

## Extra Feature Story

### **Obama Goes After Credit Card Companies That Target Young People**

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**As a new study shows students are carrying record levels of credit card debt, President Barack Obama and Congress are working on legislation to rein in the actions of some credit card companies.**

While the economy struggles and job prospects look grim for new college graduates, the number of young people burdened by credit card debt is increasing.

According to a study commissioned by Sallie Mae researchers, the average undergraduate carries \$3,173 of credit card debt -- the highest level since researchers started collecting data in 1998.

Although the economic crisis is inspiring some people to save more, many are turning to credit cards after losing a job or to pay the bills.

But such debt can grow, especially in a bad job environment, eventually affecting young peoples' quality of life and ability to rent an apartment or buy a car.

#### **Credit card companies target young people**

Credit card companies spend billions of dollars marketing to young people through the Internet, television, phone and old-fashioned brochures in the mail offering pre-approval, low interest rates, and even "free money" if you sign up now.

They are especially aggressive on college campuses, buying lists of students from schools and entering into agreements that allow them to set up tables in front of dining areas and activity fairs.

"They were everywhere...like vultures: outside of my dorm, at football games and in the quad. I took their teddy bears, free pizza, tote bags and complicated, convoluted signup forms," Kali Dun, a University of Virginia student, told a congressional hearing on credit card abuses.

By her junior year, Dun had opened three credit cards, and had incurred nearly \$3,000 in debt.

Along with the giveaways and incentives, she took also high fees, heavy interest rate burdens, and complex terms.

As a senior, Kali graduated with more than \$5,000 in credit card debt.

#### **Staying debt free**

For Andrew Thompson, a senior at Northwestern University, these financial realities are enough to put him off getting a credit card for now.

"You see a lot of peers and they take a credit card one or two and don't read the fine print," he said.

"They're already in the hole. It's scary. You kind of get solicitations and I just went to the do-not-solicit registry. I'd rather do my own research, rather than just getting mailed at you and not knowing if they are legit."

Instead Thompson said his debit card, which takes money directly out of his bank account, has been a good tool for him to learn about using plastic.

"It's a very quick way of having payment. As long as you're checking your account, I think you're in pretty good standing, especially given how the credit markets have suffered in recent years. If you don't need credit, I think it's just a good time not to pursue it."

### **Lawmakers take action**

President Obama and members of Congress say cleaning up the credit card industry is part of stabilizing the economy.

The president is bringing executives of credit-card companies to the White House for a meeting Thursday to discuss deceptive practices such as enticing customers with low interest rates and then raising those rates after a few months without warning.

Congress is also considering legislation that would make it harder for card issuers to extend credit to anyone under the age of 21.

However, changing the credit card industry will be a hard-fought battle.

In a letter to Congress, the American Bankers Association and nine other large industry groups warned that new rules would make their services more expensive, forcing them to raise fees and "pull back on providing reasonably priced credit to a wide range of consumers and small businesses."

But according to top economic aide Larry Summers, President Obama is concerned that "people have been deceived into paying extraordinarily high rates that they wouldn't have paid if they knew what they were getting themselves into."

Summers said better efforts to block the marketing of "addictive" credit to people will help reduce the amount of debt owed by consumers.

He also said the government is coming up with incentives to save because many Americans spend more than they should.

**-- Compiled by Hillary Green for NewsHour Extra**

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