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Average college credit card debt rises with fees, tuition

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As college costs soar, students are charging more educational expenses to plastic, helping boost credit card debt to record levels.

A new study to be released Monday by Sallie Mae, a college-financing company, finds that the average undergraduate carried \$3,173 in credit card debt last year, the highest level since Sallie Mae began collecting this data in 1998. In 2004, the last time the study was done, students carried an average of \$2,169 in card debt.

The higher the grade level, the greater the card debt, according to Sallie Mae. In 2008, college seniors with at least one credit card graduated with an average of \$4,138 in card debt, up 44% from 2004. By comparison, freshmen's average credit card debt jumped 27% to \$2,038.

The study — which had a margin of error of plus or minus 4 percentage points — relied on March 2008 credit bureau data, the latest available to Sallie Mae. Because the economy has deteriorated since then, "It's likely that 2009 (card debt) could look a little bit worse," says Marie O'Malley, Sallie Mae's director

of consumer research.

The findings come as college costs are surging. In the past 10 years, tuition and fees at public four-year colleges have climbed 50%, to an average of \$6,585 a year, according to the College Board.

Lenders are also pulling back on private loans, making it harder for some students to pay for college. Student loans backed by the federal government, however, are still readily available.

Credit cards are the "lender of last resort," says Kalman Chany, president of Campus Consultants, a college funding adviser. "If (students) can't get private loans, they turn to credit cards."

Sallie Mae's research suggests that more students are paying for educational expenses such as books and school supplies with credit cards. And they're doing so more often: In 2008, students charged an average of \$2,200 in educational expenses to cards, up 134% from four years earlier.

These findings are unscientific because they're based on a poll — separate from Sallie Mae's analysis of credit bureau data — of 292 private-loan applicants. Nevertheless, the results mirror those of other industry surveys.

"The message is clear," says Edmund Mierzwinski, consumer program director for the U.S. Public Interest Research Group. "Students are carrying more debt on credit cards, and more students are paying for education on credit cards."

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