



“MONEY CRUNCH” - FINANCIAL LITERACY INITIATIVE FOR TEXAS COLLEGE STUDENTS

by Texas Attorney General Greg Abbott

HIGH-INTEREST CREDIT CARD DEBT IS AN increasingly burdensome problem for Texas college students. According to a recent study by Sallie Mae, the average amount of debt carried by college-age credit cardholders is \$3,173. Worse, the average number of credit cards per student is 4.6.

College graduates' credit card debt burden becomes even more onerous after graduation, when they have to begin repaying tens of thousands of dollars in student loans.

For many years, Texas law offered credit card issuers unfettered access to market their cards on college and university campuses. Credit card marketers would set up booths and give away free t-shirts and other incentives to students who agreed to fill out a credit card application. Faced with newly found freedom and ready access to cash for the first time, many students readily opened easy-to-come-by credit card accounts – and either overlooked

or ignored the cards' astronomical interest rates and fees.

After hearing concerns about graduates' increasing debt burden, state and federal lawmakers took action. The U.S. Congress enacted the Credit Card Accountability, Responsibility and Disclosure Act, which took effect in February 2010. Among its provisions, the Act prohibits credit card issuers from giving away incentives in exchange for students filling out applications. The federal law also imposes limits on credit card issuers' relationship with young customers. Anyone under 21 must show they are financially capable of servicing their debt. Those who cannot do so will need a co-signer in order to open a credit card account.

The Texas Legislature responded by enacting legislation in 2007 that allows colleges and universities to limit credit card issuers' on-campus marketing efforts. The law also requires Texas colleges and universities to include

financial counseling in their new student orientation programs.

Specifically, educational institutions in Texas that designate an on-campus credit card marketing location must adopt policies that incorporate credit card and debt education – including information about debt counseling – into new student orientation.

To help Texas colleges and universities comply with state law – and educate students about smart financial decision-making – the Office of the Attorney General (OAG) developed financial education brochure templates and provided them to each public college and university provost.

In January, the OAG also launched an audiovisual resource to help educational institutions comply with the orientation debt counseling session requirement. Relying on grant funds available through the National Association of Attorneys General, the OAG produced a 14-minute, award-winning DVD

entitled, “Money Crunch.” The video advises college students to avoid common credit card pitfalls and adopt five financial management guidelines:

- Know the credit card's terms.
- Make timely payments and pay more than the minimum due.
- Understand the credit card's fees, including late fees and interest rates.
- Protect personal and financial information.
- Read and understand the credit card contract.

Following these financial literacy measures helps college students avoid financial problems right after graduation. Like educators, parents and students, the Attorney General's Office is committed to a Texas that offers its youngest generations a bright future that is ripe with economic opportunity.

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