

## Tips for first time credit users

by Bend\_Weekly\_News\_Sources

Financial Advice For College Students College students are the largest identifiable segment of first-time customers for credit card issuers. Competition for the college market is fierce and is only expected to intensify. In fact, credit card companies will be on campuses rolling out their credit card offers and free t-shirts before classes even begin. These offers work well-according to a recent survey by the Jump\$tart Coalition, 45 percent of college students are currently in credit card debt, with the average debt totaling \$3,000. Becoming financially and credit savvy before going off to college will prepare students for the expensive four years ahead, and will help them enter the "real world" as debt-free as possible. When used wisely, credit cards can help a student establish a respectable credit history, and serve as a valuable asset for future financial opportunities. However, when handled improperly, the resulting debt can become a terrible liability that can linger on past graduation. With this in mind, the experts at Consumer Credit Counseling Services of Oregon, a division of Money Management International, offer the following tips for all students preparing for college:

- Read the fine print. Before you sign any agreements, be sure that your interest rate won't skyrocket in six months, and be sure that any 'rewards' you get aren't outweighed by hefty interest rates.
- Know your budget. How much of your monthly income will go toward paying credit card bills? Monthly debt payments should not exceed 20 percent of your monthly take-home pay or monthly allowance.
- Know your options. Look for cards with low interest rates, little or no annual fee, and a reasonable "grace period" to allow "free time" before finance charges begin.
- Know the risks involved. What would happen if you defaulted on the credit card agreement? Just a few late or short payments could have a huge affect on your interest rate and credit file. Once blemished, a good credit record is difficult to rebuild.
- Know your limits. Just because you have a \$1000 or \$2000 credit limit does not mean you can afford to carry that high of a balance. Keep in mind that most minimum payments average four percent of the total balance owed."Most importantly, remember that credit should not be treated as an extension of income, but should merely be a tool of convenience," said Cate Williams, vice president of financial literacy for MMI. "Even if an offer seems to be a great deal, exercise restraint. You should have no more than two to three lines of credit attached to your name. Making smart financial choices could be the difference between spending the money earned after graduation on the things you want and need and struggling to pay back debt."

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