

As the COVID-19 pandemic continues to affect your life and finances, CardRatings will remain committed to providing timely information related to credit cards and personal finance topics via our [coronavirus financial services resource page](#). Email editor@cardratings.com with specific questions.

Should you pay college tuition with a credit card?

By Jennifer Doss, CardRatings Editor

Updated, August 3, 2020

Our credit card articles, reviews and ratings maintain strict [editorial integrity](#); however we may be compensated when you click on or are approved for offers (terms apply) from our partners. How we [make money](#).



Whether classes resume on or off campus this fall, one thing will remain the same: paying tuition.

Credit cards are becoming more widely accepted as a form of payment for college expenses, but is it actually a good idea to pay tuition with one?

If you're a college student, there's a good chance you may not even qualify for a high enough credit limit to handle tuition costs, as student credit cards typically start with lower limits. However, if you're an authorized user on a parent's account or you are a parent handling these costs, using a credit card to pay tuition could be a good rewards strategy if done wisely. But

do the pros outweigh the cons? We weigh the benefits with the potential risks.

Convenience fees

If your university offers the option to pay for tuition with a credit card, there's a good chance they will tack a convenience fee on to your tuition cost. These fees tend to average around 2%-3%. Knowing if and how much you'll be charged in fees will help determine whether or not paying tuition with a credit card will outweigh the costs in every benefit scenario presented below. If you're considering paying college tuition with a credit card, knowing this number is a crucial first step in making a wise decision.

Credit card rewards

If you have a credit card that earns rewards you might be thinking, "Wouldn't it make sense to put a large purchase on my card so I can earn extra points?" Possibly, but not necessarily. Again, it all comes back to convenience fees.

If your card only earns 1% on "other" purchases (which is likely the category tuition would fall under) and your college charges a 2% fee on credit card payments, the fee would outweigh any rewards you might earn.

Some fees may be lower than 2% though, or you might have a card that earns a bit extra on "other" purchases. Branded hotel credit cards in particular usually offer a bit more on other expenses. Some [Hilton credit cards](#), for example, offer three points per dollar on qualifying purchases outside of bonus categories. If you're loyal to the Hilton brand, using one of these cards to pay tuition could benefit you; if you pay your bill in full on time that is.

Other more general credit cards, such as the [Capital One® Venture® Rewards Credit Card](#) (*This card is not currently available on CardRatings*), offer a higher flat-rate reward on all purchases. This card offers two miles per dollar spent, so it may be a good option for paying tuition if the convenience fee is less than 2%.

Credit card welcome bonuses

Paying tuition with a credit card, or even just making a partial payment, may make better sense if you are trying to earn a credit card welcome bonus.

Some credit cards offer great welcome bonuses, but reaching the spend threshold required to earn the bonus can sometimes be difficult. Take the [Chase Sapphire Reserve®](#), for example. It has a great bonus offer of 50,000 points, but to earn it cardholders must spend at least \$4,000 within three months of opening an account. Because points are worth 50% more when redeemed for travel through the Chase Ultimate Rewards® portal, this bonus alone could be worth as much as \$750. Therefore, it makes good sense to do what you can (within reason) to qualify for this reward. Making a tuition payment within that three-month time frame could help you to earn the bonus with ease. Even taking credit card convenience fees into account, this move might still pay off.

Say you pay \$15,000 towards tuition with this card. You'd earn the welcome bonus (50,000 points), as well as an additional 15,000 points (Chase Sapphire Reserve® rewards one point per dollar on purchases outside of bonus categories). This puts you at 65,000 points, a bonus worth as much as \$975. Even if you have to pay a 2% fee (\$300 in this case), you'll still come out ahead, pocketing a bonus worth \$675 towards travel. This isn't quite as much as the original bonus offer, but it's not far off, and you'd still be starting card membership ahead of the game.

Clearly, this can be a winning approach, but remember, it only makes sense if you're able to pay your credit card balance in full. If you use this strategy to earn a bonus but can't pay your balance in full by the time it is due, interest charges will wipe out any rewards you may earn.

It's also worth noting that not all welcome bonuses are quite so generous, or so hard to qualify for. Many only require a \$1,000-\$3,000 spend in three months, and some require much less. If a spend threshold appears unreachable, that particular card might not be the best fit for you. If you consider this strategy, make sure you'll come out ahead both by taking convenience fees into account, and also by assuring the card you're applying for is a good fit for your spending habits and lifestyle.

Student loan interest rates vs. credit card interest rates

According to the [U.S. Department of Education](#), the average cost of federal loans disbursed on or after July 1, 2020 and before July 1, 2021 average between 2.75%-5.30%. Not even the best credit card interest rates come close to this. Depending on the credit card, interest rates can range anywhere from upper single digits well into the high 20s. These numbers make it immediately clear that a credit card should never be used as a substitute for a student loan if you anticipate carrying a balance. Even if you have to pay in installments, fees for doing this are likely to be much less than credit card convenience fees, and no bonus offer or amount of rewards will outweigh credit card interest charges if you can't pay your credit card bill in full by the time it's due.

With that said, there is one option that could make sense if you want to use a credit card to pay tuition but need a little extra time to pay off a balance, and that's to use a credit card offering a 0% intro APR period.

0% APR credit cards

[Credits cards offering a 0% intro APR period](#) on new purchases can act, for a time, like an interest-free loan. These offers only make sense, however, if you pay off your balance in full before the promotional period expires.

Take the [Chase Freedom Unlimited®](#) for example. It offers new cardholders an introductory period of 15 months 0% APR on new purchases (then 14.99 - 23.74% Variable). It also offers 1.5% cash back on all purchases, plus \$200 cash back once spending \$500 within the first three months of card membership. So using the same \$15,000 payment/2% fee scenario from above, if you use this card within your first three months of membership to make a tuition payment, you stand to earn \$200 from the welcome bonus and \$225 in rewards, totaling \$425 cash back. Subtracting the \$300 fee, you'd only end up pocketing \$125, BUT, you also have 15 months to pay off the balance interest free. This only makes sense, however, if you know you can pay the balance before the promotional period expires. Otherwise, you're looking at paying 14.99 - 23.74% Variable on your remaining balance, which is a far worse rate than that of a federal student loan.

Student credit cards

If you're a student footing your tuition costs there's a good chance you're relying on student loans, and you're not alone. Recent [Federal Reserve data](#) indicates that there is over \$1.6 trillion in total U.S. student loan debt.

Whereas a [rewards credit card](#) could prove beneficial for parents handling tuition costs, students looking for a credit card for other related, smaller expenses such as library fines, parking tickets, groceries or gas purchases, would likely fare better with a [credit card designed specifically for students](#). These credit cards are often easier for students to qualify for, and are a good way to build credit.

"Having a credit card and using it responsibly can help a student build their credit profile," said Kevin Walker, CEO of CollegeFinance.com. "This may help them better qualify for other kinds of credit, including private student loans. On the other hand, amassing too much credit card debt and missing payments can make it very difficult to qualify for other credit products, including private student loans."

Parents might also consider making their children authorized users on their account as certain credit cards could be helpful for students to have on hand. The [Blue Cash Preferred® Card from American Express](#), for example, earns 6% cash back on up to \$6,000 spent annually at U.S. supermarkets as well as on select U.S. streaming subscriptions, and 3% back on transit purchases and at U.S. gas stations ([See Rates and Fees](#)). Its no-annual-fee sister, the [Blue Cash Everyday® Card from American Express](#) (This card is not currently available on CardRatings), earns 3% cash back at U.S. supermarkets (on up to \$6,000 per year) and 2% at U.S. gas stations, is another good option ([See Rates and Fees](#)). When used responsibly, these cards can help students build credit, while also rewarding mom and dad.





Bottom line

While there is potential for financial gain, these scenarios are usually quite specific. Using a credit card to help with tuition can sometimes be a convenient option, but because of processing fees, most times the benefits won't outweigh the costs. If you can't pay a bill in full, a student loan or an installment plan is likely the best choice. And if you can pay all at once, using a no or low-fee option such as payment by check or an electronic fund transfer is still probably the best way to go.

If you think you can benefit from paying with a credit card, just remember to do the math, taking any fees into account, and don't forget to pay your balance before your bill is due or interest charges will outweigh any rewards you may earn.

To see the rates and fees for the American Express cards mentioned in this post, please visit the following links: [Blue Cash Everyday® Card from American Express](#) ([See Rates and Fees](#)); [Blue Cash Preferred® Card from American Express](#) ([See Rates and Fees](#))

Featured Partner Cards

| | | | |
|--|--|---|---|
| <p>Popular cash back offer (see all)</p> <p>Chase Freedom Unlimited®</p>  <p>★★★★★ About Our Ratings</p> <p>APPLY NOW</p> | <p>Popular balance transfer offer (see all)</p> <p>Citi® Diamond Preferred® Card</p>  <p>★★★★★ About Our Ratings</p> <p>APPLY NOW</p> | <p>Popular travel rewards offer (see all)</p> <p>Chase Sapphire Reserve®</p>  <p>★★★★★ About Our Ratings</p> <p>APPLY NOW</p> | <p>Popular 0% intro apr offer (see all)</p> <p>PenFed Gold Visa® Card</p>  <p>★★★★★ About Our Ratings</p> <p>APPLY NOW</p> |
|--|--|---|---|

[More categories offer](#) ([see all](#))

Related Articles

Lost income? Banks are more likely to reduce your credit card limit, survey reveals

Freedom Unlimited® offers increased signup bonus, higher rewards category

Lost income impacts how people redeem credit card rewards, survey shows

Disclaimer: The information in this article is believed to be accurate as of the date it was written. Please keep in mind that credit card offers change frequently. Therefore, we cannot guarantee the accuracy of the information in this article. Reasonable efforts are made to maintain accurate information. See the online credit card application for full terms and conditions on offers and rewards. Please verify all terms and conditions of any credit card prior to applying.

This content is not provided by any company mentioned in this article. Any opinions, analyses, reviews or recommendations expressed here are those of the author's alone, and have not been reviewed, approved or otherwise endorsed by any such company. CardRatings.com does not review every company or every offer available on the market.