KASFAA Newsletter

Summer 2001 Volume 13 Number 5

Inside This Issue

A Message From Our Presidents: Sandy Neel and Michael Morgan

Dear KASFAA friends and colleagues,

Well, it's time for me to write that farewell note as the outgoing President. Reflecting back over the past year, I discovered we really made some significant accomplishments for KASFAA. We managed, in a very short period of time, to start two new projects, to have two very successful conferences, to hold two different training and development activities, replace a couple of people on the board and in the process we kept our sanity!

We said good-bye to a few good friends and said hello to quite a few new friends! Although at times things got a little hairy, it sure was exciting! I can't really say I am glad it is over because I really enjoyed my time as President but I am looking forward to my role as Past-President and joining the PP group!

I would like to thank everyone in KASFAA for the support and encouragement given to me over the past year and I really appreciate everything everyone has done! Michael Morgan and Dave Wuinee were among the best conference chairs ever! Ron McMakin was an excellent chauffeur (Michael, you'll need to find your own!). The Executive board was always there and willing to work hard! It has been a great year and it was both an honor and a privilege to serve as President of this fine organization!

Looking on to next year, I know Michael will be an excellent President! He plans to continue College Goal Sunday and the KASFAA Partnership Project. I look forward to soliciting KASFAA members to run for a position on the board. Please consider running for office, the experience you gain is invaluable and the friendships you make will last a lifetime!

May the best of your past be the worst of your future!

Sandy

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2001-2002 KASFAA Executive Board

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Michael Morgan, Transylvania University

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Nancy Melton, Alice LLoyd College

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Heather Boutell, Bellarmine University

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Vendor Sponsor
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Archivist/Historian
Mike Barlow, Lexington Community College

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Barb Smith, Asbury College

Budget and Finance
Dave Cecil, Transylvania University

Diversity Concerns
Rosemary Tutt, National Education

Legislative Issues
Jane Stewart, KHEAA

Membership/Partnership Program
DeDe Conner, KHEAA

Newsletter
Meredith Robinson, The Student Loan People

Public Relations
Chris Thomas, Berea College
Tim Green, Fifth Third Bank

Training
Tim Rhodes, Morehead State University
Rhonda Swim, Morehead State University
Lissa Caldwell, KHEAA

Website Technology
Jennifer Cosens, KHEAA

Articles and Bylaws
Zelena O'Sullivan, Pikeville College

Nominations
Sandra Neel, University of Louisville

College Goal Sunday
Rich Nickel, Bank One
Sandra Neel, University of Louisville

KASFAA Training
Nancy Melton, Alice LLoyd College

KASFAA Trust Development
Anthony Bowles, Western Kentucky University

SASFAA Local Arrangements
Dave Wuinee, Bellarmine University

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Hello KASFAA Colleagues and Dear Friends,

I have always been proud of the fact that I am an active member of KASFAA, and I am honored to have this opportunity to serve as president. Thanks to the efforts of many of our current and former members, the association has always been well respected and represented in the national and regional arena of financial aid, and I know that, together, we will continue this tradition.

In its mission statement, KASFAA pledges to support professional activities that increase the knowledge of its members and the community it serves. As KASFAA President, I am committed to increasing KASFAA's regional and national visibility without losing sight of the mission of our association. Therefore, as we move forward this upcoming year, a renewed focus will be placed on training initiatives, consumer awareness and intra-organizational communication. Please contact me at micmorgan@transy.edu if you have any comments or suggestions on ways that KASFAA can better serve you.

Additionally, KASFAA has the honor of hosting the SASFAA Annual meeting in Louisville, Kentucky. The SASFAA Conference will be held February 17-21 at the Galt House. Please accept my personal invitation to attend these great training opportunities this year. The Fall Conference will be held October 24-26, 2001 at the Holiday Inn Capital Plaza in Frankfort, KY. The Spring Conference will be held April 17-19 at the Executive Inn Rivermont in Owensboro, KY. KASFAA will also provide a centralized training opportunity hosted by the University of Kentucky in November.

In conclusion, I want to thank all of you who have supported and encouraged me over the years. I am eager to work with each of you throughout this year to ensure that KASFAA continues to be an outstanding organization, and I look forward to meeting and speaking with all of you about your ideas for KASFAA's future.

Sincerely,

Michael D. Morgan

Editorial Note

The KASFAA Newsletter is published three times a year for distribution to members and friends of the association.

Advertisements, articles and items of interest are gladly accepted and can be given to any member of the newsletter committee. Contact the editor for rates and/or insertion dates.

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Denese Atkinson, Prestonsburg Community College, 606-886-3863

The KHEAA Korner

State Grants

KHEAA staff continues to mail award notices to eligible students for both the College Access Program (CAP) Grant and Kentucky Tuition Grant (KTG) program.

- The maximum expected family contribution (EFC) for College Access Program (CAP) Grant consideration has been increased from $3100 to $3550; the maximum CAP Grant award amount has been increased to $1,260 ($630 each semester).
- The maximum KTG award amount for full-time students has been increased by $200, from $1,600 to $1,800.

Kentucky Educational Excellence Scholarship (KEES)

KHEAA expects to disburse $21.6 million in KEES (merit scholarship) awards for the 2000-2001 academic year.

Early Childhood Development Scholarship

During the spring semester, scholarships totaling $97,583 were made to early childhood workers who elected to improve their skills under the new KIDS NOW early childhood initiative enacted by the 2000 General Assembly to improve the quality of child care in Kentucky.

Kentucky Education Savings Plan Trust (KESPT)

Kentucky families saving for college through KESPT will soon save even more thanks to a new federal tax exemption. The Economic Growth and Tax Relief Reconciliation Act of 2001, enacted on June 7, makes earnings in Qualified Tuition Programs (QTPs), like KESPT, federally tax exempt. The tax exemption becomes effective in 2002. Currently, earnings are deferred from federal taxes until distributed and then are taxed at the beneficiary's rate if distributed for qualified higher education expenses. The law also expands the flexibility of QTPs by increasing the amount of qualified room and board expenses, adding first cousins as eligible members of family when changing an account beneficiary, and allowing an account rollover once per year from one QTP to another QTP for the same beneficiary.

The KESPT Web site has been updated to include an investment performance section and an account services section. The account services section allows individuals to download KESPT forms to open and make changes to KESPT accounts. Check out these new features at www.kentuckytrust.org.

Guarantee Volume Increase

KHEAA's guarantee volume continues to show growth with a 14.2 percent increase over last year's totals. If guarantee volume continues to grow at a comparable rate through June 30, KHEAA's fiscal year volume will surpass $500 million.

Origination Services Volume

KHEAA originated $227.4 million for the period July 1, 2000, through April 30, 2001, which represents 60 percent of all loans guaranteed by KHEAA for this period.

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Electronic Funds Transfer (EFT) Disbursement Services Volume

KHEAA provides EFT disbursement services on behalf of 20 lenders to 82 schools. Disbursement services volume for the period July 1, 2000, through April 30, 2001, totaled $57.3 million. This is an increase of 64 percent over the same period last year.

Regional Outreach Contacts

If you are interested in having a regional KHEAA outreach coordinator attend a college fair, provide KHEAA materials, or present information about student financial aid, contact:

Western/Southern Kentucky

(Adair, Allen, Ballard, Barren, Breckinridge, Butler, Caldwell, Calloway, Carlisle, Casey, Christian, Clinton, Crittenden, Cumberland, Daviess, Edmonson, Fulton, Graves, Grayson, Green, Hart, Hickman, Hancock, Henderson, Hopkins, Livingston, Logan, Lyon, Marshall, McCracken, McCreary, McLean, Meade, Metcalfe, Monroe, Muhlenberg, Ohio, Pulaski, Russell, Simpson, Taylor, Todd, Trigg, Union, Warren, Wayne, and Webster Counties)

Johnny McDougal
Phone: (270) 759-0383
Fax: (270) 759-9767
E-mail: jmcdougal@kheaa.com

Eastern/Northern Kentucky

(Bath, Bell, Boone, Boyd, Bracken, Breathitt, Campbell, Carter, Clay, Elliott, Estill, Fleming, Floyd, Grant, Greenup, Harlan, Harrison, Jackson, Johnson, Kenton, Knott, Knox, Laurel, Lawrence, Lee, Leslie, Letcher, Lewis, Magoffin, Martin, Mason, Menifee, Montgomery, Morgan, Nicholas, Owsley, Pendleton, Perry, Pike, Powell, Robertson, Rockcastle, Rowan, Whitley, and Wolfe Counties)

Mike Pennington
Phone: (606) 780-7584
Fax: (606) 780-9635
E-mail: mpennington@kheaa.com

Central Kentucky

(Anderson, Bourbon, Boyle, Bullitt, Carroll, Clark, Fayette, Franklin, Gallatin, Garrard, Hardin, Henry, Jefferson, Jessamine, LaRue, Lincoln, Madison, Marion, Mercer, Nelson, Oldham, Owen, Scott, Shelby, Spencer, Trimble, Washington, and Woodford Counties)

Paula Mattison
Phone: (502) 696-7380
Fax: (502) 696-7373
E-mail: pmattison@kheaa.com

News From Around Kentucky

Congratulations to **Jane Moore**, Director of Financial Aid at St. Catharine College, who gave birth to a daughter, Kathleen Marie, on March 6th.

Tammy Morgan is the new Assistant Director of Student Financial Services at Pikeville College. She had been with KHEAA previously. Welcome Tammy.

Martie Ruxer-Boyken, Financial Aid Director at Brescia College, was selected as one of 17 extraordinary women in Kentucky to tell her story of her near-death experience and the inspirations that helped her through in a book called “Blue Moon Rising.” For more information on the book call 270-443-0121.

Welcome to **Kimberly L. Wallace,** the new Director of Student Financial Aid at Midway College.

Congratulations to **Shelley Park** on her promotion to Acting Director of Financial Aid at Eastern Kentucky University.

There have been lots of changes taking place at The Student Loan People’s office.

Carl Rollins, is the new Vice President of Marketing, **David Carlsen**, is the new Internal Auditor and **Jim Nichols**, is our new Loan Administration Manager. Welcome to each of you.

Congratulations to **Bob Begley** on his promotion to Customer Service Manager and to **Meredith Robinson** on her promotion to Senior Marketing Representative.

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Beth Riffe has joined the Financial Aid Counseling staff at the University of Louisville. Welcome Beth!

University of Louisville welcomes **Michael Abboud** to their staff. Michael is the counselor responsible for A-G.
Angela Black has been promoted to Counselor II in the scholarship area at U of L. Angela replaces **Tina Douglas,** who is now an Assistant Director. Congratulations to both Angie and Tina!

Victoria Owen has moved to the System Analysis position in the Financial Aid Office at U of L. Congratulations to Victoria on her new position!

The Financial Aid office at U of L welcomes Hayden Scott Bond! Hayden was born May 16, 2001, to **Anna and Brian Bond**. This is placed in loving memory of his mother, Anna, who passed away Monday June 4, 2001. Anna will be sorely missed.

Bellarmine University is proud of Dawn M. Graviss, Financial Aid Counselor, for her 10 years of service to the University. (Dawn is 3rd person from the left.) Congratulations Dawn!

Continual Education Crucial in Preventing Defaults, Expert Says

By David Long

Continual education that extends beyond the campus financial-aid office is key in curbing education-loan defaults, says a debt-management consultant who has spent months working individually with schools in the Southeast.

Laura Dickerson is a member of the USA Funds® debt-management team, which has assisted more than 400 postsecondary institutions nationwide as part of the guarantor's overall effort to help colleges lower their education-loan default rates. Based on one-on-one consultations, workshops and other default-prevention work with schools, Dickerson recommends the following steps to help prevent education-loan defaults:

- **Educate parents, and get them involved.** When parents actively participate in the financial aid process, and when they understand the rights and responsibilities that come with getting financial aid, they can be partners to financial-aid professionals. Dickerson suggests that schools schedule activities such as a financial-aid-awareness week for potential students and parents.

- **Conduct consumer counseling and debt-management workshops throughout the student's college career.** Go beyond the federally required student-loan entrance and exit counseling, reinforcing the importance of debt management with life-skills courses and consumer counseling.

- **Promote early awareness.** Junior and senior high school is not too early to talk with students and their families about what college will cost and the options they have for paying higher-education expenses.

- **Encourage students and their families to borrow less.** Help students and parents make good decisions about the financial aid that they seek and accept, and promote grants and scholarships.

- **Make debt management an effort that extends beyond the financial-aid office.** Because high default rates affect the entire school, make default prevention a campus-wide effort by involving other departments, including the registrar's office and alumni programs. Dickerson also recommends that schools include a course about debt management in the campus' curriculum.

For more information about preventing default at your school, contact Dickerson at 813-933-8108; toll-free at 800-551-1353, ext. 7879; or by e-mail at *ladicker@usafunds.org*.

Submitted by: David Long, USA Funds Services account executive, 205-444-9113.

Why It’s So Difficult for Borrowers to Know What They Owe

By Kathleen Gibbons

Picture a 1000-piece jigsaw puzzle of the solar system. Completed, it’s a beautiful picture of a starry night sky that evokes mystery and promise. Incomplete, it’s a seemingly endless pile of similar-looking black and white pieces, presenting a daunting and often frustrating challenge to assemble.

Those who have been on the borrowing end of education loans can probably relate to this image. Borrowing a loan to finance the dream of higher education should be pretty straightforward. Unfortunately, with all the bits and pieces of detail that borrowers receive about their loans, it’s easy for them to be puzzled about how much they owe. As a previous student loan borrower, current parent loan borrower, and also as someone who has worked in financial aid for several years, I have both personal and professional experience with student loan borrowing. If I feel confused about my educational debt, I think it’s reasonable to assume inexperienced borrowers do too.

A big part of the problem is the overwhelming amount of paper borrowers receive. For example, in the past academic year alone, my family has received easily over 50 pieces of loan-related mail—an average of five mailings per month over a ten-month period. If you take out my monthly PLUS Loan billing, that still leaves about 40 non-billing related loan mailings, including: Promissory Notes, Notices of Loan Disbursement, Quarterly Interest Statements, Account Statements, Interest Rebate Notices, etc. And that’s just from the U.S. Department of Education. The school that my daughters attend (fortunately, they attend the same state university) also sends loan-related material. Just reading through this information is time consuming, let alone processing it mentally and figuring out what action, if any, must be taken.

Despite the vast amount of loan detail my family has received, if you asked my daughters (a sophomore and a senior) what the total amount of their borrowing is today, I’m certain they wouldn’t have a clue. And while I may have an educated hunch, without sitting down, sifting through, and adding up several pieces of the puzzle, I’m not really sure either. (I do have a pretty good idea of my total PLUS Loan borrowing, but I attribute that to having recently gone through loan consolidation.)

This obliviousness on the part of borrowers is no surprise to researchers or to financial aid practitioners. Recent studies have pointed out that most students don’t fully comprehend how much they’ve borrowed, especially related to interest accrual. For example, the State Public Interest Research Group (PIRG) Higher Education Policy found that nearly 80 percent of students recently surveyed underestimated the total cost of their student loans. And in a series of debt management focus groups conducted nationwide, USA Funds

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found a prevailing trend of “information disconnect” between students’ understanding and the reality of their total debt.

One logical solution to this disconnect, it might seem, would be to provide *more* information. However, instead of more, what borrowers need is *better* information that provides—on a regular basis—the current, total amount of their education loan debt.

No wonder many students (and parents) are clueless about what they’ve borrowed. Instead of receiving a regular statement giving total loan amounts, they receive several similar-looking pieces of the total—like several disbursement notices, each showing one-half of one loan, minus fees. It gets even more cumbersome when, in the same academic year, a student borrower has both a subsidized and an unsubsidized Stafford Loan; or a parent borrower has PLUS Loans for more than one child. They can receive multiple disbursement notices. And if a borrower increases a loan amount after the original loan is made, another notice. Trying to add up the bits of disclosure notices to get a total borrowing amount—for that one year—can feel like rocket science!

With all the technology tools available today, it would seem that providing the big picture about a borrower’s total indebtedness should be fairly easy to do; but it isn’t. Part of the problem, we know, is that students can have multiple loans from both federal and nonfederal sources. Databases like the National Student Loan Data System (NSLDS) and National Student Clearinghouse have helped centralize federal loan data, but that’s only part of the picture.

Another downside to the current data systems is the timing and method of informing borrowers about their education loan debt. For example, data stored by the NSLDS is reported directly to students only once a year, buried on the back of their Student Aid Report. Students can access their loan information online more frequently, but they need to initiate the information request and provide a PIN.

The information gap is most acute for student borrowers during their in-school years, before they enter repayment. Ironically, this is the time when students receive the least information about their cumulative debt (although they receive plenty of disclosure “bits”), and they’re simultaneously making decisions about how much additional loan funds to borrow. How can we expect students to make good decisions about future borrowing if they’re not adequately informed about their current level of debt? Since parent (PLUS) borrowers enter repayment sooner than students, they receive billing statements sooner that list total debt levels for individual loans; but unless loans are consolidated, the debt picture for parents is also piecemeal.

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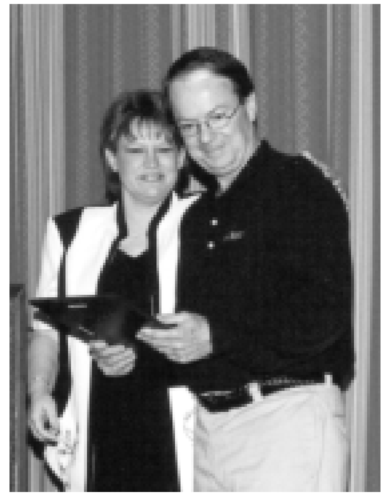
What’s needed is a more systematic approach to delivering total education loan information directly to borrowers on a regular basis, without their having to initiate the request.

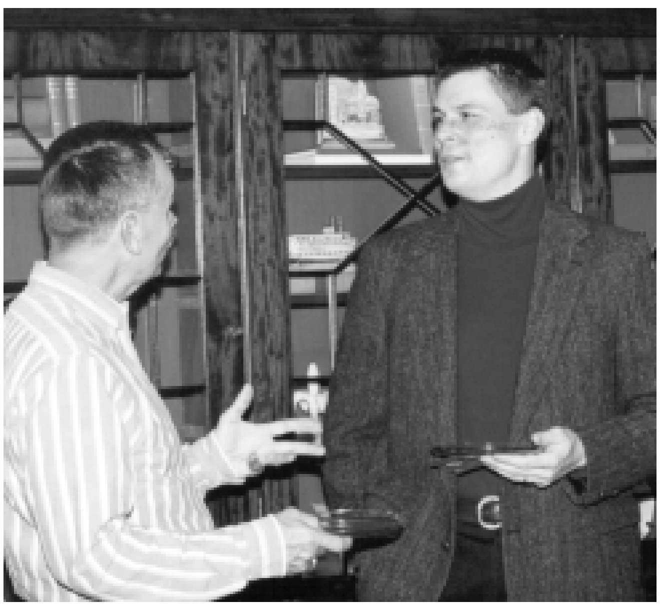
This may seem like bending over backwards for the borrower, but it’s really not. If you think about other forms of consumer debt, like credit cards, mortgages or even home utilities, a consolidated, monthly statement of total spending activity is not so far-fetched. If consumers had to go online each month to retrieve this information, it’s pretty likely more than a few of us would fall behind on our bills and miss the mark on how much we owe.

Until our industry can figure out how to provide a consolidated statement of education borrowing—admittedly no small task—students and parents will have to continue piecing together the puzzle of their total loan debt.

Kathleen Gibbons is an editor for Nellie Mae, a leading student loan provider based in Braintree, Massachusetts.

Flash Backs to the





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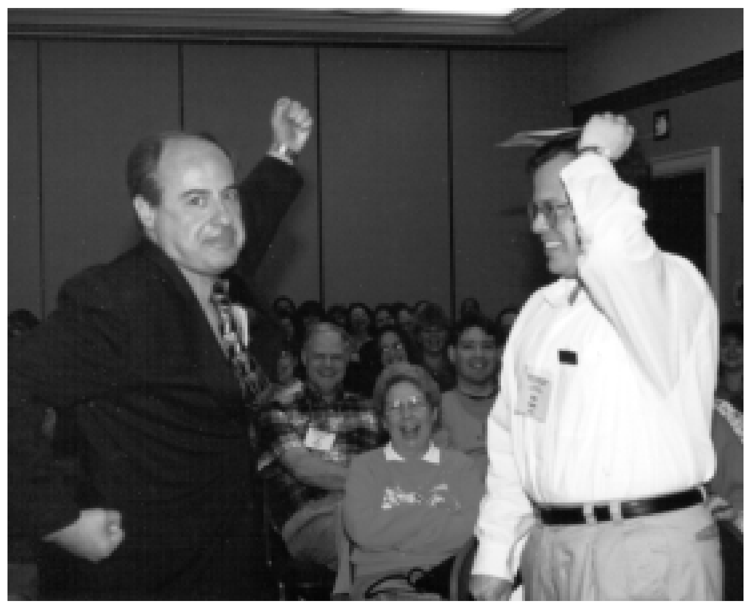

College Students Face Increasing Consumer Debt

By Carl Rollins

College students across the nation face the same financial woes - paying for tuition, room and board, books and daily living expenses. But in recent years a new problem has surfaced – making monthly payments on credit cards.

Rather than waiting until after they graduate (and have a full-time job) to obtain credit, undergraduate students are using credit cards for everything from pizzas to clothes to concert tickets. And because they have a limited income (if any), they can only afford to make the minimum payment each month.

In today's society, college students are turning to credit at an alarming rate. And the numbers prove it. From 1998 to 2000, here's how they fared:

- The percentage of undergraduate college students with credit cards rose from 67 percent to 78 percent
- Their average credit card debt increased from $1,800 to $2,700;
- Nearly 25 percent of students with credit card debt owed more than $3,000 and nearly 10 percent owed more than $7,000.

In view of this trend toward credit card debt, it's not surprising that in 1999, a record *100,000* people under age 25 filed for bankruptcy.

These statistics do not bode well for the financial future of our young people. Using credit is a hard habit to break, and trying to pay off credit cards with high interest rates is a daunting task.

Even if students find a good job after graduation, they're discovering that life after college is bleak because they face thousands of dollars in credit card debt. This is hardly the bright future they had planned.

To help students better understand the dangers of overspending, The Kentucky Higher Education Student Loan Corporation (also known as The Student Loan People[sm]) has created "The Student Loan People's Guide to Using Credit Responsibly," a packet of financial-management tips for college students.

The packet provides information to help students recognize signs that they're overextending themselves with credit. It explains what credit card debt will actually cost them in the long run (after years of paying high interest rates), and helps them budget their expenses.   For more information on the packet or to order a supply call 888-678-4625.

Carl Rollins is the Vice President of Marketing for Kentucky Higher Education Student Loan Corporation, the Student Loan People. You may reach him at 502.329.7232 or crollins@kheslc.com.

DEEP SLEEP

Here I lay on this bed
In a coma, unable to move

I know you fear that I may be dead
My face must be Red
For I am crying for help
But no one can hear me
As the words keep ringing in my head
I am here. I am NOT DEAD!

As you sit by my bed
And talk to me with love in your voice
I CAN HEAR YOU, but I AM UNABLE TO SPEAK
As you caress my Head and hold my hand
I can feel you. I can see you
But I am unable to speak for I am too weak

My eyes may be closed
But I can see you
Please do not despair
For God is with me

As God holds me close
I do not mean to boast
But it is glorious
Being with the Heavenly Host

As I look into your sad face
I want you to remember, my love
God is holding me in his embrace

Remember always, as we travel through this earthly life
It is satisfying to know God is always there
To comfort us when we need it
Till we pass from this life
To be with our Heavenly Father

Please do not cry
Think of me with joy
Remember the love we shared
And how much I cared
So very much for you, my love

-Martie Ruxer-Boyken

SASFAA 2001:

A Beach Odyssey

What a Successful Journey We Had!!!!

There was a total of 850 folks in attendance at the **SASFAA 2001: A Beach Odyssey** Conference. From the evaluations, it appears that most felt like the conference met their needs and everyone had a good time, despite the weather. We, on the conference committee, said it was good learning weather.

Tom Morris, PH.D, author and founder of the Morris Institute for Human Values, delivered on his promise to give the best opening session SASFAA has ever had! I would like to thank College Foundation Inc. again for allowing everyone to take a piece of Dr. Morris' message home with us by sponsoring the distribution of his book *True Success*.

Our Monday morning keynote speaker was Dr. Dudley E. Flood, retired Associate State Superintendent for the NC Department of Public Instruction, who provided us with an excellent reminder of what is important in life.

Jeff Baker, Director of Program Development Division, US Department of Education, provided us with an informative, and always important, federal update. Rachael Lohmann, our NASFAA Chair, and Dallas Martin, NASFAA President, helped us to end our conference on an informative note as they reported on what's going on with NASFAA and in Washington.

The banquet provided us with an opportunity to recognize our past presidents, hear from our past and present leaders during our history video (compliments of Curtis Whalen), and reflect over the first few days of the conference with the picture/slide show (compliments of Christy Scott). It also gave us the chance to recognize those who have contributed greatly to the association: Lester McKenzie, Randy Craig and Eleanor Morris.

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As is usually the case, training was a big focus of the conference. We had a variety of concurrent sessions filled with information that provided for both professional and personal growth. I want to thank the Department of Education and all our SASFAA Colleagues, who presented at the conference, for their expertise and time.

I'd also like to thank all of you for helping to make the conference a success. Everyone came out in full colors to support school pride day; we had plenty of prizes to distribute at bingo, we were able to give 744 books to *The Boys & Girls Club of the Low Country, The Child Abuse Prevention Association* and *Big People for Little People* organizations; the concurrent session rooms were filled, and we had record participation in the election.

I want to thank all of the folks who served on the conference committee:

Jackie Bell, co-chair local arrangements, ClassCredit, SC
Margaret Hunt, Midlands Technical College, SC
Lisa Koretoff, Guilford Technical Community College, NC
Em McNair, Southern College of Technology, GA
Erik Melis, George Mason University, VA
Ken Player, co-chair local arrangements, South Carolina Student Loan Corporation, SC
Janet Sain, ECPI College of Technology, NC
Melissa Smith, Nashville State Technical Institute, TN
Jeanie White, Education Services Foundation, MS
Dave Wuinee, Bellarmine University, KY
Brandon Young, Embry-Riddle Aeronautical University

Ex-Officio Members:
Karen Koonce, Treasurer
Rose Mary Stelma, Vice-President
Lisa Tumer, Sponsorship Chair

Unofficial Member:
Alec Reinstadtler, Bank of America

Thanks again for helping to make ***SASFAA 2001…A Beach Odyssey*** a tremendous success!

Lynne Reinstadtler
2001 Conference Chair
lynne@elmresources.com

Credit Card Debt Statistics

By Marie O'Malley

The prevalent use of credit cards by a growing number of college students has generated concern about the impact of easy credit card availability and subsequent indebtedness accumulated by students. Those who are directly responsible for managing student loan default prevention among that very population are particularly concerned; after all, students who owe substantial amounts of money on credit cards and education loans may not have the wherewithal to make payments on both after graduation.

Less stringent underwriting criteria at major credit card companies, coupled with the direct push to students on many campuses to apply for credit cards, has led to easier access to credit cards for students who may have arrived on campus with no credit history.   A recent analysis of credit card debt from students who applied for credit-based loans with Nellie Mae in calendar year 2000 showed that 78% of undergraduate students (ages 18-25) have at least one credit card. This is up from the 67% of undergraduates included in a similar study by Nellie Mae in 1998. In years past, these same students would not have been given credit cards, certainly not without a co-signer.

Using small increments of available credit responsibly is a great way to learn about the pros and cons associated with borrowing, and to establish a positive credit history. Unfortunately, without being educated on the possible pitfalls associated with amassing too much debt, some of those students may be learning lessons the hard way. The undergraduates in the 2000 Nellie Mae analysis carried an average credit card balance of $2,748, up from an average of $1,879 in the 1998 study. A student using a card with an 18% APR and who makes only a minimum monthly payment of $75 will be paying off that credit card balance of $2,748 over 15 years, paying as much interest on the loan as he originally borrowed. And that assumes the student doesn't make additional charges. Some students unwittingly accumulate credit card debt, not consciously planning ahead whether they can afford to borrow that sum, and not aware of the actual finance charges they will pay over time.

Graduate students have even higher debt levels than undergraduates, though graduate student credit card debt and usage levels remain similar to 1998 levels. In both studies, 95% of Nellie Mae graduate student loan applicants had at least one credit card. The average credit card balance was $4,776 in 2000, down slightly from $4,925 in 1998.

The above statistics indicate a growing comfort level with credit card borrowing. Being comfortable, however, doesn't necessarily indicate knowledge about the ramifications of borrowing in general; nor does it show that the student has evaluated the benefits and costs of borrowing with a credit card vs. other types of financing. For example, it may be easier for a student to use a credit card to pay for some expenses associated with a college education, such as books and transportation – even tuition in some cases – but a federally guaranteed student loan is a much more cost-effective choice. However, it takes planning to obtain a student loan; the student must file the appropriate forms and work through the financial aid and bursar's offices, as well as work with the lender, to process the loan. Although school offices and loan processes are becoming more streamlined, a credit card is simply more convenient. Students may base their borrowing choice on that rationale, rather than long-term cost.

Although many students do their homework — they understand and manage the responsibilities of borrowing, they don't borrow more than they need, and they borrow as cost-effectively as possible — there is some apprehension that a certain percentage of the credit card-using student population is setting up itself for financial failure even before graduation. Without assistance, these students may not have the know-how to borrow wisely on the front end, and they won't have the income to honor their credit obligations after they've borrowed.

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It would be ideal if credit card companies agreed to take a more conservative approach to lending to students to prevent them from getting too deeply into credit card debt while in school. They could put low borrowing caps on accounts when students are enrolled; they could institute stricter re-issue rules; they could agree to put a cap on the number of cards that can be issued to students. But, more practically, students need to learn how to manage financially. Credit cards and other borrowing options will continue to be available to them while they are in school, and after they graduate.

Colleges and lenders work together today to provide student debt counseling at the beginning and end of the enrollment/borrowing cycle. One solution might be to have colleges and lenders work together to provide financial management education throughout the student's college career. A curriculum could be developed that teaches several aspects of sound fiscal management, and where lessons are reiterated at key points during the total enrollment period. Of course, teaching by example is always effective; therefore, planners should strive to keep costs minimal for implementing such a program. Interactive tools are already available on a number of finance-related web sites today, and e-mail allows for efficient, cost-effective communication between schools and students.

Credit card use and borrowing money have become common practices in American society and aren't going to cease. To prevent debt levels from becoming burdensome for students, which could result in student loan defaults as well as general poor financial health for a segment of the population, it behooves colleges and lenders, as well as credit card issuers, to teach students to limit credit card usage and to borrow wisely.

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