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Students target of many financial pitfalls

By Paula Lavigne
Staff Reporter

Upon entering college, students end up juggling grades, classes and activities before they realize they have to perform one more balancing act — their budget.

Managing money means more responsibility. It can leave the college student in a more vulnerable position as prey for scams and risky ventures and if left unchecked, the end result is a financial fiasco.

Students' financial pitfalls can lie in telemarketing scams, credit card solicitations, or bogus money-making or employment opportunities.

Scott Mecham, president of the Cornhusker Better Business Bureau, said telemarketing fraud and sweepstakes offers can be financial traps for college students.

"The truly professional scam artist is so good that anyone is a potential victim, certainly anyone a little less wise to the world," he said.

Mecham said protection was the key element to warding off scams. Students should be wary of giving out financial information over the phone, he said, including credit card, bank account and social security numbers, for any other reason than to make a purchase.

Fraudulent companies can use that information to make charges against the student's bank account or credit card.

Dan Parsons, senior consumer specialist with the Nebraska Consumer Protection Division of the Office of Attorney General, said students are more susceptible to fraud because they're caught up with graduating and

getting out on their own.

He said a lot of telemarketing scams try to sway the student with offers of fabulous prizes or vacations.

"They say 'You've won a car or a trip to a fabulous destination and all you have to do is give us your credit card number for verification and for \$19.95 you could become a finalist in this prize promotion,'" Parsons said.

“Just because you're automatically approved for credit doesn't mean you should jump at the first one that wants to give you an account.”

—Dan Parsons

Office of the Attorney General

Parsons said a lot of students coming to the city for the first time may not be aware of the tactics of thieves.

"We are Midwesterners. We trust people. When we're told we're going to win a fabulous prize, we expect it will happen," Parsons said. "We have to expect consumer fraud is out there, and we have to educate ourselves and prevent it."

Although not a financial scam, credit cards can also put students in jeopardy, Parsons said.

"There's nothing against the law to get you to sign up for a credit card. As good consumers, students need to be aware it is a very competitive business," he said.

Students should ask a lot of ques-

tions about interest charges and yearly fees, he said.

"Just because you're automatically approved for credit doesn't mean you should jump at the first one that wants to give you an account," Parsons said.

He said students should shop around and shop at home instead of getting a credit card from an out-of-state corporation even though they may not get a huge line of credit.

Linda Engelkes, communications manager for Norwest Card Services in Des Moines, Iowa, said in order to combat students going into debt, they offer them a lower credit line.

"We don't want students to get in trouble. We want them to use it for what it's intended for," Engelkes said. "We don't want to allow them the opportunity to let it get out of hand."

Recently, incidents involving college students who ran up a \$17,000 or more debt on their credit cards spawned reaction in Congress. Rep. Joseph Kennedy of Massachusetts addressed the issue and said something must be done to regulate credit card issuers.

He suggested legislation that would require credit card applicants under the age of 21 to have their requests signed by a parent.

Charlotte Rush, vice president of public affairs at MasterCard International, said these cases of extreme debt are anomalies and the answer lies in education.

"(Students) have shown to be very good credit risks. As a universe of consumers they are good customers," Rush said. "They tend to pay their bills in full at the end of the month at a greater rate than the adult population."

Because of their reliability, students are a general target of credit card issuers, Rush said. Credit card companies like to build loyal customers, she said, and the sooner they can get to the them, the better.

Rush said since most students start out with a fairly low credit limit they can't get into a huge amount of debt.

"You need to learn how to use a credit card, which is an important tool as you enter adult life. If you use a credit card appropriately, it has many advantages," Rush said.

MasterCard offers several educational programs at both the high school and college level geared to help students manage their money along with learning the responsibility of credit, she said.

"They need to appreciate credit and not treat it as free money," Rush said.

"With credit, the thing to remember is at the end of the day it's still money and you still have to pay for it. It's not magically postponed indefinitely."

Part of their program, "College Fundamentals", an eight-page insert in U. Magazine, is aimed at teaching college students how to be responsible for their money once they leave home. Rush said MasterCard is also designing a program to be implemented into freshman orientation programs across the nation.

"Credit's a fact of life. It's a useful thing for a college student to have some exposure to," she said.

Parsons said, in general, "I think all of us as consumers need to be cautious and try to spend our money wisely. We need to be prudent. As Mom and Dad would say, as we're coming down to school just be cautious how we spend our money."



James Mehling/DN