hold until graduation. But providing an 18-year-old with little financial training access to a credit card is not only risky, it could be downright disastrous.”

When it comes to building a positive credit record, the student has some options. The NFCC suggests that parents and young adults consider the following when deciding what would be best for their situation:

- more -

- **Become an authorized user on the parent's card.** This is a practice known as piggybacking, and is exactly what it sounds like. The student is attached to the parent's card and has charging privileges, but no legal responsibility for payment since the card is not in his or her name. The activity on the account is reported to the credit bureau in both the parent's name and the student's name, thus the young adult builds a credit file of their own. This option allows the parents to monitor the student's spending, and remove them from the card if things get out of hand.
- **Get a secured credit card.** This type of credit card requires a cash collateral deposit which then becomes your line of credit, thus limiting any abuse. Consumers need to be very careful when applying for this type of card, as some charge high fees which can greatly diminish your spending power. You can also expect a secured card to have an annual fee and a higher interest rate than an unsecured card. Make sure that the issuer reports to the credit bureau. If they do, and if you pay responsibly, a secured card can not only be a safe way to build a credit file, but after a year or so will likely qualify you for an unsecured card.
- **Obtain a card in the student's name.** Since the clock is ticking on the availability of this option, it definitely merits a conversation between the student and the parent. If the young adult has some financial training and experience with credit, and has demonstrated that he or she can handle it responsibly, then having a card in their own name could be a good way to launch their own credit file. Student credit cards typically have low credit lines, thus somewhat limiting the amount of financial damage that can be done. However, an irregular payment history on even a small debt can damage a credit file, which defeats the purpose of having a card.

In addition to lenders, employers and landlords also review credit reports. Therefore, it is important to graduate from college, not only with a sheepskin in hand, but a positive credit file. If you need help evaluating the risks and responsibilities associated with credit, reach out to a trained and certified credit counselor at an NFCC Member Agency. To find the agency closest to you, dial toll-free to (800) 388-2227, or go online to [www.DebtAdvice.org](http://www.DebtAdvice.org). For assistance in Spanish, call (800) 682-9832.

- 30 -

*The National Foundation for Credit Counseling (NFCC), founded in 1951, is the nation's largest and longest serving national nonprofit credit counseling organization. The NFCC's mission is to promote the national agenda for financially responsible behavior and build capacity for its members to deliver the highest quality financial education and counseling services. NFCC Members annually help more than three million consumers through close to 850 community-based offices nationwide. For free and affordable confidential advice through a reputable NFCC Member, call (800) 388-2227, (en Español (800) 682-9832) or visit [www.nfcc.org](http://www.nfcc.org).*