

New credit card law to encourage caution

By KRISTIE BAUMGARTNER
Collegian Staff Writer

Credit card companies now have to inform potential customers of their interest rates and monthly fees, enabling new student customers to comparison shop.

Consumer advocates hope the rule, approved by the Federal Reserve Board in April and put into affect last week, will encourage customers to exercise caution and not be lured by useless perks, said Gerri Detweiler, education director for Bankcard Holders of America.

"Consumers will be armed with more information and have the opportunity to comparison shop," said Robert McKinley, editor of RAM Research's Bankcard Update, a Frederick, Md. newsletter concerning the industry's activity.

Previously, a card's costs did not have to be disclosed until it arrived in the mail.

College students provide a great market for credit card companies and they have been aggressively pursued by MasterCard and Visa, Detweiler said.

"Banks want to capitalize on student loyalty so when they get out of school and have greater income they will continue banking there," McKinley said. "There has been more solicitation on campuses because the credit card market is already saturated."

There are 107 million credit card holders in the United States.

"It is very important for college students to establish credit because they may have difficulty getting a credit card when they get out of school," Detweiler said.

Students seeking credit must be forewarned of credit card enticements, such as frequent flyer miles or travel plans, she said.

Keith Dando (sophomore-engineering) said American Express convinced him to apply for a charge card when the company offered two plane tickets for \$99 to anywhere in the continental United States.

Dando said he was disappointed when he read the vouchers fine print and realized they were highly restricted.

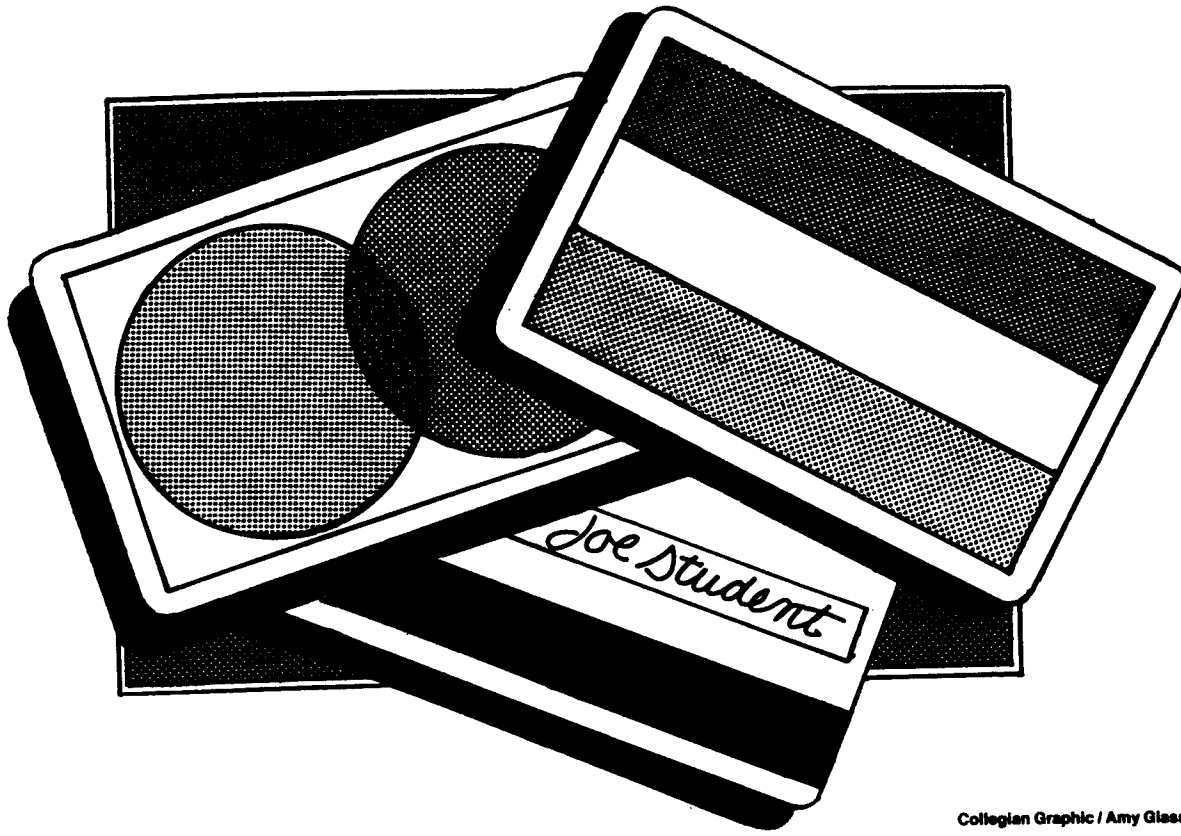
"A lot of perks are overrated," he said.

The standard interest rate for major credit cards such as MasterCard, Visa, and Discover is 18.5 percent and the standard yearly fee is \$20.

"I pay 19.8 percent interest," said Alex Tirion (junior-economics) while studying last week outside Willard Building. "I looked at some different credit cards, but went with a reputable bank."

Credit card interest rate disclosure has been an issue for quite some time, Detweiler said.

Credit card rates became a political topic in the early 1980s when short-term interest rates soared above



Collegian Graphic / Amy Glass

20 percent. Consumer groups sought disclosure rules and federal rate caps on the rates, but made little headway until they dropped their demand for caps.

"The (new) regulation is a watered-down form of a bill that would have established a cap on interest rates," Detweiler said.

The strength of the banking lobby in Congress overpowered the consumer lobby and managed to weaken the bill to include only a full disclosure clause,

Consumer groups said students should be aware of the potential pitfalls of owning a credit card. And Detweiler warned students to pay minimum monthly payments on time so they will establish a good credit rating.

If the parents of a student co-sign for the credit card and the student is delinquent on payments, the parent's credit rating is affected adversely, she said. Some of the biggest problems students have is they charge purchases more

than necessary, McKinley said.

McKinley offered tips to potential customers:

- Be wary of mail or telephone credit card solicitations.

- Find a card that fits your personal needs.

- Know a good bargain when you find one. A good interest rate is 18.2 percent and a typical yearly fee is \$17.

Fire destroys kitchen at restaurant

About 40 Alpha Fire Company firefighters extinguished a blaze Friday afternoon that destroyed the kitchen ceiling of Fanny's Restaurant and Tavern near Toftrees Hotel, Resort and Conference Center. No one was injured.

There were several patrons in the restaurant, at 825 Cricklewood Drive, when the fire broke out at about 3:45 p.m., said Assistant Alpha Fire Chief Richard Harris. He had no damage estimate.

"It appeared as though the extinguisher nozzle over the broiler didn't work," Harris said. "The fire was pretty much confined to the ceiling of the kitchen."

Paul Hamilton, a cook at the restaurant, said an employee was unable to extinguish the blaze on the broiler with a fire extinguisher and then decided to call the fire department.

Hamilton said the restaurant's broiler has caught fire several times in the past.

— by Dave Howland

Correction

The Friday edition of *The Daily Collegian* incorrectly identified Nicole Batts (senior-secondary education) as the former president of the Penn State chapter of the National Association for the Advancement of Colored People. She has never held that position.

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