News Release

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Attorney General Cautions: Avoid Campus Credit Card Trap!

"Students are flooded with credit card offers," Miller says. "It's very easy to slip into damaging, high credit card debt."

DES MOINES. Attorney General Tom Miller is urging Iowa college students to avoid slipping into high credit card debt.

"Credit card companies badly want the business of college students, so students are flooded with credit card offers," Miller said. "Unfortunately, more and more students are slipping into high credit card debt with very serious long-term consequences."

Miller said studies indicate high debt is forcing some students to take on more paid work and reduce their academic load or even drop out of school. He noted that an administrator at Indiana University once said, "We lose more students to credit card debt than to academic failure."

High debt or a poor credit record also can result in students paying higher rates for car loans or home mortgages, and lead to psychological problems from stress to suicide.

The Attorney General's Consumer Protection Division issued a "Consumer Advisory" bulletin titled, "Credit Cards on Student Incomes: Proceed with Caution and Shop with Care!" The Advisory was issued especially to college and university newspapers -- as has been done since 2000. The college papers (and also community newspapers) were encouraged to report on this issue. They also received this news release and a sheet of sources of more information).

"Whatever you do, don't be seduced into obtaining several credit cards and 'maxing-out' on them with a high debt load," Miller said. "And don't play the credit card shuffle – using advances on one card to pay down another."

Miller said credit cards can serve a purpose – they are good for emergencies, and national credit cards can help build a good credit record. "But if you do get a credit card, determine what you can realistically afford to pay each month, and plan to pay off your bill completely each month."

Before you choose a credit card, shop around carefully.

"Some cards are highly visible on campus because they have marketing rights," Miller said, "but students still should shop for the card with the best terms for them."

Customers should compare interest rates, stated as the APR or annual percentage rate of interest. Miller cautioned that some low "teaser" rates only apply for a few months as an introductory offer – then much higher rates kick in. He also encouraged students to avoid cards with high penalty rates – rates of 20% or even 30% if the card holder misses or makes a late payment.

Miller said customers should look for hidden fees such as late-payment charges and over-the-limit fees.

If a student does obtain a card, Miller said, it is crucial to avoid the revolving-debt trap. "Don't think you can avoid trouble just by making the minimum payment each month," he said. He gave an example: Say that you make only minimum payments and you run up a $1000 balance on a card with a 13% APR (annual percentage rate of interest.) Even if you never use that card again, if you continue to make only minimum monthly payments you will still owe over $500 three and one-half years later -- and paying off the debt will take over six years. (It will be much worse still if you are late on some payments and the card issuer raises your rate to 21% APR or higher.)

"What's the bottom line?" Miller said. "Consider whether you should just say no at this time to getting a credit card and taking on debt -- especially if you already have substantial student loans to pay off. If you do get a card, be extremely careful in selecting and managing your credit card account."