

Reducing the hold of the underage credit card trap



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Reducing the Hold of the Underage Credit Card Trap Credit card companies have saturated the adult market for credit and have recently expanded their search for new customers. These new customers, young and often underage, are easy prey for credit companies hungry for greater market share and new victims. The credit card companies know that these vulnerable customers are uninformed and easily exploited. These newcomers to credit don't understand compound interest, penalties, credit-based rates, and they don't read the fine print. It is imperative that we protect these at risk customers from a lifetime of bankruptcy before they get caught in the credit card trap. With their deep pockets and ability to lobby Congress, regulating the credit card companies is not a realistic option. It's incumbent upon the customer base, the young people, to be well informed and make prudent credit decisions. It's also important for society to mandate that any young person that uses credit be licensed to do so, just as they are licensed to drive. Schools need to offer mandatory credit classes that will teach students how to calculate the cost of credit, as well as the long-term implications of credit card debt. They need to know that credit card purchases have a price, and the price may be hidden in the terms that they have failed to read. They need to recognize a misleading and overly aggressive credit card marketing scam when they see it.

Most of the material could be integrated into existing Math and English courses. Math class could be used to teach how to calculate the long-term cost of a purchase based on the interest rate, as well as how to figure what the minimum monthly payment would be. English class could be a forum for reading and analyzing the fine print. It would need to offer a vocabulary section to discuss the specialized wording that companies use to mask their

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true intentions. It would be helpful if users understood the terms " pre-payment penalty", " grace period", and " inactivity fee". A government class could discuss the legal obligations that the cardholder has and the ramifications of a failure to pay.

As well as understanding the technical aspects of borrowing, students need to be instructed on the social conventions associated with credit. A class that instructs students on the appropriate time to use credit would be helpful. It may be proper to buy a new tire when you are stranded along the highway, but the student should also know that a \$10 lunch at Applebee's may end up costing several times that by the time it's paid off. An adequate concept of " credit limit" would help young people realize that it is not like a speed limit, but rather something to try to avoid.

Young people should have some limited credit available, but it should be granted only when the student has shown that they understand the whole credit card process. After completing the course, students could be granted a learner's card, a pre-paid card that they would need to make regular payments on. Its limited credit limit would be an ideal learning tool and prevent our young people from being a credit casualty before they even have a credit score.