

Credit Strategies for College Students

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[How undergraduate students use credit cards: Sallie Mae's national study of usage rates and trends, 2009](#)

College students have access to credit. A 2009 SallieMae research study, “How Undergraduate Students Use Credit Cards”, showed that 84% of college students had at least 1 credit card. On average, college students have more than 4 credit cards.

College students use credit. Study data showed that nearly 33% use a credit card for paying tuition and more than 90% use it for textbooks, supplies, or other education expenses.

College students have credit card debt. The study showed the higher the college grade level, the higher the credit card debt. On average, graduating seniors had a \$4000+ credit card balance.

Unfortunately, most of these data showed an increase over data collected in a similar 2004 study. SallieMae suggests the importance of helping students understand the effective use of credit.

It starts with a basic understanding of credit – any form of credit means taking out a loan!

Reality for some college students is that income and/or financial aid often arrives after school payments are due. As a result, payments are often made using another form of loan -- a credit card. *When the income or aid did arrive, was money used for paying the credit card balance?* This study suggests that it likely was not. Many students reported surprise at how easily their credit balances grew, but less than 20% said they paid off the balance each month.

Aside from these college student data, it is important to consider the advantages of a credit card. A card can be convenient; flexible; widely accepted; useful in an emergency; protected if stolen; used as a management tool and as leverage for other resources if one's past use of credit is positive. The disadvantages include that it usually costs money; may limit cash flow if there are too many monthly payments; can be too easy to use; can reward the impulse for

instant gratification; and if over-used, may create serious financial challenge. Anyone choosing to use a credit card needs to understand the advantages and disadvantages to make their best choice.

Most financial professionals will suggest that college students choose to have no more than one multi-purpose credit card, accepted in many places, with a low interest rate and no annual fee. A student's financial institution – where they keep their checking and savings accounts – is a good place to get their first credit card.

Any college student will do well with their credit card spending if they . . .

- Use a credit card knowing there will be cash available to pay the balance.
- Vow to pay the balance off each month to avoid interest charges on unpaid amounts.
- ALWAYS use income/student aid for a balance incurred from school expense payments.
- Keep track of all credit cards spending (save receipts) to monitor accuracy of billing.
- Practice cash spending for ongoing expenses and keep the credit card for a serious emergency – *concert tickets or a trip to a hot beach are not emergencies!*

Making wise choices with credit are part of spending planning – that habit will insure a lifetime of financial well being!

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