COLLEGE IS HISTORICALLY a popular time and place to open your first credit card account, although in recent years it’s become more difficult for students to qualify. Here’s the skinny.

Credit Cards on Campus: A Modern History

Back in the olden days—as in, before 2009—getting a credit card on a college campus was pretty much a piece of cake. Credit card marketers would arrive near your school, set up folding tables dressed with various eye candy, ranging from free T-shirts to free beer mugs, and most eagerly share these with you in exchange for your application. All you had to do was fill out and sign a one- to two-page form, and in about a week, your credit card—embossed with your so-cute school mascot—arrived in the mail.

But in 2009, a reform law named the Credit Card Accountability, Responsibility and Disclosure Act (or Credit CARD Act) took aim at these aggressive credit card marketers and banned them from soliciting on and near college campuses. The Credit CARD Act also states that banks and credit card companies can no longer issue you a credit card if you’re under the age of 21, unless you have a qualified cosigner above the age of 21 with a job (e.g., a parent) or if you can prove that you personally have enough income to cover any future debt you may pile up on the credit card. Just how much income you need is not clear. Banks and card companies tend to have varying standards.

Why the reform? The government claimed that banks were taking advantage of a vulnerable group of consumers—namely, young adults. And their evidence was pretty compelling. For years, surveys showed that young adults were graduating from college, year after year, with thousands of dollars worth of credit card debt. Most recently a 2010 national survey by Sallie Mae found that nearly half (49%) of students owned a credit card, with the average debt load carried on cards being approximately $4,000.

Since the new rules were enacted, banks have—for the most part—cooperated, though there have been reports that some credit card marketers continue to lurk around campus and that some banks are still issuing cards to young adults who lack proper qualifications. One reported loophole: Some banks have been allowing students under the age of 21 to open credit card accounts by claiming their student loans as “income.” But don’t forget—student loans are meant to pay tuition and education expenses. They’re actually a liability, not an asset, so don’t fall for this loophole!
Credit Cards: Ready, Set, Go.

Opening a credit card account to establish credit at a young age can be very beneficial if—and “if” is the operative word—you manage it responsibly. A credit card can help to streamline your monthly payments. It can potentially help you out during a financial emergency. In addition, proper use of a credit card can help boost your credit score (a key topic we’ll explore later on). As I often say, credit cards alone aren’t problematic. It’s our abuse of credit cards that can get us into trouble. Racking up debt, paying your credit card bills late, or paying merely the minimum each month instead of the full balance can potentially cripple your financial life.

Now, if you think you’re ready for a credit card because you want to begin establishing credit, you can pay off the card responsibly and you wish to use it strictly for needs (as opposed to pizza and lattes), here are some smart ways to qualify, given the new age limitations, as well as some information about where to begin your search.

1. **Start Making Money** The CARD Act says a young adult’s application must indicate some income or “an independent means of repaying any obligation arising from the proposed extension of credit in connection with the account.” While it’s no guarantee that having a job will qualify you, it can certainly raise your chances.

2. **Get a Secured Card** If you still can’t qualify for a traditional credit card, a secured card might help you get closer. A secured card is like a credit card … but with training wheels. It provides you with a line of credit equal to a sum that you deposit with the bank, starting at around $200–$300. So, if you deposit $300, you can only charge up to $300 on the secured card. Like a regular credit card, you’re responsible for paying back whatever you use. After paying off the card on time consistently for about a year, you may then be able to qualify for a traditional credit card with a much bigger limit that requires no collateral.

3. **Join Mom and Dad’s Card** If your parents regularly pay off their bills on time, see if you can become an authorized user on their credit card account. As an authorized user, you can get a card of your own stemming from your parents’ account. Mom and Dad can monitor your usage, so make sure to be extra careful. They will get the bill each month and you can help to pay for your own charges. The upside is that you can boost your credit rating because of their timely and consistent payment activity. The downside is that if your parent falls behind on any payments or defaults on the card, your credit rating will also get hurt. You won’t be on the hook for the payments, but your credit report and credit score—which we’ll explore later—may get damaged.

Choosing the Best Credit Card

There are literally thousands of credit cards to choose from, and the selection process can be daunting. To simplify your search, focus on the following criteria:

1. **Low Annual Percentage Rate (APR)** This is the amount of interest you will need to pay on your credit card’s balance unless you pay it off in full every month. If you pay off your card’s balance entirely every month, then the APR doesn’t take effect. Keep in mind that the average APR on a standard credit card is approximately 15%, according to Bankrate.com. Credit unions typically offer credit cards with the lowest APRs,
so I would recommend you begin your search there. You can find a credit union near you at FindaCreditUnion.com.

2. **No Annual Fee** Increasingly, banks and credit card companies are charging annual fees on their cards to raise revenue, but you can still find a solid card that’s fee-free by searching around. Check out Bankrate.com and Credit.com for low or no-fee credit cards.

3. **Perks** As an added bonus, some credit cards offer cash-back or reward points every time you use the card. Keep in mind that if you don’t pay off your balance every month and you get stuck paying interest, your monthly payments can quickly diminish the benefits of any reward card.

4. **Sizable Limit** Stay away from cards that simply offer a $500 or $1,000 credit limit. You want to start off with at least a few thousand dollars—not because you want to be able to spend more. The danger with a low limit is that you can easily max out the card with just a few purchases and this can negatively impact your credit score, as we’ll discuss in the next section.

**Tired of Receiving Credit Card Solicitations?**

**OPT OUT**

Contact the Credit Bureau Opt Out Service

www.optoutprescreen.com

1-888-567-8688