Professor Hawkins is quoted in an article that appeared in the *Miami Herald* and the *Orlando Sentinel* regarding credit card use by college students.

The following article appeared in the *Miami Herald* and the *Orlando Sentinel* on March 8, 2011.

**PERSONAL FINANCE: College students' credit-card demand waning**
By Richard Burnett

A year after a new federal law placed limits on credit-card solicitations aimed at college students, young adult's fascination with plastic may be showing signs of waning.

Growth in credit-card debt among adults in their late teens and early 20s slowed almost to a halt last year after increasing at double-digit percentage rates at least a couple of times in recent years, according to recent data compiled by Experian, one of the three major credit-reporting companies.

Other research indicates that credit-card use among college freshmen and sophomores has tailed off since the new law made it harder to issue cards to people under 21 years old. Also banned from U.S. campuses: aggressive gift promotions aimed at younger students, though one small survey in Texas suggests that card companies continue to use such marketing off campus.

"I don't recall seeing Visa or any of them setting up booths on campus for the past couple of years," said Cody Swain, a recent University of Central Florida graduate and a staff assistant at UCF's business incubator.

"As far as frivolous credit-card spending, I would say it has been reduced a lot now," he said. "It's still there to some extent, but there's definitely a greater sense of caution now than in the past."

The federal Credit Card Accountability Responsibility and Disclosure, or "CARD," Act of 2009 imposes various new rules on card companies, banning such practices as universal-default rates, requiring advance notice of rate hikes, and extending cardholders' payment deadlines.

Most notably, it bans companies from issuing credit cards to anyone under the age of 21 unless the applicants can prove they're capable of making monthly payments — and have an adult co-signer age 21 or older.

According to Experian, the average credit-card balance of an 18 to 25 year old rose only 0.4 percent last year, compared with 2.4 percent in 2009, 12.3 percent 2008 and 13.3 percent in 2007.
But while the apparent ebb in student credit-card debt appears to have coincided with the CARD Act, which took effect in February 2010, experts are slow to credit the new law.

"I think it is really too early to say for sure," said Paul Gregg, a former corporate executive who teaches personal finance at UCF. "It is definitely more difficult for students under 21 to get a credit card now. And credit-card companies aren't giving out free T-shirts and pizza now to lure kids in. So the law is working from that standpoint. But there are a lot of other factors to consider."

For one thing, the trend in students' credit-card debt generally appears to mirror that of their parents, who have endured a credit crunch, financial crisis and recession in recent years. Lower credit limits, higher minimum payments, and rising interest rates and fees have driven up the cost of revolving credit for most Americans, many of whom have responded by reducing their reliance on credit cards.

For example, the Federal Reserve reported Monday that credit-card debt decreased by $4.2 billion, or 0.5 percent, to $795.5 billion from December to January — its lowest level since September 2004. The average consumer's credit-card balance in December was $4,284, a decrease of 4 percent from December 2009, according to the Federal Reserve.

"I think a lot of people are becoming more careful with what they are doing when it comes to credit and spending, whether you're talking about the population at large or young adults between 18 and 24 years old," said Etta Money, president of InCharge Debt Solutions, an Orlando-based consumer-credit counseling service.

Also, stricter lending guidelines and bigger write-offs by credit-card issuers may be as responsible as the new law for the slowdown in student credit-card debt, Money said. For example, on Monday CardHub.com, a search engine for credit-card offers, said the entire decrease in credit-card debt last year was due to card companies writing off bad debts as losses — not from consumers paying down their balances.

Still, Money said her organization has seen a dramatic drop in the share of young adults among all of its clients in recent years, she noted — from 13 percent of its clientele in 2008 to just 7 percent last year.

And surveys by Sallie Mae (the student-loan company) and Gallup Inc. (the polling organization) show a dramatic drop in credit-card ownership among students ages 18 to 20 since the new law took effect. In the 2010 poll, 49 percent of students said they owned a credit card, down from 76 percent of those questioned in 2009.
Yet some experts question whether such figures are evidence that the law is working.

Jim Hawkins, a law professor at the University of Houston, noted that the latest Sallie Mae-Gallup survey drew its sample from the general student population, while the earlier survey questioned only student-loan recipients. So the big drop-off may not exist, he said; student-loan recipients may simply be more likely to carry credit-card debt than students who don't need student loans.

Hawkins conducted a survey of university students in Houston and found that:

• Credit-card issuers, while absent from many campuses, continue to target students under the age of 21 through other means; for example, more than three-fourths of the younger students reported receiving an offer in the mail.

• Card companies are allowing applicants to include their student-loan money when supplying proof of being financially able to handle monthly balance payments.

• Nearly three-fourths of the freshmen in the survey reported seeing card issuers marketing to students at off-campus locations, and 47 percent saw potential applicants being enticed with gifts.

"I think the new law has far more loopholes than it does restrictions," Hawkins said. "And even if the [Experian] data does show student credit-card debt is slowing down, it is difficult to know at this point whether it is from the law or the tightening credit market."

Whatever the cause, students appear to be taking their credit cards more seriously these days, said Swain, the recent UCF grad.

"You still see some people out there buying crazy things and all that," he said, "but I don't think it is as prevalent nowadays. It's been a few years since all of this has happened with the economy and, while it has taken some time, I think it has affected everybody."