

Sallie Mae's latest study on collegiate credit card use provides insight into the trends and spending habits of college students. "How Undergraduate Students Use Credit Cards" indicates that swiping plastic has become a rite of passage for today's college students—but should college itself go on the card? Despite the many other lower-cost paying-for-college options

50%

Percentage of students with four or more credit cards

available, a growing number of students are covering a portion of college costs with credit cards. A campus conversation about credit card risks and rewards is paramount to protect students from unanticipated debt.

Credit cards give students the opportunity to build credit, earn rewards, and utilize convenient spending. When a credit card is used responsibly, balances are paid off at the end of each month instead of carried over. But large charges on credit cards can be financially hard on students and should students fall behind on payments, they could accumulate a larger debt than the original amount charged. The new Sallie Mae® study shows that 9 out of 10 undergraduates paid some education expenses with credit cards; nearly one-third of those students put part of their tuition on their card. Credit cards don't offer as much protection to students from overcharging and accumulating greater debt. If cardholding students have tapped out scholarships, grants, and federal loans, private student loans can fill the gap. This product is designed specifically for education costs, and interest payments may be tax deductible.

21%

Percentage of students with debt between \$3,000 and \$7,000

Estimating the full amount of education costs and planning how those costs may be covered is important. Sallie Mae's Education Investment Planner® is a free online resource that helps students and families prepare a funding plan to cover their college costs. Both current and

prospective students can forecast how much money might be needed to pay for education expenses, including projecting their estimated post-graduation monthly student loan payment if loans are part of their funding plan.

Estimating college costs is one step in lowering credit card debt among college students. However, these students also need to be educated about the risks and the rewards of credit card usage. Credit cards can be a convenient method of payment for some purchases when used by informed, financially savvy students. When asked if they would like more information now on financial management topics, 84% of students said they were interested. Starting the conversation about credit cards will position students to make better decisions when selecting which card to use. They should understand how a poor credit history could negatively



Sallie Mae's Ten Tips for College Students:

- 1 Build your plan to pay for college.** Plan how you will cover the full cost of attendance for your degree program.
- 2 Follow Sallie Mae's 1-2-3 Approach to Paying for CollegeSM.** First, look for financial aid that does not have to be repaid, like scholarships and grants. Second, explore low-cost federal student loans. Third, fill any gap with private education loans.
- 3 Limit yourself to one low interest rate (APR) card.** Use cash or a debit card for daily use.
- 4 Charge only what you can afford to pay in full each month.** Don't end up paying interest on pizza and iPod downloads.
- 5 Don't accept increases in your credit limit.**
- 6 Keep your card in a safe place** where it's not easy to use for impulse purchases.
- 7 Pay the highest interest rate card first.**
- 8 Pay your bill before it's due.**
- 9 Keep copies of sales slips and compare them to charges on your bill.**
- 10 Remember that a credit card is a convenience**—not a source of spending money.

9%

Percentage of senior/
5th year students with
a zero balance

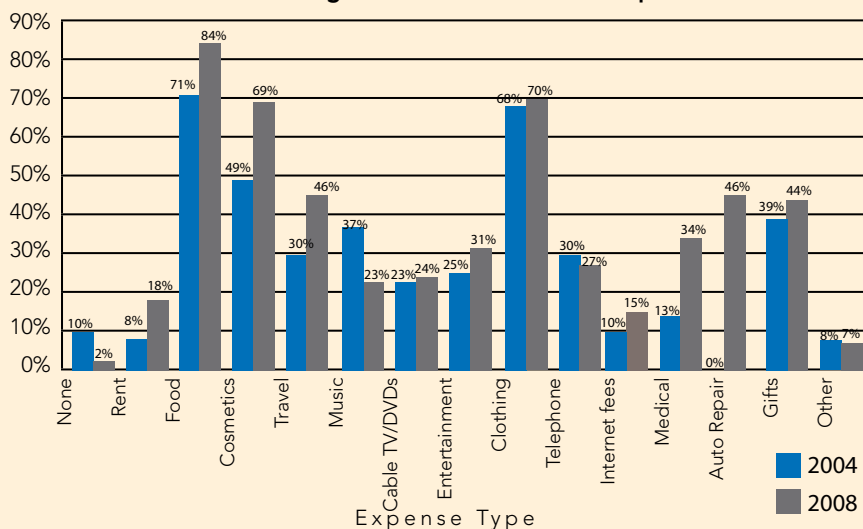
affect their ability to make future purchases, or borrow money, including student loans. Many colleges have started incorporating financial literacy workshops and materials into financial aid offices to inform students about credit. Credit cards are not going away—and they can be useful tools—but we need to educate students on how to use them responsibly.

Visit SallieMae.com/CreditCardStudy. Sallie Mae’s “How Undergraduate Students Use Credit Cards” is the latest analysis of credit card usage among college students at both undergraduate and graduate levels.

THE NEED FOR FINANCIAL LITERACY

According to the study, non-educational spending with credit cards includes food, clothing, cosmetics, and travel. Seventeen percent of students pay off their credit cards monthly and one percent of students have the card paid off by someone else—the rest, 82%, carry a balance.

Percent Using Credit Cards for Other Expenses



Casual credit card spending paired with a high percentage of balances being carried over indicates the need for financial literacy. Sallie Mae offers two free online tools for monitoring and managing debt, and another that rewards eligible purchases with participating partners with rewards that can be used to pay college tuition or pay off student loans.

- The *bedebtsavvy*SM program promotes credit awareness with valuable information and tools that help students properly manage debt. Advice and guidelines on the Web site is appropriate for students at a wide range of enrollment levels. Visit SallieMae.com/bedebtsavvy
- The Education Investment Planner helps develop a personalized plan to save and pay for college. This free online tool offers easy-to-follow guidance on paying for school for over 5,500 schools and programs, based on a wide variety of funding options. Visit SallieMae.com/plan.
- Upromise[®], Sallie Mae’s college savings program, is a valuable tool for students and parents. Members earn rewards that can be used for college through everyday spending at Upromise affiliates. Earnings accumulate in a Upromise account and can be used to invest in a 529 plan, help pay down eligible student loans or assist with college expenses. It’s free to join and there are thousands of Upromise partners nationwide. Visit Upromise.com

Offsetting Merchant Fees



Many colleges and universities started charging a convenience fee for those paying for tuition with a credit card. Like anyone else, schools were being charged fees by credit card companies. With the number of students paying by credit increasing, the fees charged to schools were becoming burdensome. The convenience fee offsets the merchant fee that the school is charged when tuition is paid with a credit card. Other colleges and universities have decided not to let students pay with credit cards because the merchant fee was growing too large.

Card Ownership and Average Credit Card Debt, by grade level	2004	2008
Freshman with Credit Cards	42%	67%
Freshman Average Debt	\$1,601	\$2,038
Sophomore with Credit Cards	72%	76%
Sophomore Average Debt	\$1,575	\$2,362
Junior with Credit Cards	83%	90%
Junior Average Debt	\$2,000	\$2,912
Senior/5 th Year with Credit Card	91%	88%
Senior/5 th Year Average Debt	\$2,864	\$4,138

Table 2: Percentage of students in 2004 vs. 2008 with credit cards by grade level; source: credit bureau data