

Western Michigan University students get schooled in Financial Literacy 101

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Charley Young, a freshman at Western Michigan University, checks out at Meijer on West Main Street Thursday night. He is using a debit card. Young said his parents do not want him to have a credit card because he might accumulate debt.

KALAMAZOO — After hearing so many horror stories about debt, Western Michigan University freshman Kelly Chisholm is wary of credit cards and plans not to get one while in college.

The 18-year-old did obtain a debit card for expenses in advance of her first semester at WMU — fall classes begin Tuesday — but says, "I'm kind of nervous about that too." Chisholm attributes her cautiousness to thrifty parents.

Chisholm is careful but during the college years — often a person's first crack at living on her own — it's not uncommon for a cavalier attitude toward credit to saddle a person with mounds of avoidable debt and inspire poor financial management habits that last long after graduation.

Recent federal reforms recognize the problems easy credit can create for college students. The freshmen starting this fall are the first class of students to enter a new school year with federal legislation in place making it harder for people under 21 to get a credit card.

Barbara J. Stark, community development and education director at American Debt Counseling Inc., has seen how poor use of credit caused many college students to fall deep into a "debt trap."

"It's a very cavalier attitude. They want the latest fashion. They want the latest Xbox games," Stark said.

American Debt Counseling Inc. is based in Sunrise, Fla., but the nonprofit organization counsels people throughout the country.

"They live the high life in college and think all their problems will be solved when they graduate and get the great-paying job and then they don't and they've got all that debt accumulated in all those five years," Stark said. "Many of them become desperate — very desperate."

Under provisions of the Credit Card Accountability, Responsibility and Disclosure Act of 2009 that went into effect in February, students wanting a credit card must have a co-signer age 21 years or older.

Alternatively, cardholders under 21 must prove they have the income, the "independent means," to afford their card.

The CARD Act also outlawed a marketing tactics often aimed at college students, offering them freebies to apply for a card.

"We think it's a great thing," Stark said of the reforms, "because it's less of a danger."

A few years ago, WMU added financial literacy to its line-up of informal presentations given to new students before the onset of classes.

"We've had an ongoing concern with how our students handle their money," said Keith Hearit, vice provost for enrollment management. "We have noticed that many students have a casual attitude toward money, be it credit card debt or student loan debt."

More than 900 students attended a 45-minute financial-literacy session last week.

"We see this both as another knowledge and skill set that our students need to carry with them in order to be an educated adult, as well as real concern that poor money management skills can negatively affect students' ability to persist to graduation," Hearit said.

Just as college years are an opportunity get into financial straits, Stark said it is also where they can develop good habits to serve them through adulthood.

Part of Stark's job is education, and she does seminars in elementary, middle and high schools in money management skills.

She is not against credit cards for the college-age as it establishes the credit history they'll need to ultimately buy a car or purchase a home.

But, she said, students need to use the card responsibly.

"It's just to have in your back pocket for an emergency but it take self restraint," Stark said. "You don't charge everyday expenses like food or a haircut because you'll wind you up paying for that meal or haircut for years later."

When it comes to paying for college, loans are often what students turn to because of the rising cost of tuition.

Stark cautions students not to take out more of a loan than needed. In other words, don't use the loan money to subsidize non-school related expenses.

Months after graduation, the pay back clock starts.

"That's a contract and you have agreed to repay it," Stark said.

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