Financial Trouble

As debt has increasingly become a way of life for Americans, college students have found their debt levels at record levels.

We all know many college students take out education loans. But credit card debt can also be a source of serious financial hardship for students. In addition to student loans, the average credit card debt of recent college graduates is around $4,000. In fact, up to one in three recent graduates $10,000 or more in credit card debt – that’s a payment of around $200 per month just to pay the interest. And because the interest rates charged by credit card companies are much higher than student loans, even a fairly small credit card debt could be a serious burden.

How could this happen to so many students? Debt happens for a variety of reasons – from the loss of a job to medical bills. But students tend to get into debt by a simple lack of planning. Very few students expect credit card debt to be an issue when they start school, and then their debts add up, little by little. Students may also expect to earn more than they are likely to earn after graduation, resulting in a lax attitude about extra debt. Whatever the reason, if you find yourself in financial trouble, the time to act is now - the stakes (damaged credit ratings, reduced academic performance) are just too high to wait.

Warning Signs
Here's a list of common feelings and situations that may alert you to a problem with debt.

- You have unpaid balances on your credit card that get bigger every month.
- The interest rates on loans and credit cards are raised because of missed payments.
- You're charged penalty fees because of late payments or bounced checks.
- You don’t have money available to pay for food, laundry, and other necessities.
- Financial problems interfere with your school, work, or relationships.
- Over one-fourth of your income goes towards paying your debts.
- You take our card cash advances on your credit card or use "payday loans" or check cashing services for money.
- You can only afford to pay the minimum payments on credit card bills.
- You don't know the total amount you owe.
- You experience feelings of anxiety whenever you use credit cards or have trouble sleeping because of worry.

Getting Out of Debt
Curing chronic debt is never painless, but the process is simple. It's called a "debt reduction plan" and it takes into account your debts, income, and expenses. Please review our fact sheet on "Creating a Debt Reduction Plan" for more information. If you are enrolled in school, you should also visit your financial aid office to make sure you are receiving all the aid you are eligible to receive.

It can be tough to stick to a debt reduction plan, but help is available. Non-profit credit counseling agencies help thousands of people every year, including assistance with debt reduction plans and negotiating payment terms with creditors. Please review our "Choosing a Credit Counselor" fact sheet for more information on credit counseling.

If your debt is out of control, don't wait to act - get help now.

Visit Financial Literacy 101 for more financial education.

© 2004 -2013 Decision Partners, Inc.