Host Donald Faison: Amanda McCormick, a senior at Florida State in Tallahassee, can tell

you all about it. She’s deep in debt.

Amanda McCormick: I go to Florida State University, fourth year, creative writing and sociology major. I completely support myself so I came into college without any money. I didn’t have a job. Financial aid didn’t exactly cut it as far as bills are concerned so nowhere else to turn, I finally got my first credit card which was an, a two thousand dollar credit limit. It actually has Florida State décor on it. They sent it to me in the mail. I activated it in 45 seconds. Spent money on it twenty minutes later. Things I spent the two thousand dollars on um food; transportation; rent for my student dorm; books. Just bare necessities that I need to be a successful student in college. At this point, I was using the credit to help me survive. Over about six months, between five cards, I spent less than four thousand dollars. With interest, late fees, penalties, I acquired over thirty thousand dollars in debt.

STREET FEED:

How much are you in debt?

Erin: I have maybe about $5,000 in debt. That’s it. That’s not bad, right? That’s good. God, no one’s going to want to marry me after this.

Lizanne: I have a lot of debt. It’s about, $5,000.

Jenna: Debt that you’re racking up on your cards it’s only gaining interest. And it’s just going to put even more stress and anxiety in your life.

STATISTICS:

66% of college students have a credit card.

Average graduating student credit card debt: $2,623

Beth Kobliner: ...people don't understand that this is a loan and it's a very, very expensive loan. You use a credit card, you get your bill, you pay it off in full. That's going to keep you out of trouble.

Host Donald Faison: Most people don’t plan to get into trouble with their debts.

Amanda McCormick: Situations would occur. Life would happen. And I would have to use that money to fix my car or whatever it is. Like things happen all the time. I would make very sporadic payments on the cards but they weren’t really consistent because I needed that money for other things. And you come out of work and you have twelve missed calls from creditors. “Why haven’t you called me back, Miss McCormick?” Well I’m sorry, I was at work for the past three days straight trying to make money.

Amanda McCormick: [To customers at restaurant:] I’m Amanda, I’ll be taking care of you.

Amanda McCormick: I’m a server at Applebee’s. I like the job a lot....it’s more fast-paced so it’s more my style.... I work about 30 to 35 hours a week, I make money. That, that’s all I try to do; I’m a hustler. [laughs] This is pretty much my only source of income besides grants and scholarships that I’ve gotten through school.

Host Donald Faison: Amanda’s situation is not that unusual. Most young people use credit cards. So it is important to pick the right one.

CREDIT CARDS

What to Look for:

Low Interest Rates

No Annual Fees

No Hidden Penalties or Charges

Beth Kobliner:When you're comparing credit card offers, you want to get the lowest interest rate possible, and you don't want to pay annual fees but when you get a card, you might find yourself slapped with all kinds of fees that you never expected

Michelle Singletary:Credit card companies, in that little fine print that you don’t read, reserve the right to change that interest rate at any time.

Host Donald Faison: Given the pitfalls of credit cards, it’s no surprise that some experts advise young people to avoid using them altogether.

Michelle Singletary: There was a study out of MIT that showed that when you use credit, you tend to spend anywhere from 30% to 100% more than if you used cash. If you can, starting out in your life, avoid using credit. It is a trap. It is a game you cannot win. For the big things, put it on the credit card, but you’d better darn well be able to pay it off that next month.

Beth Kobliner: Even if you pay just $10 more than the minimum monthly payment, you could significantly reduce the number of years you're paying it back and the amount of interest you're paying back.

Host Donald Faison:

If you’re having problems paying off your credit card, don’t panic. There’s lots of help available.

Amanda McCormick: Today I’m going to see a Consumer Credit Counselor and basically what they do is they help you alleviate your debt yourself.

Duana Palmer, Consumer Credit Counselor: Okay, so you want to get your bills paid off and then try to get your credit score turned back around then, is that what your objective is?

Amanda McCormick: Yes.

Duana Palmer: It was years ago, before I became a credit counselor, that I was involved with helping students get credit cards. And we’d have 10 people at a time signing up for four and five cards. When the upperclassmen came, it was a whole different story. They were avoiding me like the plague. And as I talked to them I learned that most of them were already in credit card debt. And I was just so upset by that. I had to quit that job.

Duana Palmer: What are they saying you owe now?

Amanda McCormick: Uh, over thirty thousand dollars.

Duana Palmer: So that’s quite a substantial amount of money that you owe, more [crosstalk] [Amanda affirms] than, than you did.

Duana Palmer: I have people come in and I say you’re going to be writing a check from your grave. You’re never going to get this paid off. Those companies are going to want a minimum payment of about three to three and a half percent of the balance...that’s going range somewhere in the neighborhood of about seven hundred dollars a month.

Amanda McCormick: That’s obviously not a position I’m in right now. I mean I’m a student. So what are my other options?

Duana Palmer: I wish that you had been able to get into us a little sooner [Amanda affirms] because typically what we can do for people when they’re still with the original creditors, they work very well with us. [Amanda affirms] And they reduce those interest rates significantly, and then we put that into one monthly payment. Typically that payment is less than when...

Amanda McCormick: When you are in debt, when anyone is in debt, it’s looming over you. You know that you owe something to someone. You know that if, if you were to drop dead, one of your loved ones is going to owe something to someone. It follows you everywhere.

Host Donald Faison: I feel for Amanda because I know how credit cards can get you in trouble. I had to get rid of my card early on to keep from running it up. But credit can be a good thing when used properly.

If you’re a student like Amanda or a college grad, chances are you couldn’t have gotten your education without the help of student loans.

STATISTICS:

Average yearly tuition for a 4 year private college: $25,000

63% of students receive financial aid

Host Donald Faison: Tuition is at least two and a half times what it was when our parents went to college. So even if you have a job while you’re in school, a student loan may be the only way you can pay your bills.

Peter Bielagus, Financial Advisor: Typically most student loans are going to be due six months after you are no longer a full-time student. The payments are going to start then.

Host Donald Faison: Peter Bielagus is a financial counselor who travels the country talking to students about money matters; and he’s an expert on student loans.

Ashley Brown: And in the studio with us this morning we have Peter Bielagus, who is a financial guru....

Peter Bielagus: For the past couple days we’ve been at Georgia Southern University here in Statesboro, Georgia, and I’ve been visiting classrooms, uh, teaching classes, or freshman orientation classes...Start before you need to start. If you forget everything that I am going to say, I want you to remember this one thing: there is never going to be a good time to get started on your financial life. So you might as well get started today.

Host Donald Faison: Peter spends a lot of time during his campus visits counseling students one on one. Most students Peter meets have questions about their student loans.

Peter Bielagus: Do you know if you were able to get subsidized loans or unsubsidized?

Whitney: Actually, I have a mixture of both.

Peter Bielagus: Subsidized student loans are those loans where the government is paying the interest while you are in school. An unsubsidized loan is when the payments are deferred, but the interest still keeps accruing. So you graduate and that $10,000 has grown to $14,000. One of the things that, that I might suggest, is find out what are the monthly payments going to be on those loans, because when you go to apply for your first job, if they offer you a salary of X, you need to know, well, quite frankly, that salary is not going to cover what I’ve taken out.

STATISTICS:

Average monthly loan payment after graduation: $252

Average total interest paid: $8,343

Michelle Singletary: If you come out of college and you find that you’re not making enough, a lot of the student loans now, give you options. You can do a deferment. You can do a forbearance. They even have some that are income-sensitive, so that your payments are based on how much income you’re making.

Deferment: Time period in which payments are not required

Forbearance: Temporarily stop loan payments because of financial hardship

Host Donald Faison: Between student loans and credit cards, many young people leave college or trade school with significant debt. That debt can affect the rest of their lives because it is reflected in something called a credit score. That score may be one of the most important grades you ever receive.

STATISTICS:

Average Student Loan Debt:

1990 - $6,800 (approx)

2007 - $22,000 (approx)

2015 - $32,000

STREET FEED:

What is a Credit Score?

Sarah: [Nods head] I don’t know what a credit score is. I’ve [bell in background] seen commercials for it, but I think it, it depends on how much a loan you can get, but I’m not sure.

James: It basically can tell people how good or bad your credit is, is that's basically all I know about it.

R.J.: I think the score that you want to have is like seven hundred. I have no idea what my score is. Um. But I know it’s probably nowhere close to that.

Matt: Credit score and credit history, I know that... When you use your credit card, you have to repay what you use... when you do it on time that affects your credit score.

Host Donald Faison: Your credit report contains the history of every credit relationship you have: credit cards, debit cards, student loans, car loans, you name it. When you pay your bills on time or reduce your credit card balance, your credit score gets better. If you miss a payment, or max out on your credit card...your score goes down.

Peter Bielagus: Your credit score literally sets the interest rate on any money that you borrow. Maybe tomorrow, you and I both go to buy the exact same car on the exact same day. Because of my terrible credit score, I will pay $7,000 more dollars in interest to buy that car than he will, simply because of this one number. One of the best things that you can do is to check that credit report every year for the rest of your life.

Host Donald Faison: There are three companies that keep track of your credit history. You’re entitled to get a free copy of your credit report annually from each company, so you can see what the lenders will see when you apply for a loan or a credit card. If you decide to use a credit card remember to compare offers carefully, pay your whole bill on time to avoid penalty charges and check your credit report at least once a year. Your financial future is riding on it. So make sure it’s right.

RECAP:

Choose and use your credit card wisely.

Always pay your bill off in full each month.

Check your credit report regularly.