Credit plans target grads

Credit cards, loans available

By John McElfresh
Lantern staff writer

As graduation nears, college seniors aren’t the only ones growing anxious. Automobile dealers and credit card companies are also awaiting the event, cheerfully armed with a mountain of credit applications and plastic cards.

“New college graduates can expect to be sought after by a variety of companies, due to their future income potential,” said Roger D. Blackwell, professor of marketing.

“The (marketing) trend has shifted from trying to reach college graduates, after they’ve entered the work force, to anticipating graduation and offering a program that appeals to them,” he said.

Realizing many students graduating from college do not have much money, companies often develop programs that enable upcoming graduates to purchase products without much cash in the beginning, he added.

“These programs usually involve expensive items, such as cars or major appliances, often on a delayed payment plan,” Blackwell said. “This gives a graduate enough time to find a job that can pay for what’s been purchased.”

However, some students said they are reluctant to use such credit programs.

“I know better than to get myself into debt by trying to foresee my earning potential,” said Kim Woodyard, a senior from Columbus.

“Unless you’ve got a good job lined up after graduation, you won’t be able to afford what those companies are trying to sell you anyway,” she said.

Credit cards are also being offered to graduating seniors.

“I got offers from all kinds of credit card places,” said John Murray, a 1986 OSU graduate. “I’ve had credit since I was 19, so I didn’t follow up on them (the offers).

“But I’ve noticed one thing, it (credit) seems hard to establish in Columbus. My girlfriend also graduated last year and she can’t get credit anywhere. She doesn’t have bad credit. She just doesn’t have any (credit) at all and no one will give it to her,” he said.

George Filszak, a distributor of credit card applications targeted at junior, senior and graduate students said, “We offer 173 different cards to college students all over the United States.”

“It’s an excellent way for them to establish credit,” he said.

There are basically three ways to get a credit card, Filszak said. “One, with a letter of employment acceptance from a good company; two, with a co-signer; and three, with a $300 deposit to that particular (credit card) company in case you default,” he said.

“However, with a program we have targeted especially at college students, all that is done away with,” he said.

“They consider three years in college as a good investment, so they issue the card to applicants with that qualification in a very high number of cases,” he said.

He also said this does not apply to college students who have bad credit marring their records.
Credit card debt plagues students

Sixty percent of undergraduates have credit cards

By Stacey Herron
Lantern staff writer

When Heather, a 21-year-old business major from Toledo, adds up the balances on her 11 credit cards, she finds she is nearly $8,000 in debt.

Although Heather’s situation may sound extreme, she is not alone. Ask around campus about credit cards and more than a few students will respond, “Credit cards? Sure I have one.” Or two. Or three.

Most probably wish they would have never succumbed to the lure of credit cards.

Jim Daly, editor of the newsletter Credit Card News in Chicago, said there are approximately 399 million major credit cards currently issued in the United States. He said the major credit cards are Visa, MasterCard, Discover and American Express.

Stuart Himmelfarb, Vice President of Repart CollegeTrack, a public opinion polling firm in New York, said that 90 percent of all full-time undergraduate students at four-year colleges and universities have at least one major credit card.

Just walk down High Street or across campus and Visa, MasterCard or Discover booths are likely waiting to lure potential student card holders with free gifts as bait.

Everything from Tupperware to candy and soda, to money are used as incentives for students to sign on the dotted line on credit card applications.

Universities and colleges must agree to let credit card companies solicit students on campus, said Patrick Dalton, assistant treasurer in Chase Manhattan Bank's marketing department.

Ohio State allows creditors to solicit students on campus, Dalton said. Because of the university’s size, it is beneficial for credit card companies to come to Ohio State.

“Some schools, like Notre Dame, for example, don’t allow credit vendors on campus,” Dalton said. “Also, some of the smaller schools aren’t worth the effort.”

Pre-approved credit card applications are also a way of gaining students as customers. Many credit card companies send students letters promising $500, $800 or $1000 credit limits if the students fill out an enclosed application and send it in.

Heather began with just one American Express card. She said she was good with the card because she had to pay it off every month.

Soon she began receiving pre-approved credit card applications in the mail and her trouble began.

“As I kept getting more and more pre-approved applications in the mail, I kept thinking of all the things I wanted, including getting my car fixed,” Heather said. “I wanted to go shopping so I kept sending the applications in, sure I would be able to make the minimum payments.”

Heather eventually ended up with three Visa, one MasterCard, one Discover, one American Express, one American Express Optima and various store credit cards.

“I knew I was in trouble when I maxed a $2,500 limit Visa and had a $100-a-month minimum payments on it,” Heather said. “I eventually had that Visa taken away from her by the bank that had issued it to her. Consumer Credit Counseling Service of Central Ohio is a free service in Columbus that helps people in debt budget their incomes to allow any available money to be sent to creditors. The service will also attempt to reduce the amount of monthly payments clients need to send creditors.

Quillie Topping, Counselor Supervisor at the counseling service, said that the banks and the credit card industry are really the guilty parties when it comes to so many students being in credit debt.

“They issue applications and cards like running water from a faucet,” Topping said. “They should look at the income students have and the expenses they have before issuing credit cards.”

The only criteria for using the service is having enough money available to send creditors some kind of payment each month.

Topping said the service currently has about 4,000 clients. The service advises a few Ohio State students, and students are welcome to call, he said.

He said many students simply do not have the funds to pay the credit bills they have accumulated. He advised those students to “get a part time job or scream at mom and dad.”

Topping said the best thing is for students not to have credit cards because they often do not have enough self discipline.

“But if you do have them, use them with discretion or only in emergencies,” he said. “Only charge what you can pay in 30 days.”

Topping advises students to try and pay more than the monthly minimum on their cards. If students are having trouble making minimum payments or are over their credit limits, they should call the credit card companies and let them know.

He said most companies are willing to make arrangements for people to get on a payment plan or make smaller payments each month.

Heather finally told her parents about her credit cards when they started to wonder where all her money was going and she could no longer afford her minimum payments. Her father gave her a bar to start paying off her debts.

“Most of the creditors are easier to deal with if you tell them you’re in trouble and don’t avoid them,” Heather said.

She said after she pays off her debts she only wants one major credit card.

“Only get one major credit card and only charge what you can pay off, or only use it for absolute emergencies,” Heather advised.

“Don’t make payments on credit cards with cash advances from other cards.”

Dalton said most creditors want students as card holders so they can build long term relationships. Credit card companies can start students with low balances and educate them on credit, helping the students will eventually graduate from college and get a good job. Then, the credit limits will be raised and the creditor has a strong customer.

“We’re not looking to exploit students and make money off them,” Dalton said. “It doesn’t help anyone if students go in debt, the students simply get a bad credit history.”

Dalton said that creditors will try to get the money from delinquent customers, but if the customer cannot pay, the creditor basically has to write the account off or assume they won’t be seeing the money from the account.

Anytime someone is reported to the credit bureau, that information stays on the individual’s report for seven years, said Dave Bringardner, Vice President of the Credit Bureau of Columbus.

“Anytime you are denied credit, you can come down to the credit bureau and get a copy of your credit report,” Bringardner said. “The reports are free of charge and the company that denied you credit must tell you where they got a copy of your credit report, and we are obligated to release it to you.”

Bringardner stressed that more than just negative information is on a credit report. Credit cards often report to the credit bureau every month whether individual is current with their account or 30, 60 or 90 days past due.

“Even though getting a credit card may seem like an easy way to indulge in some luxuries, remember the balances can add up quickly, and paying them back is not always easy. Heather already knows that.”
Prepaid calling card could

By Ron Lietzke
Dispatch Business Reporter

A prepaid calling card, a common means of paying for long-distance calls abroad but little used in the United States, is getting a trial run in Columbus from ConQuest Telecommunication Services Corp.

The Dublin-based company, which came out with a business travel card last July, has targeted students at Ohio State University this quarter for the ConQuest Debit Card.

If the test-marketing is successful, the card is expected to be marketed at other Ohio colleges this fall and perhaps at those in neighboring states, said Matthew Riehl, ConQuest's marketing director.

Users dial an 800 number and give the card's individual code number to complete calls.

The prepaid disposable card is sold in $10 increments, up to $50. Users dial an 800 number and give the card's individual code number to complete calls. The code is masked until rubbed off by the owner.

Riehl said the card can be used until the designated amount of money runs out. Calling costs 25 cents a minute anywhere in the continental United States, plus a 50-cent charge for the first minute. International calling costs more.

Users are informed how much time is available when making a call and there is a soft "beep" when the last minute begins.

"In the United States, this is very, very introductory," Riehl said. "However, it is about a $4 billion (annual) business throughout the world."

In the first week, foreign students have been much more receptive, Riehl said, so sales to foreign travelers in the United States is another market being explored.

Other potential sales targets include gift-giving, distribution to company sales staffs and for tour groups as part of a travel package abroad.

"It reduces a company's exposure to fraud," he said about corporate travel. "The amount on the card is the maximum loss that can be experienced."

He expects parents of college students to be primary buyers of the card. The card allows them to keep in contact with their children while budgeting the amount of calling.

The card also helps users prevent being surprised by an unusually large phone bill at the end of the month, he said.

The card is sold at ZIP Services, 1634 N. High St., through an 800 number in advertisements and by a direct sales force around campus.

The OSU card, colored scarlet and gray for marketing purposes, can be purchased and used by anyone.

Founded in 1987, ConQuest provides specialized business long-distance and operator-assisted services to customers in 37 states.

ConQuest, 555 Metro Place N., has 125 employees, 35 in Dublin and the remainder in Butler, Pa., where the company has an operator center.
College plastic can cause problems later

By Tim Haskett
Lantern staff writer

One can see them at the union, on the Oval, on High Street and almost everywhere else. They are the ubiquitous credit card solicitors trying to entice any eligible college student into the world of plastic cash with anything from candy bars to condoms to Caribbean cruises.

But what many students do not realize when they sign their name to that dotted line is that it marks the beginning of a credit history that could plague a student long after the pomp and circumstance of graduation.

"I got to the point where my credit cards were all maxed out and I would have to work to pay them off. Then one day I just had to cut them up," said Pat Chesterton, a senior in political science.

Many students like Pat have joined the dubious ranks of the debtors even before the ink has dried on their sheepskins. This is because of the easy accessibility students have to credit cards such as Discover, MasterCard and Visa.

"One guy I know used to make up fake names to get free stuff, and when the credit card came he'd run up a big bill and ditch the card. He even named one guy after a venereal disease," said one student who wished to remain anonymous.

At one time, students were pressed against the double-edged sword of having no credit history to prove they were worth a credit card company's risk. Big banks such as Signet and Citibank make student credit easy by taking these risks with college students, who sometimes do not even have jobs, by wagering that the student's parent's good credit rating will be carried on by the student.

Daria and Kenneth Dolan of the national show "Smart Money" have compiled good list of four tips for graduates who are trying to establish good credit.

* If you don't already have checking and savings accounts, open both today. These give good indication to creditors that you know how to manage your money.
* Apply for a department store credit card. Department stores like J.C. Penney and Lazarus offer cards that are not hard to secure and have little to no annual fee. Make small purchases that you would pay for in cash and pay off the bill as soon as you receive it.
* Apply for a bank credit card after following the first two steps. Once again, charge only what you can pay in full each month and pay promptly.
* Take out a small loan. If you've followed the first three steps, you should be eligible. Place the money that you borrowed from a local bank into an interest-bearing account. This will help offset some of the borrowing costs. After six months, pay off the loan.

And if all else fails, you can have the option of a secured credit card.

"It's the last resort for building credit," said Wanda Susi, a credit counselor for the Columbus branch of the Consumer Credit Counseling Services. Secured credit cards work in the manner that as little as $500 is kept in an interest-earning escrow by a bank. Then the creditor is given the limit equal to escrow. If the creditor defaults on payments, the bank takes the money from the escrow.

But if a creditor is able to make consistent payments of their bills, then in about one year's time a creditor should be able to be accepted for a non-secured card.

Susi said instead of using a secured credit card, it is better and often feasible to arrange some other credit-building arrangement with a local bank.

If one believes they are on the harrowing road to debt-dom, the Wall Street Journal's 1993 spring/summer college edition gives a list of symptoms of the credit-plagued.

Are you:
* at or near the limit of your credit lines?
* paying bills in 60 or 90 days that you used to pay in 30?
* making only minimum payments on your credit accounts?
* using more than your paycheck to pay bills each month?
* working overtime to pay off your debts?
* charging items you used to buy with cash?
* paying your bills late?
* using your savings to pay current bills?
* borrowing off one credit card to pay another?
* unaware of how much you owe?
* always worrying about money?

These signs are indicators that credit is not being used responsibly, which can end up costing creditors exorbitant amounts.

"It is a rule of thumb that if someone spends the limit of their credit card and pays only the minimum payment each month with no addition charges, it would take about five years to pay off the debt," Susi said.

Susi said it was also very important for creditors to check their credit records at least once a year to insure your credit record is being reported correctly.

TRW, a national credit reporting center, will supply a free annual report of credit your credit history.