



May 12, 2009

Editorial: Helping students avoid credit card traps

The avarice of credit card companies came under scrutiny in the House of Representatives last week when it overwhelmingly passed the so-called credit card bill of rights, 357-70.

Among other things, the measure would make credit card companies give 45 days' notice before increasing rates, require that monthly statements be mailed 21 days before the payment due date – up from 14 days, ensure introductory “teaser” rates are good for at least six months and limit certain transaction fees.

The bill is expected to be approved by the Senate and signed into law by President Obama this week.

Rep. Tom Petri, R-Wis., not only voted in favor of the bill but offered a new piece of legislation that addresses how credit card companies recruit college students. Co-sponsored by Rep. Patrick Murphy, D-Pa., the Students Credit Card Transparency Act would require credit card companies to disclose their connections to colleges and alumni organizations.

Quite often credit card companies pay colleges and universities an annual fee to be touted as the institutions' “preferred” lender, regardless of interest rates, fees or penalties. Students assume that their college has rounded up the best deal for them when, in reality, the college has rounded up the best deal for the college.

We are pleased that Petri took the initiative to author a companion piece of legislation to the credit card bill of rights.

Too often colleges also promote in letters sent to parents of incoming students the bank that sponsors the credit card. The students are greeted on campus with kiosks offering gifts for starting an account. The tactics can mislead students who are unaware that a competitor may offer more attractive rates and features. And let's be honest: too often students who are targeted have little financial experience to see through the ploy and make informed choices on their first credit card.

In a press release announcing his bill, Petri said, “The question is, are the colleges and alumni groups operating in the interests of the students or simply for the benefit of themselves. We need to know more about who benefits and by how much, and parents and students need to know that too.”

We concur with Petri's reasoning and think Congress can take it to the bank.

The Final Thought: Rep. Tom Petri's legislation to help protect students from credit card traps deserves passage and signing into law.

