

Paper or plastic | Just swipe it

The current state of the economy doesn't prevent credit card companies from giving students a chance to build, or bust, a credit history

BY JESSICA RAPP
News Editor

Give banks more credit. Professor of economics David Gillette said the financial frenzy that has taken a stronghold in the media for the past few weeks has a greater effect on the coasts and that students who apply for loans or credit with local or smaller-scale banks like Bank of Kirksville shouldn't worry.

Gillette said he talked to a bank owner in southern Iowa who to show much concern over the future of Midwest banks' operations.

"They've been much more conservative, less aggressive maybe in their lending practices, and in the time he's been president, they've had one loan go under," Gillette said.

Students shouldn't have any problem applying for a credit card, he said. In case people haven't noticed the fat pack of credit card applications they have received in the mail, banks urge students to add the plastic to their wallet.

"They want you," Gillette said. "Because first of all, they can borrow the money cheap — they can still borrow money at a single-digit percent and charge you double digits."

For instance, the bank can provide the applicant an initial rate of 9 percent but raise the interest after a few months, he said. Some credit card companies can charge as much as 21-percent interest rates.

"Those who understand interest earn it — those who don't, pay it," Gillette said.

Swiping responsibly should be students' priority when managing their credit, especially when they want to build a solid credit score. Tandy Murphy, senior vice

president of the Bank of Kirksville, said students should watch where they spend.

"It's so doggone easy in our economy the way it is now to use that card for anything and everything, from a hamburger to a hospital," he said. "That's not necessarily a good thing. It can get you in trouble."

Pulling out the credit card for a soda at the gas station might seem like petty cash — easy to pay at the end of the month. But it can add up, turning that \$1 Dew into a mountain of interest.

Credit card users instead should isolate one or two items like gas from their budgets, so they know they have the money in their personal checking or savings account to cover those items with their card. Murphy said that factoring in the dollar amount from each transaction isn't necessary to keep track of a credit balance, but it could be useful for debit since this comes from a personal account with a possibility for overdraft charges.

Murphy said that although controlling a credit card can add weight to your financial backpack, it's imperative to establish a credit history for larger lending, like a car loan or a down payment on a first house.

"The way to get on that credit merry-go-round, as I call it, is a credit card," he said. "It's something that's sort of a Catch-22 situation."

He said the length of time students have bundled a credit history makes a difference in how appealing their report looks to banks. Paying all statements on time and making more than minimal payments will strengthen a credit score, he said.

Senior Leigh Wickell said she's had a credit card during her college years but that when she uses it, she doesn't build a legitimate credit report under her name. She said her parents let her use their card and will do so until she starts graduate

school.

"Basically, I charge and he pays," Wickell said. "It's only for emergencies and gas."

Other students don't see a need for a credit card in their near future. Freshman Foster Asher said his parents do not support him applying for a credit card and that he has not saved up enough cash to support the monthly statements.

"I don't want to have the debt involved with a credit card," he said. "... Once I graduate and get a steady job and have money, then maybe I'll get a credit card."

The students who have steered themselves safely away from the bulging hole of debt that haunts all of those money borrowers in infomercials might have made a good decision, according to CNNMoney.com. A 2008 U.S. Public Research Group survey showed that 80 percent of students who responded said they received mail from credit card companies in addition to phone calls, according to CNN Money. Credit card companies won't overlook students with little or no credit history because students make up a large and easily targetable portion of their clients. Students won't cause the companies significant loss, either. Murphy said he doesn't see too many students having major problems.

"Young people have grown up watching their parents use them responsibly, and I think that's bled over," Murphy said. "And I think that's very, very good."



credit card tips for the college student

- #1 Set a monthly budget, and stick to it.
 - #2 Shop around — find a credit card that suit your needs.
 - #3 Pay bills on time to build a good credit history.
 - #4 Save money each payday for emergencies.
 - #5 Keep receipts to verify charges when statements arrive. If there's a mistake, call your issuer right away.
 - #6 Avoid paying interest on charging day-to-day expenses, pay them in full each month.
 - #7 Don't charge what you can't afford — no matter how much that little black dress or new video game is taunting you.
 - #8 Treat the terms of your credit card like a study guide. Be sure that you fully understand them when you accept a credit card.
- Source: citicards.com
Photo by Amy Gleaves/Index
Design by Antionette Bedessie/ Index

Student campaign urges college debt turnaround

BY AMANDA GOESER
Staff Reporter

Nineteen thousand dollars. That's how much the average college student is in the hole.

"Almost two out of three college students owe an average of more than \$19,000," according to gottuition.org. A nation-wide campaign sponsored by the National Education Association, Got Tuition? aims to take a stab at student debt.

On Sept. 25 the campaign visited Truman. As part of the event, students signed a petition to be delivered to Congress. The petition highlights the need for change in higher education affordability.

Volunteers gave away T-shirts and footballs to the first 100 students who signed the petition, as well as information regarding the campaign.

Senior Kristina Rieman was first introduced to the Got Tuition? campaign this summer at a student leadership conference and was instrumental in bring-

ing the Got Tuition? campaign to Truman.

"We had 294 signatures, which was as of that day, the largest in Missouri, but then later that night, I do believe they got 400 somewhere else," Rieman said. "We've also got the Web site out there, so people can sign the petition online."

The Day of Action at Truman was one of about 15 such days across the nation, with more institutions continually hosting the campaign.

Shilpa Reddy, is the spokesperson for the Got Tuition? Campaign. Based in Washington D.C., she helps leaders at individual schools host a Day of Action.

"What we wanted to make sure that any of these Days of Action included was grassroots lobbying of members of Congress on issues that we think are important to college affordability," Reddy said. "The types of things we are asking Congress to take

a look at are expanding loan forgiveness for public service careers, increasing the Pell Grant, lower interest rates for student loans, making sure that Federal Aid to states is consistent so that tuition won't have to be raised."

Given the ongoing economic crisis, student loans may become even harder to come by as banks compensate for the shortfall by awarding fewer loans, student loans included, Reddy said.

"Even if [students] qualify for a lot of loans, get the Pell Grant or receive scholarships from their school, there still is going to be a little bit of that gap that doesn't cover all of tuition or all your fees or books," Reddy said. "So there is that [remaining balance], however much that is, that could force students to get another job, or actually take out other loans. [However,] because of this credit crisis, banks are putting freezes on even giving student loans out, to make up that shortfall, which has been pretty difficult."

Truman students from the state of Missouri are paying as much as \$6,458. The cost is even higher for out-of-state students: \$11,309. Students living on campus pay another \$6,050 to \$7,590 for room and board.

Students who do not have the full amount of tuition read-

ily available have a few options, including the Pell Grant. It is available to students based on the amount of funding for the program each year, an individual student's financial need, as well as the cost of attendance at the student's institution. For the 2008-09 school year, \$4,731 is the maximum Pell Grant award, according to studentaid.ed.gov.

Cari Watson, assistant vice president of the Bank of Kirksville said that the economic crisis has not influenced the lending practices of the bank. The Stafford Loan is based on the student's year in school and has a 6.8 percent rate of interest. The Parent Plus Loan enables qualified parents to take a loan out in their name for their student(s). The interest rate for this loan is 8.5 percent, however, and repayment starts right away, Watson noted.

Because of higher education's high cost, 400,000 high school graduates nationwide are unable to attend college each year simply because they can't afford it, according to gottuition.org.

Loans are only one part of the Got Tuition Campaign. By accessing the gottuition.org Web site, students can learn how widespread higher education affordability is, as well where presidential candidates stand.

got tuition?

- 400,000** - Number of students who don't attend college each year because of cost
- 900%** - Increase in borrowing through private loan programs over 10 years
- \$19,000** - Average loan amount owed by nearly 2/3 of college students
- 23%** - Percentage of public university students who cannot pay back their loans on a starting teacher's salary; **38%** of private college students can't either

Source: gottuition.org
Designed by Sarah Schneider/Index

TRUMANINDEX.COM

Posted story on President Barbara Dixon's resignation within an hour of the announcement

9,000+ hits the day of President Barbara Dixon announced her resignation

First media outlet to name the new interim president,

Darrell Krueger, posted within minutes of the announcement

Frequent updates

Photo slide shows

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When news breaks, we cover it.