

Report of the Rutgers University Senate Student Affairs Committee and Executive Committee Student Financial Management and Credit-Card Debt

Response to Revised Charge S-9902a: Explore the issues and problems associated with student financial management, which may include: understanding of the general principles of financial management; credit-card accumulation and use, and the short- and long-term implications thereof; controlling debt; reviewing personal credit reports; savings and retirement goals; and financial independence. Determine what university policies or programs exist to: provide opportunities for financial-management education; regulate or restrict marketing of, or solicitation for, credit cards on campus. Make recommendations for new or revised policies or programs to achieve those goals.

Background – Reasons for Concern

College students present a unique target population for issuers of credit cards: although most college students do not earn sizable incomes, their future potential for earnings is enormous. This may also make them particularly vulnerable to offers of credit; many students take the cards intending to use them only in an emergency while they are in college, but it is all too easy to use the cards for everyday or impulse purchases which cannot readily be afforded. The NJPIRG Report notes the following:

“Believe it or not, credit card companies want your business so badly they’re offering much more than trinkets and soda. While you’re a student, they’ll let you apply for credit cards without jobs or income! You can apply for credit cards even with a blank credit report, even without getting a co-signer. No other consumers can get cards this way, only college students. (For example, recent graduates who don’t have jobs yet and messed up their credit reports by not paying their bills while they were in college have very little chance of getting a new card, unless they get a co-signer or secure the card with a deposit.)”

Prudent use of credit requires a degree of financial awareness, education, and responsibility, which often come only with experience. Unfortunately, the experience generating the awareness is often one of unmanageable credit-card debt, ruined credit histories, involvement with collection agencies, or even bankruptcy. It is clear that a well-designed and applied program of education regarding the short- and long-term implications of credit-card use and general principles of financial management (including budgeting, prudent use of credit, savings, and even retirement goals) could help students become financially responsible. It is also a logical extension of formal college education and pursuit of a degree which, to many, is the means to greater income and a financially stable future.

Students are barraged by offers of credit. They may receive offers of credit cards by mail, or from representatives of marketing companies who visit campus. Marketing companies often offer free gifts for filling out credit-card applications and hire students to staff tables set up on

campus. These students are often paid by the number of applications completed, and may be very aggressive in their solicitations. Given the extent of the national problem, many universities have taken steps to restrict credit-card solicitations on their campuses, or to regulate the tactics that may be used to encourage students to apply.

At Rutgers, each college has policies governing whether and under what circumstances vendors may solicit students to fill out credit card applications on their campus. For example, the “Credit Card Solicitation Policies At Rutgers University and Other Institutions” page at Rutgers’ Office of Compliance and Student Policy Concerns website indicates, in part, the following:

“Camden Campus: Any type of vendor may rent table space in the Camden Student Center for a fee of \$50.00. The Center limits the number of vendors per day but does not prohibit the solicitation of credit cards.

College Avenue Campus/Busch Campus: Student organizations and Rutgers University Departments may sponsor vendors to sell products and services as a fund raiser for the organization. The Rutgers and Busch Student Centers do not directly rent space to credit card (or any other) vendors. [Rates quoted per-table, per-day.] The student organization or department sponsoring the sale must receive a minimum of 15% of the daily gross sales from the vendor (more if possible) and the cost of the contract table rental fee.

Newark Campus: The only provision we have in the Robeson Ctr. on the Newark Campus is a \$35.00 fee must be paid by each vendor. We limit the number of credit Card vendors per day (2). Student group sponsorship is not required and we do not allow the vendors to harass the students in an attempt to encourage them to sign up.”

However, college policies most often concern only vendor access to student centers. In the last several years, many vendors have moved from the student centers to academic buildings. Since most classroom buildings have no regular staff, credit-card vendors have seldom been challenged when setting up in this manner. The students staffing these tables may be very aggressive in trying to get students to fill out applications, and students have complained to building staff about the behavior of some solicitors.

Curbing credit-card debt among college students will require a two-part solution. Most critically, students need to be better educated in the matter of fiscal responsibility and the consequences of credit card use and misuse. Second, the easy availability, which leads students to acquire multiple cards, and often, multiple debts, should be reduced. The resolutions outlined below address both classes of solution.

RECOMMENDATIONS

Education

Rutgers should initiate a university-wide financial-management program for students, coordinated by the office of Compliance and Student Policy Concerns. Credit-card-

issuing institutions should be approached for funding support of this and other programs, and lobbied to institute similar programs and development of literature to balance their promotional practices.

Campus bookstores should be encouraged to include credit-card and debt education materials in shopping bags. The SAC felt this was a key area where educational material could be distributed, because it is a place to which the majority of the student body goes. It is currently the case that several advertisements are included in the bookstores' shopping bags, including credit-card applications.

Controlling Access

A single, university-wide policy on credit-card vendors should be established, which would include all campus centers, bookstores, libraries and any other place within each of the campuses and colleges where credit-card vendors may conduct solicitations. In formulating the policy, Rutgers should consider limiting the total number of credit-card solicitations allowed on campus each semester. This policy should be handled and overseen by Rutgers' Office of Compliance and Student Body Concerns.

Rutgers should review the current practice of allowing the firms to pay student groups a fee based on the number of applications filled out, which has been suggested as causing an overly aggressive marketing environment. Payment of a flat fee to the student organization may be a preferable option.

Rutgers should prohibit credit-card companies from offering promotional gifts or trinkets to students for filling out applications unless the student has first read a credit-card education brochure prepared by either the University or a non-profit credit-education organization.

RESOLUTION

Whereas, Student Financial Management and Credit-Card Debt are important issues facing students at Rutgers and elsewhere; and,

Whereas, the Rutgers University Senate Student Affairs and Executive Committees have considered these issues, and developed a report and recommendations based on their findings; and,

Whereas, the report and its recommendations seek to increase the level of student financial-management awareness and availability of relate education programs;

THEREFORE, Be It Resolved, that the Rutgers University Senate accepts and endorses the Report on "Student Financial Management and Credit-Card Debt," and urges the administration to implement its recommendations.

This resolution was passed by the Rutgers University Senate on October 27, 2000.