

## Senator Herb Kohl introduces bill to help students remain out of debt

By Nihit Aurora



Predatory lending is the use of unethical lending tactics to keep gullible borrowers in debt as long as possible. Predatory lenders usually target vulnerable groups like students, the elderly, minorities, and people with poor credit records.

This is a widespread practice among mortgage lenders and credit card companies. They flourish by lending to consumers who need more than they can afford. They have a knack for making borrowers believe that the credit they are offering is necessary and affordable.

Recently, U.S. Senator Herb Kohl (D-WI) introduced a bill called the Student Credit Card Protection Act, which is a measure to help students remain out of debt by making student credit card companies adhere to strict and financially accountable lending practices.

Co-sponsored by Senators Gordon Smith (R-OR), Richard Durbin (D-IL), and Claire McCaskill (D-MO), many advocacy groups like the Center for Responsible Lending, National Association of Consumer Advocates, Consumer Federation of America, Consumer Action, Consumers Union, and National Consumer Law Center endorse this bill. The Student Credit Card Protection Act proposes to introduce measures such as:

- verification of the gross annual incomes of students under the age of 21
- co-signatures of parents, legal guardians, or spouses in the cases of students who have no verifiable incomes
- required approval from cosigners for increases in credit
- limitation of credit amounts based on students' annual incomes
- prohibition of issuance of multiple credit cards to students

Credit card companies identify and encourage college students to apply for high-interest charge cards despite their lack of means to make payments or negligible/non-existent credit histories. They often launch glitzy campaigns like sponsoring campus events, setting up tables to solicit students on university grounds, or sending attractive promotional letters to students' on-campus addresses. Very often, the tactics they employ hide the fact that they charge extremely high interest rates. Students find themselves besieged with debt when they realize they cannot pay.

Senator Kohl said that although students ought to remain eligible for debt, this measure makes it certain that they do not receive credit on conditions that they cannot fulfill. Currently, as many students leave universities with high education loans, paying off credit card debt should not add to their existing financial problems.

### **On the Net**

Predatory Lending

[www.hud.gov/offices/hsg/sfh/pred/predlend.cfm](http://www.hud.gov/offices/hsg/sfh/pred/predlend.cfm)

Loan Sharks and Predatory Lending

[www.loansharks.com](http://www.loansharks.com)

Press Release

[kohl.senate.gov/~kohl/press/07/06/2007801A27.html](http://kohl.senate.gov/~kohl/press/07/06/2007801A27.html)