



OKLAHOMA COLLEGE STUDENT CREDIT CARD STUDY

**Conducted by the
Center for the Student Affairs Research (CSAR) for
the Oklahoma State Regents for Higher Education,
and the Council on Student Affairs**

OCTOBER 2003

OKLAHOMA COLLEGE STUDENT CREDIT CARD STUDY

Written by

David L. Tan, Ph.D.

Director

Center for Student Affairs Research

Collings Hall, Room 227

820 Van Vleet Oval

University of Oklahoma

Norman, OK 73019

October 2003

This project was made possible by a grant from the Oklahoma State Regents for Higher Education and cooperation from the Council on Student Affairs (COSA).

OKLAHOMA COLLEGE STUDENT CREDIT CARD STUDY

Conducted by the Center for Student Affairs Research for the
Oklahoma State Regents for Higher Education and the Council on Student Affairs

Background

A Concurrent Resolution passed in May 1999, by the 47th Oklahoma State Legislature, called for Oklahoma's public colleges and universities to include consumer credit education programs as a part of new student orientation. The resolution indicates that, given the extent to which credit cards are now easily available to students, more college students appear to have significant financial debt. The resolution also notes that full-time college students control in excess of \$19 billion in annual discretionary spending and as many as 150,000 young people under the age of 25 will file for personal bankruptcy.

The resolution was presented to the Chancellor for the Oklahoma State System of Higher Education and subsequently shared with the Council on Student Affairs. The Council was asked to: (1) ascertain the seriousness of college student credit card consumer credit card indebtedness, (2) examine the extent to which State System institutions have in place consumer credit card education programs, and (3) recommend strategies for State System institutions to inform students about the consequences of too much credit card debt.

At their joint February 24, 2002 meeting, the Student Advisory Board and the Faculty Advisory Committee passed a joint resolution calling on the Council on Student Affairs (1) to study the practices and efforts of credit card solicitation on college campuses in Oklahoma, and (2) to recommend for State Regents' endorsement a system-wide higher education practice relating to student credit card solicitation that best contributes to students' personal development.

The State Regents, at their June 27, 2002 meeting approved a Quality Initiative Grant in the amount of \$3,000 to the Center for Student Affairs Research at the University of Oklahoma for the purpose of conducting a statewide student credit card study. Additionally, colleges and universities supported the study by becoming a member of the Center for Student Affairs (CSAR) consortium.

Given (1) the diversity of students attending State System institutions, (2) the recognition that college students are the only consumer that can apply for and obtain a credit card without a job or income, and (3) some college students do not take seriously—until it is too late—the enormous financial burden over-reliance on credit cards can cause, the Council on Student Affairs agreed to ask the Center for Student Affairs Research (CSAR) to assist with the examination of the severity of Oklahoma college students' use or misuse of credit cards and recommend additional ways State System institutions might better educate students about the consequences of credit card debt.

Executive Summary

Responding to the request by the Council on Student Affairs, the Center for Student Affairs Research (CSAR) at the University of Oklahoma conducted the statewide study of credit card use among college students from November 2002 to March 2003. This study represents the nation's first statewide multi-institutional study of the topic.

Consistent with the charge to CSAR, three objectives guided the study. The first objective was to gather benchmark information about credit card use among college students in Oklahoma. The second objective was to examine the students' attitudes toward credit card use, their debt handling habits, their understanding of the implications of credit card debt, their sources of learning about financial responsibilities and debt management, and the effects of credit card use on important aspects of their collegiate experiences. The third objective was to identify correlates of credit card debt handling in order to assist interested parties with intervention strategies.

The following are highlights of the study:

- Each college student in this study owned an average of two major credit cards (MasterCard, Visa, American Express, and Discover) and had an average debt of \$2,607. The comparison national figures were 4.3 cards reported by *Nellie Mae* (2003) and 3.0 cards reported by *College Credit Counseling.com* (2002).
- About half (49%) of the students in this study owned at least one major credit card before they began college. By the end of their sophomore year in college, 92% had owned at least one credit card. The comparison national figures were that 25% of college students received their cards before college and 90% owned at least one credit card by the end of their sophomore year (*TERI*, 1998).
- Two of the most significant factors influencing the students' decisions to get their first and subsequent credit cards were pre-approved solicitations from credit card issuers (an average score of 1.92 on a 3-point scale) and general mail solicitations from banks and other financial institutions (score of 1.65). Incentives for signing up (such as offers of gifts or discounts on airline tickets) (score of 1.46) and solicitations from off-campus marketers (score of 1.40) and on-campus marketers (score of 1.36) were also significant factors.
- In terms of requirements necessary to get credit cards, most students noted a rather lax policy from credit card issuers. According to the students, most issuers did not ask for information about their academic major (reported by 62% of the students), their status as students (reported by 60% of the students), and their date of graduation (reported by 54% of the students). Many issuers also did not ask them about their expected salary upon graduation (reported by 46% of the students) and their independent income at the time of application (reported by 39% of the students). Most issuers, according to the students, did not appear to be concerned about their ability to repay their debt (reported by 44% of the students).

- Exploring the data further, there were statistically significant differences in credit card debt by age, marital status, student classification, and personal income. Older and married students, upperclassmen, and those with higher personal income had a higher debt. However, no differences by gender, race or ethnic background, parents' income, and grade-point-average were found.
- In terms of credit card debt handling, most students (76%) were handling their debt repayment well (meaning they either paid in full or more than the minimum). However, there were 24% of the students who were not doing as well—i.e. they either paid just the required minimum or were behind on their payments each month. The comparison national figures in terms of students having problems repaying their debts were 25% (*Public Interest Research Group*, 1999) and 8% (*TERI*, 1998). The figure for the general public was 47% (*Cambridge Consumer Credit Index* (2002)).
- There was significant evidence that students who had debt repayment problems were more likely to be older, married, and female. They also were more likely to have a lower grade-point-average and a lower personal income. In addition, they had more credit cards and a higher debt level.
- In general, students reported a high level of understanding of credit card use and its implications. However, there were disparities in knowledge level between those students with debt handling problem and those without. Generally, students with debt handling problem had a substantially lower knowledge about credit card use than those students who were handling their debt well. Measured by the proportion of students who reported "moderate" or "extensive" knowledge, two of the most significant disparities were in their knowledge of the pros and cons of credit card debts compared to other forms of debt and knowledge about the ways of managing credit card debt.
- An important concern about credit card debt was whether it impacted the collegiate experiences of students. There was evidence of this occurrence in this study. Among the collegiate experiences most affected were their concentration on academic work (31% reported it), participation in extracurricular activities (31% reported it), decision to reduce course load and get a job in order to pay off debt (31% reported it), decision to remain in class (28% reported it), and sense of priority about academic work (26% reported it).
- These effects were more pronounced for students with difficulty repaying their credit card debt: 57% of them reported that their concentration on academic work was affected; 55% decided to reduce course load and get a job to pay debt; 51% reported their participation in extracurricular activities was affected; 49% reported that it affected their decision to remain in school; 46% said that it affected their sense of priority about academic work; 39% said it affected their socialization on campus; and 37% said that they changed academic majors in anticipation of a higher salary after graduation in order to pay their debt.

- Most students (69% to 77%) did not report satisfaction with existing programs that were aimed at helping them to understand financial responsibilities, debt management, and credit card use. The least useful were campus workshops and new student seminars.
- Most students (87%) in this study held themselves responsible for their own credit card debt. Most did not attribute their debt to credit card companies, in spite of their lax credit requirements. They also did not attribute their debt to their institutions for having to raise tuition nor to the federal government for the inadequate student financial aid.
- Students agreed that institutions could do more to educate them about credit card use and to curtail the number of aggressive credit card marketers on campus. They also would like to see more stringent requirements imposed on credit card applicants by credit card companies.

Recommendations

Taking into consideration the findings of this study, CSAR and COSA are offering the following recommendations:

Colleges and Universities

- Given that a majority of college students own at least one major credit card by the end of their sophomore year, colleges and universities must continue to be vigilant and innovative in educating their students about the meaning of credit card use and its implications.
- Considering that younger college students (22 years old or less) and underclassmen have a relatively lower credit card debt level but are likely to accumulate more debts later, there exist opportunities for colleges and universities to work with these students in alleviating or eliminating their existing and future problems with credit card debt.
- Given the findings that age, marital status, gender, grade-point-average, personal income, number of credit cards owned, and debt level are related to debt repayment problems, colleges and universities can develop a student profile consisting of these characteristics and design creative educational and intervention strategies targeted at helping these students overcome their problems.
- Given the evidence that credit card debt has impacted important collegiate experiences of students, colleges and universities should find creative ways to assist students with their debt problems so that they can be more successful as college students.
- Should credit card companies and marketers be allowed to solicit student business on college campuses, colleges and universities should require these companies to fund educational programs designed to educate students about proper credit card use, personal financial responsibility, and the consequence of too much credit card debt.

Credit Card Companies and Financial Institutions

- Since the State and higher education institutions can do little to regulate the credit card industry, credit card companies are urged to be more prudent in targeting college students as new customers.
- Considering that college students are receptive to most marketing strategies, credit card companies need to be vigilant in informing their customers (college students) about credit card use and the consequences of too much credit card debt in multiple and varied ways in order to increase the likelihood that they will become more responsible credit consumers.
- Credit card issuers should recognize that a quarter of college students get into financial trouble with their credit card debt and therefore any prudent measures aimed at lessening this problem would be useful. Such measures could include tightening credit card requirements on potential applicants, educating potential and existing customers about the proper use of credit cards, and showing restraint by not issuing more credit cards or increasing credit limits upon request.

College Students and Parents

- Given that many students have a major credit card before they begin college, parents can play an important role at educating their children about credit card use and financial responsibility even before they leave home.
- With the rising cost in higher education, some college students and their parents may need to be more realistic about the full cost of attending higher education and how to pay for it. The use of credit cards should not be regarded as a permanent answer.
- College students should understand that credit card use has advantages and disadvantages and when the latter outweighs the former, there will be significant consequences affecting their collegiate experiences and possibly their future.
- College students should understand that credit cards are not sources of “free money” nor is credit the equivalence of money in a checking account. Therefore, creative ways of financing their education, other than the use of credit cards, should be explored and implemented.
- College students should know that credit card marketing strategies are aggressive and effective, but they must learn to resist the temptation by understanding the advantages and disadvantages of credit card use and taking a broader or long-term perspective on life and educational priorities.

OKLAHOMA COLLEGE STUDENT CREDIT CARD STUDY

Conducted by the Center for Student Affairs Research (CSAR) for the
Oklahoma State Regents for Higher Education and the Council on Student Affairs

Introduction

In 2003, the average cost of attending a private college or university is about \$26,000 and \$9,805 for a public one (*Princeton Review*, 2003). With persistent increases in tuition prices at most higher education institutions—usually higher than the rate of inflation and higher than the increase in US household income—coupled with steady or dwindling state governmental subsidies and increased federal government’s reliance on student loans, which have to be repaid, rather than grants, which are not repaid, the issue of college affordability is an important one. There has been frequent media attention on the use of credit cards to make ends meet among the general public. By extension, given the likelihood that student financial aid may be inadequate to meet all educational costs of attending higher education for many college students, are they turning to credit cards to finance part of their education? If so, are they are handling their credit card debt well? Do they understand the meaning of money and credit card use? What are the potential implications and ramifications of credit card misuse for institutions, credit card companies, college students, and parents? What can be done to alleviate the problem?

Significance

There is relatively little research conducted on the issue of credit card use among college students. A few studies that could be found were mostly descriptive and limited in scope pertaining to sample and coverage of issues related to credit card use. To be sure, most studies merely reported on the number of credit cards owned by college students, how and when they got them, and how much they owed on them. Most did not focus on larger issues of debt handling or the psychological and sociological impacts of credit card debt on the students’ collegiate experience.

This study represents the nation’s first statewide study of credit card issues. The sample is multi-institutional, involving a variety of institutions (public and private, two-year, four-year, and technical). Most significant is that this study examined the debt handling habits of college students; knowledge of the implications of credit card use; sources of learning about financial responsibilities and debt management; the effects of credit card debt on important aspects of their collegiate experience; potential institutional and outside assistance with student credit card use; and student attitudes toward various credit card issues.

Methodology

The Center for Student Affairs Research (CSAR) located at the University of Oklahoma worked closely with the Council on Student Affairs (a group consisting of vice presidents or deans of student affairs in the state) and the Oklahoma State Regents for Higher Education staff in developing an instrument (Appendix 1) for assessing significant issues related to credit card use among college students in Oklahoma.

After approval for the study was granted by institutional review boards, the credit card survey was administered statewide between November 2002 and

March 2003 using two data gathering methods. The first was web-based—students visited an announced website and completed their responses on-line. The second was paper-based and administered by the participating institutions. In both approaches, the students were informed of their voluntary participation and the confidential nature of their responses. Participating institutions were given information about advertising and marketing strategies (e-mail messages, newspaper announcements, classroom visits, group meetings), sampling considerations and techniques (census, simple random, stratified random, accidental, and purposive), and data entry mechanisms. The institutions then administered the survey in ways that best suited their circumstances. All attempts resulted in a total sample of 4,086. While this sample seemed small relative to the targeted statewide student population, it was judged to be representative of the targeted population (see “Demographics” section). In addition, the sample size was judged to be appropriate considering that many participating institutions in the study chose to select samples of students rather than canvas all students.

All completed responses were sent directly to the Center for Student Affairs Research for statistical analysis.

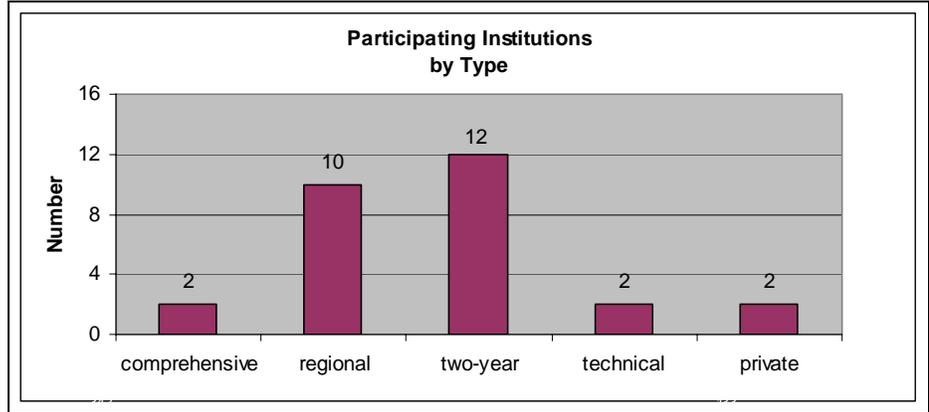
Limitations

In an effort to gain an acceptable response rate from the students, the survey instrument was limited to twenty questions judged to be the most significant to the study. Consequently, a few issues related to credit card use (such as how the students used their credit cards) were not included. Second, the use of the web as a medium of data gathering had shown promise but it remained uncertain whether this technique generated the best possible response rate for the study. Third, since the survey instrument was not designed to gather detailed contextual information regarding credit card use (due primarily to its quantitative *a priori* approach), readers are advised not to over-interpret the findings beyond correlation.

Participating Institutions

The State of Oklahoma has 37 public and private higher education institutions, 15 branch campuses, and 8 learning centers. A total of 28 institutions participated in the survey (Chart 1). The sample consisted of 2 comprehensive universities (Oklahoma State University and the University of Oklahoma), 10 regional universities (Cameron University, East Central University, Langston University, Northeastern State University, Northwestern Oklahoma State University, Rogers State University, Southeastern Oklahoma State University, Southwestern Oklahoma State University, University of Central Oklahoma, and the University of Science and Arts of Oklahoma), 12 two-year colleges (Carl Albert State College, Connors State College, Eastern Oklahoma State College, Murray State College, Northeastern Oklahoma A&M College, Northern Oklahoma College, Oklahoma City Community College, Redlands Community College, Rose State College, Seminole State College, Tulsa Community College, and Western Oklahoma State College), 2 technical institutions (Oklahoma State University at Oklahoma City and Oklahoma State University at Okmulgee), and 2 private institutions (Oklahoma City University and St. Gregory's University). From these institutions, a total of 4,086 college students participated in the study.

CHART 1:



Demographics

A total of 4,086 college students in Oklahoma participated in the study. These respondents were judged to be representative of all college students in the state. As evidence of this representation, characteristics of the respondents were compared to known information about college students in the state. In reference to the age of the students, the average age of the respondents in this study was 23.6 years (Chart 2), which compared favorably with 26.6 years reported by the State Regents for students enrolled in fall 2001. Pertaining to gender, about 40% and 60% of the respondents in this study were males and females respectively (Chart 2). The breakdowns in the state based on 2000-01 enrollment data were 44% males and 56% females. By ethnicity, 68% of the respondents in this study were whites (Chart 3) whereas the reported Fall 2001 statewide public higher education figure was 73%. Finally, by student classification (i.e. from freshman to senior), about 64.9% of the respondents in this sample were underclassmen (Chart 4) compared to a known statewide public higher education figure of 57% (*Oklahoma State Regents for Higher Education, 2003*).

CHART 2:

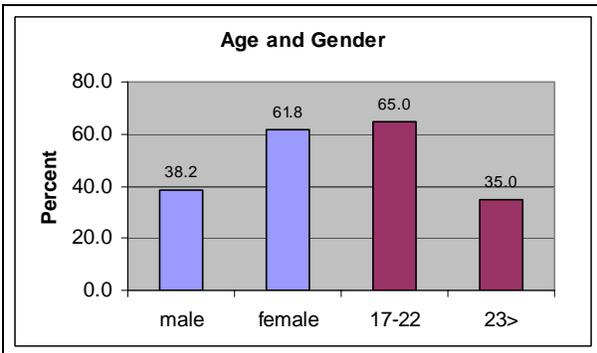


CHART 3:

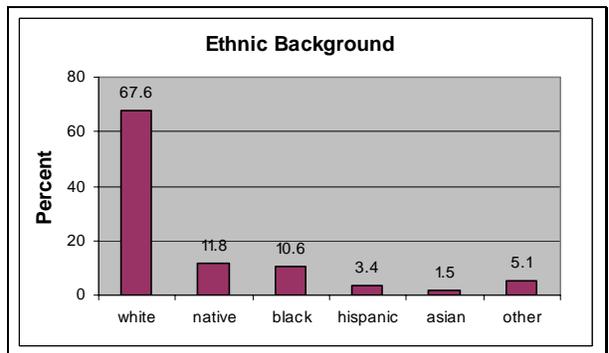


CHART 4:

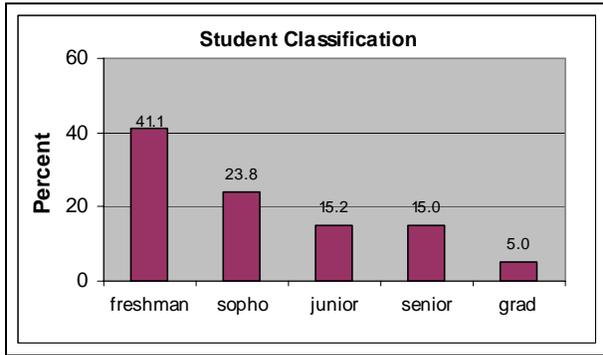


CHART 5:

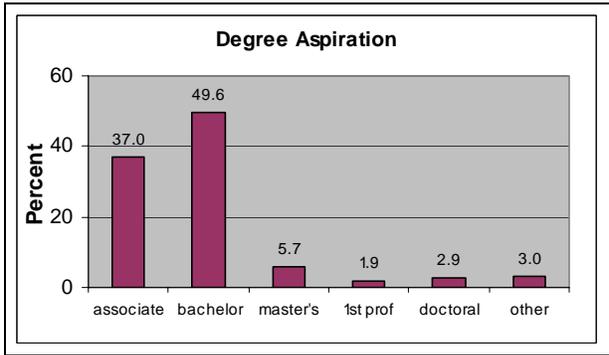


CHART 6:

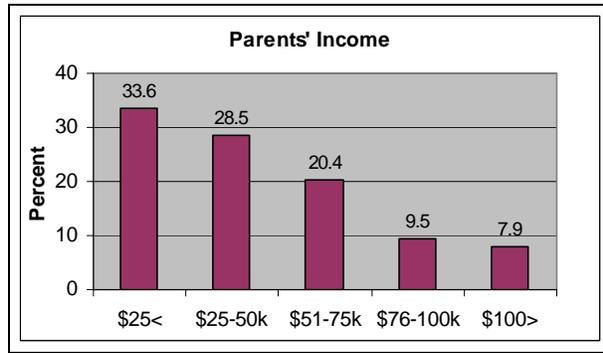


CHART 7:

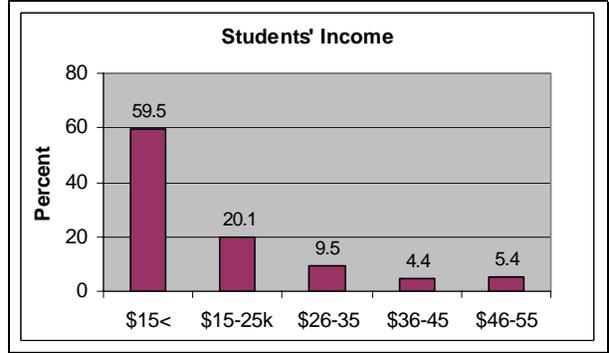
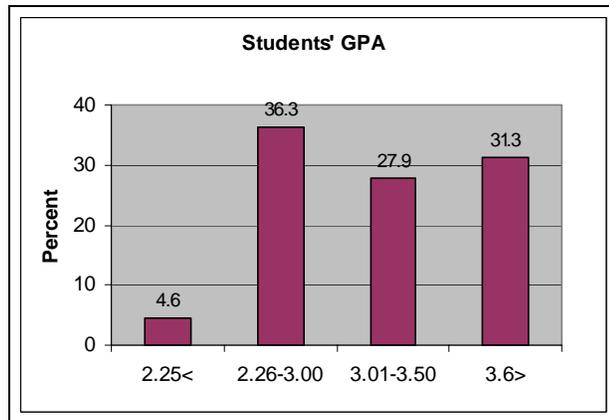


CHART 8:



Other characteristics of the respondents (without the purpose of addressing representation or external validity) included the following: 72.8% were unmarried; 37% were pursuing their associate degree and 50% their bachelor's degree (Chart 5); and the mean grade-point-average of the respondents was 3.26 (on a 4-point scale). If they were dependents, about 62% of their parents or guardians had a combined annual gross income of \$50,000 or less; and if

they were independents, about 60% of them earned an annual salary less than \$15,000 (Chart 6).

MAJOR FINDINGS

Number of Credit Cards and Amount Owed

Major Credit Cards and Interest Rates

A total of 23.2% of the students in this study did not own a single major credit card (Visa, MasterCard, American Express, and Discover). About 44% owned 1 to 3 major credit cards, and 33% owned 4 or more credit cards (Chart 9). These figures translated to an average of about 2 major credit cards per respondent. When asked for the interest rate that was charged on their cards, the students reported an average of 15.1% (n=1,511).

In terms of proportions of students with credit cards, this study found that about 77% of the students had at least one credit card—this compared to 83% reported by *Nellie Mae's* (2003) and 64% reported by the *Education Resources Institute* (TERI, 1998). In terms of the number of credit cards owned by students, *Nellie Mae* reported that the average number of credit cards owned by undergraduates was 4.25 credit cards in 2001—this was more than twice the figure found in this present study. Among freshmen, however, the average was 2.5. In another report, *College Credit Counseling.com* (2002) found an average of 3 credit cards among undergraduate students. The interest rate of 15.1% reported by the students in this study matched realistically with the latest average market rate reported by several financial organizations—14.9% (*CNN*, 2003) and 14.7% (*CardWeb.com*, 2003).

CHART 9a:

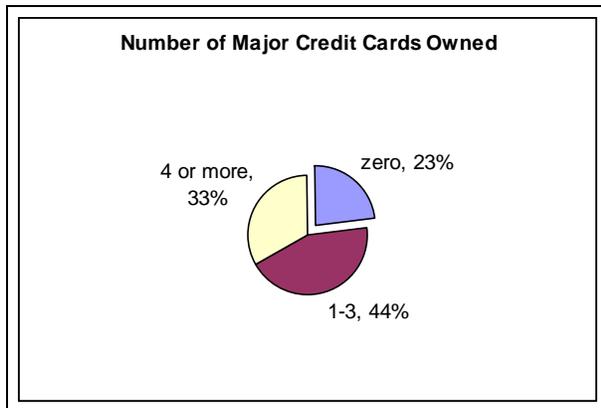
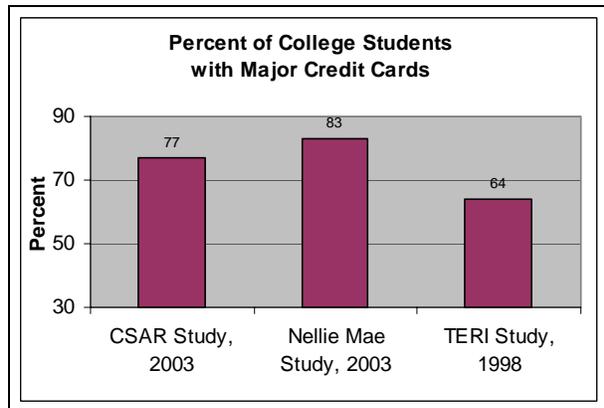


CHART 9b:



Number of Credit Cards and Amount Owed

In addition to the average of two major credit cards owned by the students, this study found that the students also possessed an average of 2.0 departmental/retail store credit cards, 1.39 oil company credit cards, and 1.24 revolving lines of credit with banks.

In terms of how much they owed on all their credit cards, the students reported that they owed the most on their revolving lines of credit (an average of \$4,250), followed by their major credit cards (an average of \$2,607), departmental/retail store cards (an average of \$778), and then their oil/gas company cards (an average of \$369) (Chart 10a).

CardWeb.com (2003) reported that the average US household had an average of 6.0 bank credit cards, 8.3 retail credit cards, 2.4 debit cards for a total of 16.7 cards—these numbers were considerably more than the data reported by the students in this study. However, the figure of \$2,607 for the students' major credit card debt compared quite well to the figure of \$2,327 reported by *Nellie Mae* (2003) and \$2,748 reported by *College Credit Counseling.com* (2002). Just as a footnote, the national average credit debt in 2002 for the general public (not just college students) was \$8,940 (*CNN*, 2003). *CardWeb.com* reported an average debt of \$3,000 among graduating college seniors and an average of \$8,000 for the general public (Chart 10b) and

CHART 10a:

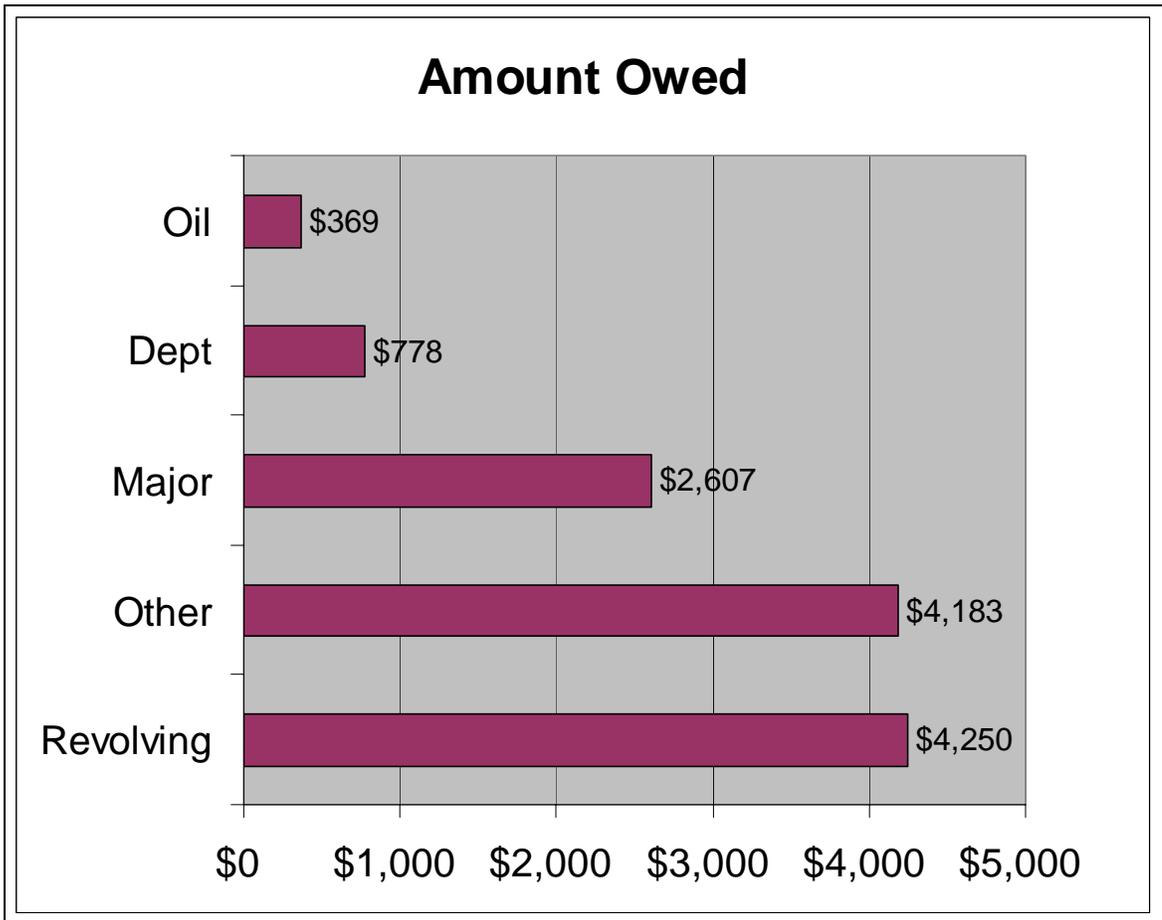
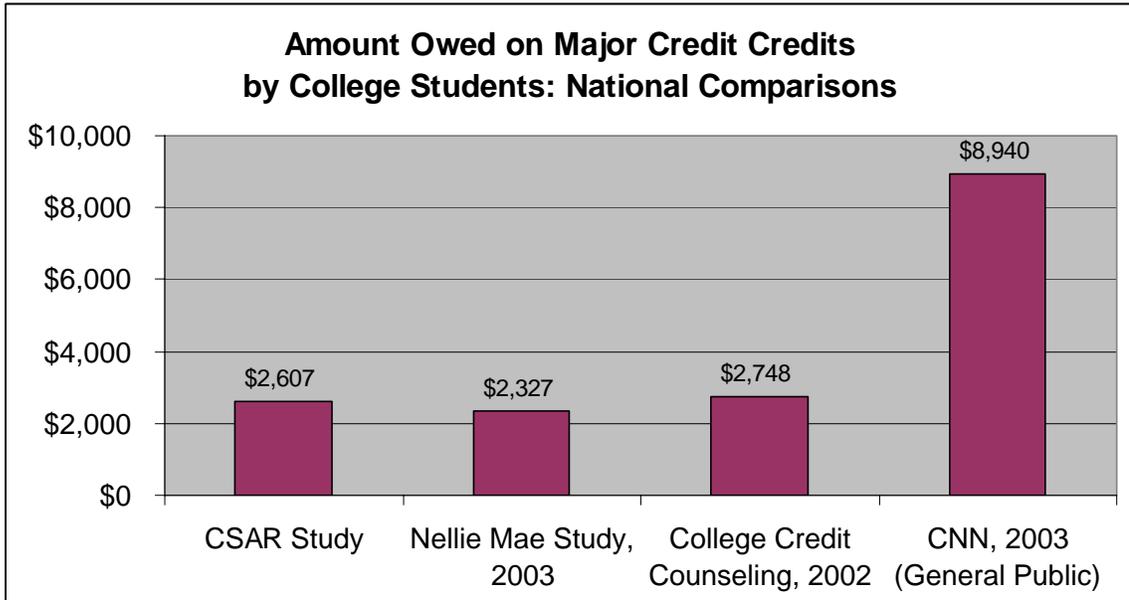


CHART 10b:

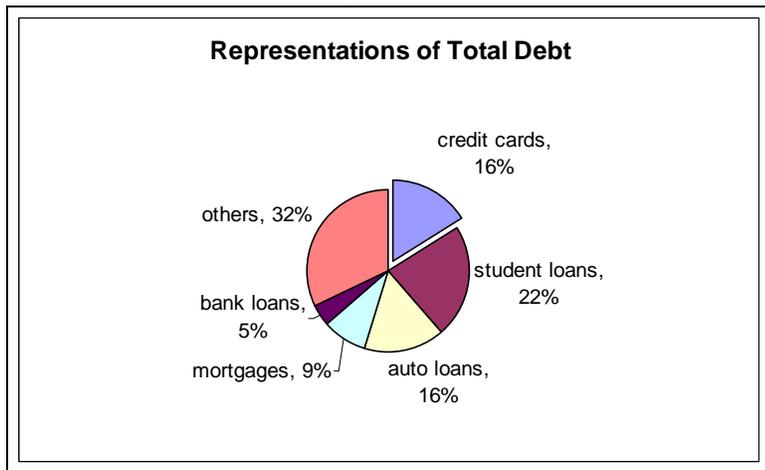


Debt

Students indicated that their credit card debt accounted for 16% of all their debt. The other debt included student loans (22%), automobile loans (16%), home mortgage loans (9%), and bank loans (5%) (Chart 11).

Nellie Mae (2003) reported the student credit card balance to be 16% of total debt owed. However, *Nellie Mae* predicted that with rising interest rates and larger credit card debt, the students' payments could represent 34% of the monthly payments upon graduation. *TERI* reported that credit card debt represented 32% of debt among college students (1998, p. 17).

CHART 11:

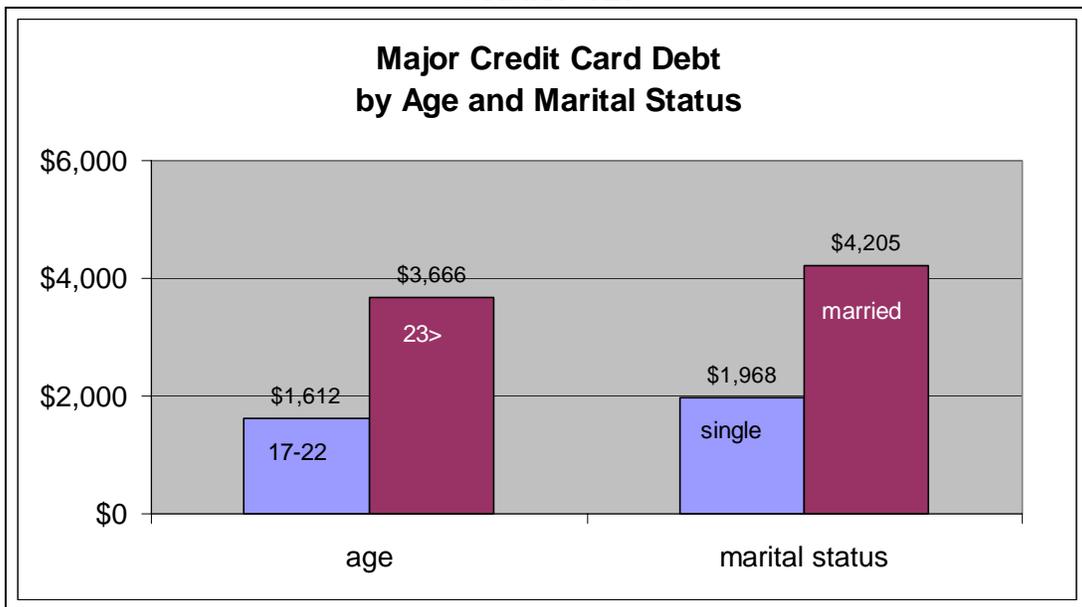


The debt attributed to major credit cards was further explored. Using analysis of variance, age, marital status, student classification, and personal income were found to be significantly related to credit card debt level. On the other hand, gender, race, parents' income, and grade-point-average were not significantly related.

Age. When age was considered, the amount of major credit card debt by traditional college-aged students (17 to 22 years old) was significantly different from that borne by non-traditional college-aged students (23 years or older). The figure for traditional college-aged students was \$1,612 compared to \$3,666 for older students ($f=90.3$, $df=1$, $p<.05$) (Chart 12). These figures were consistent with those reported by Nellie Mae (2003, p. 4): College students who were 17-18 years of age had an average credit card debt of about \$1,500 and whereas those who were 23 or 24 years old had an average debt of about \$3,500.

Marital Status. The average major credit card debt carried by students who were single (which included the "divorced/separated" and "widowed" categories) was \$1,968, which was significantly lower than the amount carried by the married students (\$4,205) ($f=87.132$, $df=1$, $p<.05$) (Chart 12).

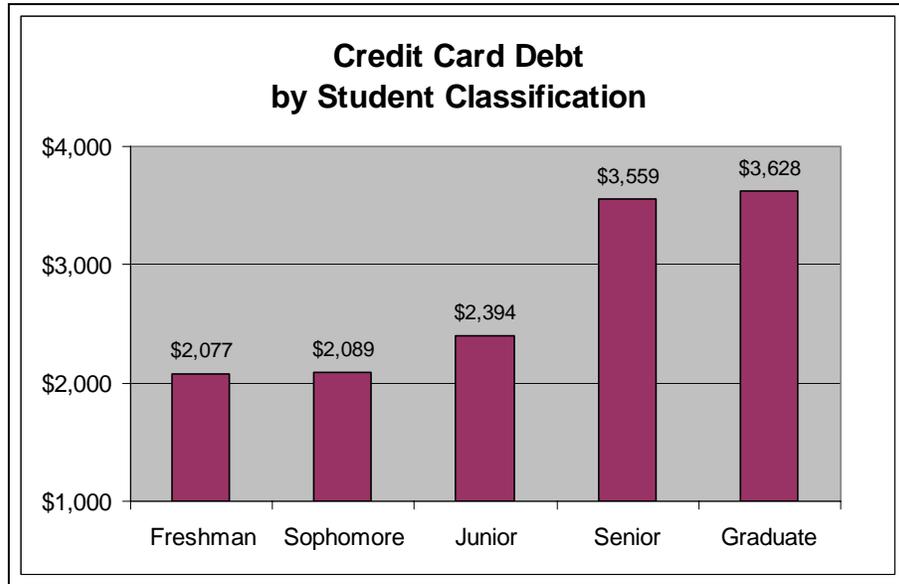
CHART 12:



Student Classification. Freshmen and sophomores had almost the same amount of credit card debt of around \$2,100. Juniors owed slightly more at about \$2,400. Seniors and graduate students owed the most at about \$3,600 (Chart 13). An explanation for the higher debt level among freshmen and sophomores (\$2,100) compared to the figure for the traditional college-age students (\$1,612) was due in part to the fact that 58% of underclassmen were older students (23 years or older). Statistically, underclassmen (freshmen and sophomores) had a significantly lower debt level than upperclassmen (juniors and seniors) ($f=15.75$, $df=1$, $p<.05$). Nationally, Nellie Mae (2003, p. 4)

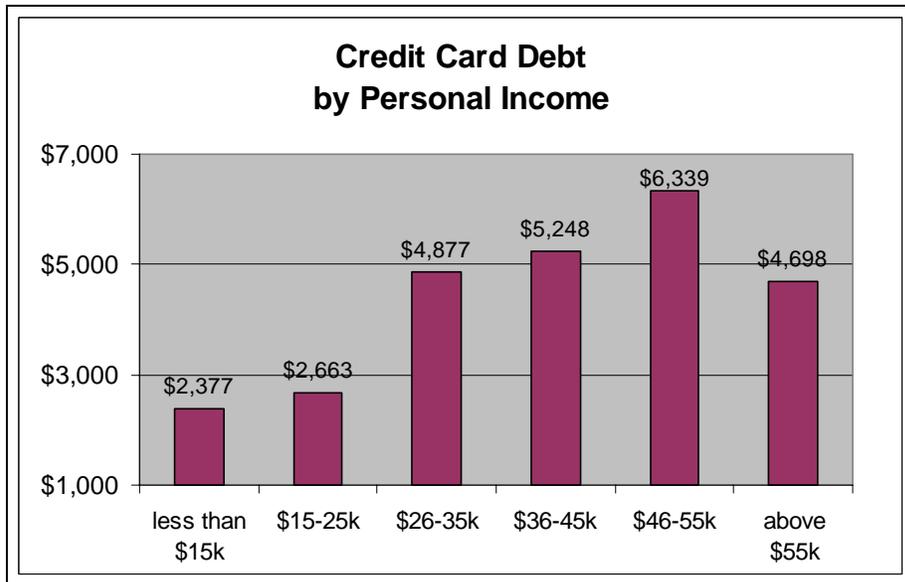
reported that freshmen had an average debt of \$1,533, sophomores a debt of \$1,835, juniors a debt of \$2,705, and seniors a debt of \$3,262.

CHART 13:



Personal Income. Among students who declared themselves as independent, their personal annual gross income was statistically related to their credit card debt. Generally, students with the lower income had the least debt. Students in the middle income groups had the highest debt. In the middle income range, students reporting a personal income between \$46-55,000 had the highest credit card debt (\$6,339), those reporting earnings from \$36-45,000 had the second highest credit card debt (\$5,248), and those earning from \$26-35,000 had the third highest credit card debt (\$4,877) (Chart 14).

CHART 14:

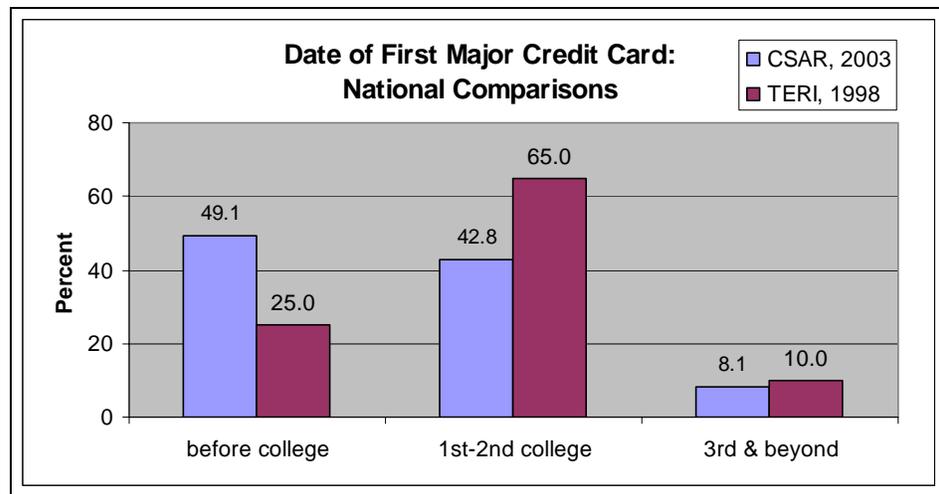


Factors Influencing First Card Ownership

The most striking (although not surprising) finding here was that almost half of the students surveyed (49%) received their first credit cards even before they began college. Another 43% received their first credit cards during their first and second years of college. The rest (8%) received their cards during their third and subsequent years of college, including graduate school. This is significant in light of the fact that 92% of the students owned a credit card by the end of their second year in college (Chart 15).

Comparisons: *TERI* reported that 25% of college students received their first credit card before college, 55% during their first year of college, 10% during the second year, and another 10% after the second year (1998, p. 9).

CHART 15:

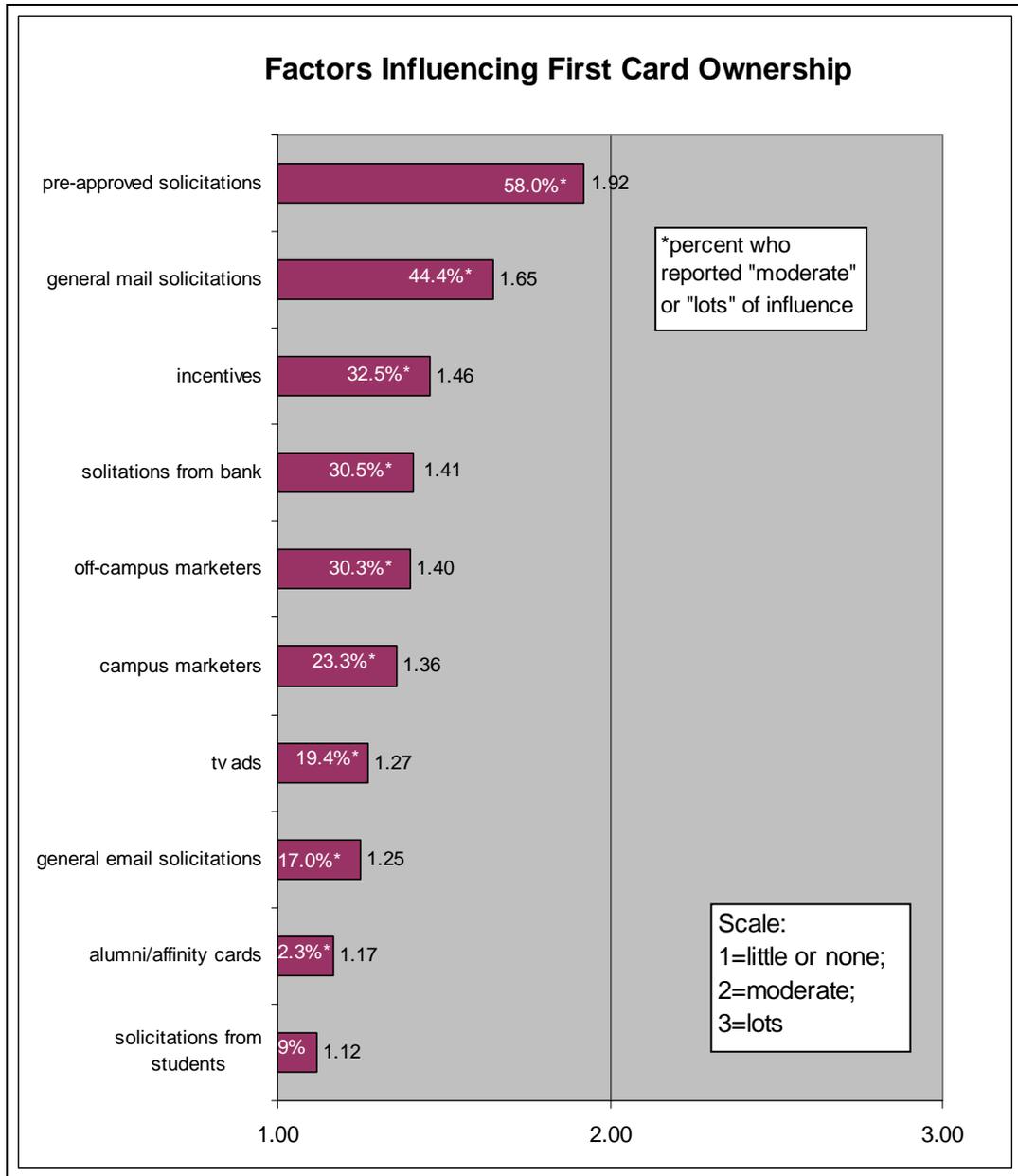


The most significant factor that influenced the students' decision to get their first and subsequent credit cards was pre-approved credit card solicitations they received through the mail (an average score of 1.92 out of a 3-point scale). The second important factor was general card solicitations they received through the mail (average of 1.65). The third most important factor was incentives they received when they signed up for credit cards (such as getting a gift or a discount on an airline ticket) (average of 1.46). Credit card solicitations from their own banks or credit unions (average of 1.41) and credit card marketers off-campus (such as in the malls and grocery stores) (average of 1.40) were other significant factors. To a lesser extent, students were influenced by credit card marketers on campus (sidewalks, student unions, and bookstores) (average of 1.36), general TV advertisements (average of 1.27), and general credit card solicitations through e-mail (average of 1.25), solicitations from their colleges or universities offering alumni or affinity cards (average of 1.17), and solicitations from fellow students on campus who were working for credit card companies (average of 1.12) (Chart 16).

Comparisons: *TERI* reported that 63% of the students applied for credit cards on their own and 17% received their credit cards through their parents (*TERI*, 1998, p. 9). Among the students who applied for credit cards on their own, 37%

of them did so by mail, 36% by visiting businesses that offered the cards, and 24% applied through on-campus representatives (1998, p. 20).

CHART 16:

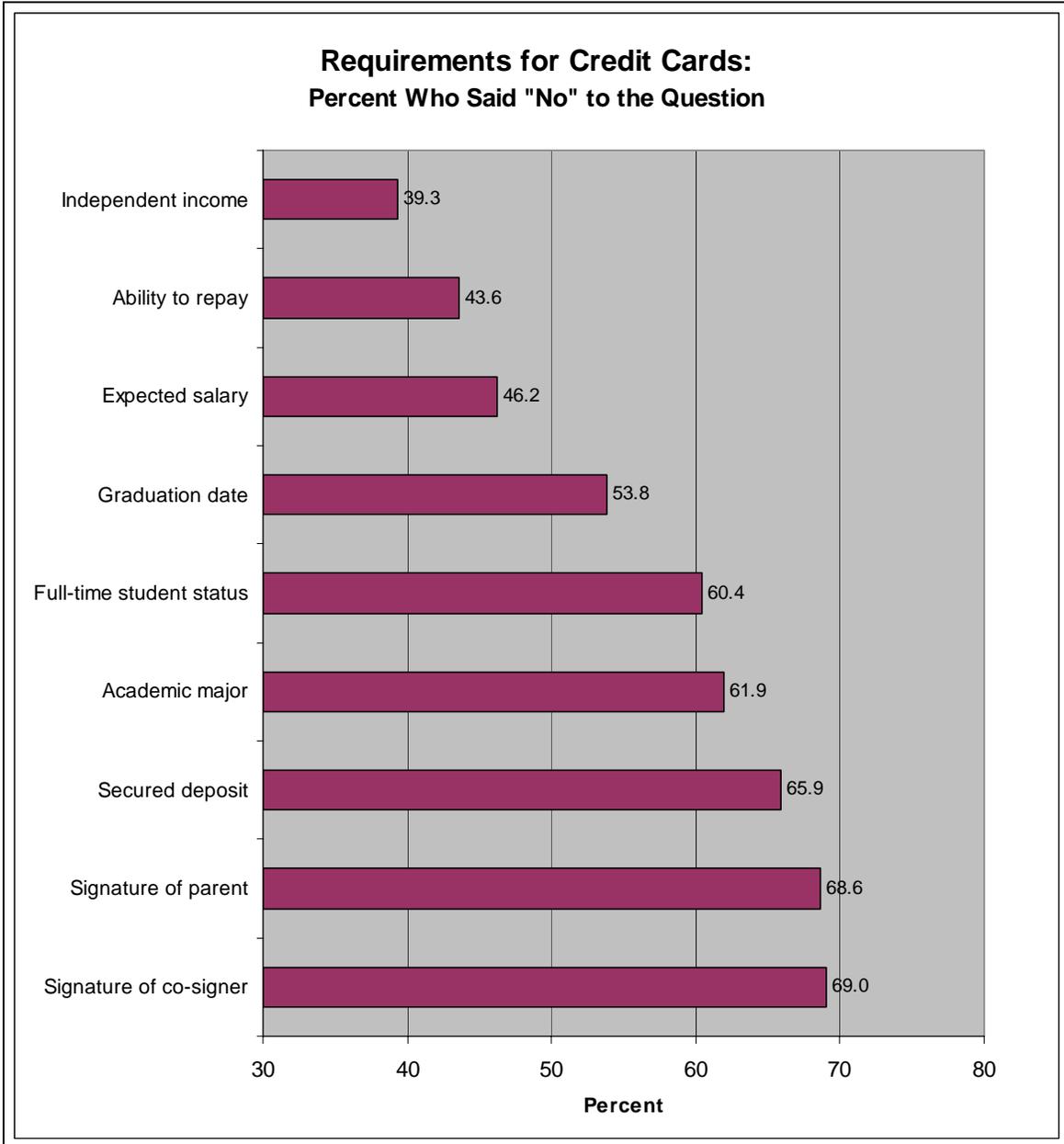


Card Requirements

When the students were asked of the requirements they needed to fulfill before getting their credit cards, a significant proportion stated that most credit card issuers did not require a signature of a co-signer (69% reported this) or their parents or guardians (69% reported this), secured deposit (66% reported this), information about their academic major or program of study (62% reported

this), proof about their full-time student status (60% reported this), information about their graduation date (54% reported this), expected salary after graduation (46% reported this), their ability to pay back the debt (44% reported this), or proof of their independent income (39% reported this) (Chart 17).

CHART 17:



Handling of Debt

When students were asked about the manner by which they usually handled their credit card debt each month, 76% reported that they either paid their balances in full or more than the required minimum amount. However, there were 24% of the students who had a problem with debt handling, defined by paying only the minimum or being behind on their payments (Chart 18a). Age, marital status, gender, grade-point-average, personal income, number of credit cards owned, and the amount of credit debt owed were associated with this problem.

CHART 18a:

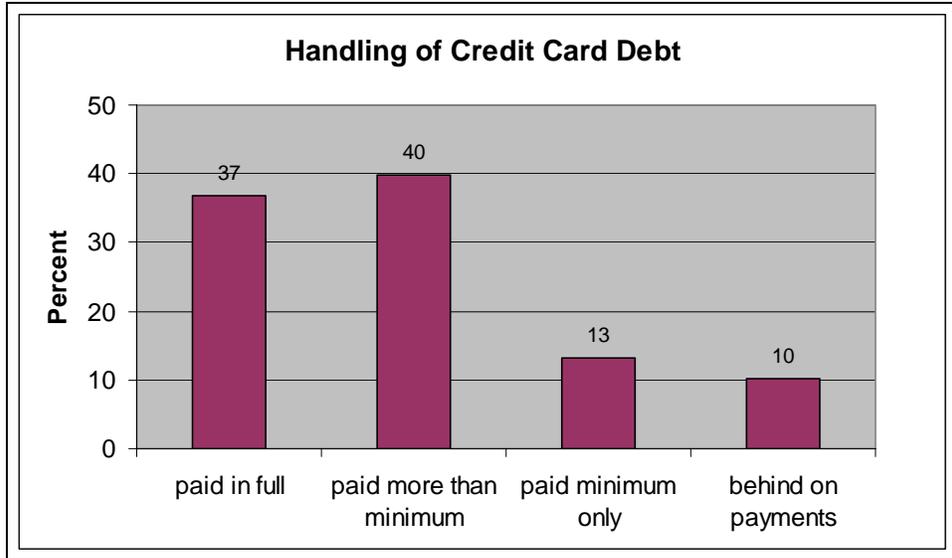
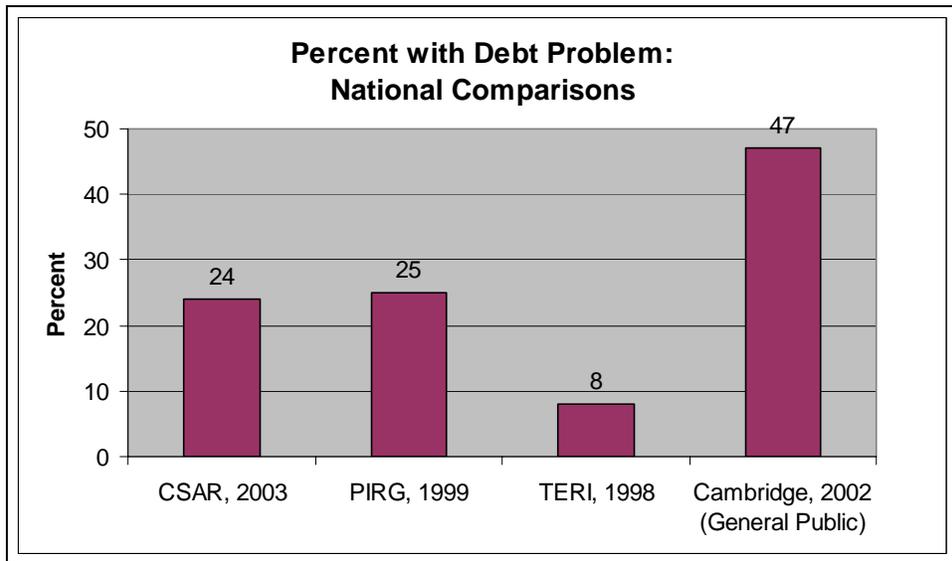


CHART 18b:



By age, a larger number of older students (23 years or older) had a problem handling their credit card debt than their younger counterparts (17-22 years of age), bearing in mind that the older students also had a higher debt level. Specifically, 32.2% of older students had a problem with their debt compared to 17.1% of their younger counterparts ($\chi^2=173.77$, $df=3$, $p<.05$) (Chart 19).

Married students also had a greater problem with repaying their debt than their single counterparts—37% of married students had this problem compared to 22% of their unmarried counterparts ($\chi^2=41.99$, $df=3$, $p<.05$). By gender, a larger proportion of female students had this problem than their male counterparts (26% compared to 19%) (Chart 19).

By academic performance, the better performing students had a lesser problem with their debt handling ($\chi^2=110.12$, $df=9$, $p<.05$). Specifically, 38% of students with the lowest grade-point-average (2.25 or below) had a debt handling problem, compared to 29% of students with a GPA between 2.26-3.00, 25% of students with a GPA between 3.01-3.50, and 23% of students with the highest grades (3.51 or better) (Chart 19).

Personal income was also a significant factor related to debt handling ($\chi^2=32.621$, $df=8$, $p<.05$). Generally, the lower the personal income, the greater was the likelihood of a debt handling problem. Specifically, 32% of the lowest income group (those earning less than \$15,000) had the problem compared to 28% of the group earning \$15-25,000 and 22% of the highest income group earning \$26,000 or above (Chart 20).

The number of major credit cards owned by the students was also related to their debt handling problem ($\chi^2=29.048$, $df=2$, $p<.05$). In particular, 54% of those who owned between two and four credit cards had this problem compared to only 37% of those who owned one card and 8% who owned five or more cards (Chart 20). This was logical in light of the fact that those who owned between two and four credit cards also had the highest debt level.

The amount of credit card debt owed was also a correlate ($\chi^2=73.46$, $df=1$, $p<.05$). The normal expectation would be that the higher the debt level, the greater the debt handling problem. In actuality, those with the lower debt level (\$2607 or less) had a greater problem than those having a higher debt level (\$2608 or more): the percentages were 63% and 37% respectively (Chart 20). Part of the reason for this happenstance was the majority (85%) of those with the lower debt level also belonged to the lowest personal income level (\$15k or less), which as previously reported had a greater debt handling problem.

Comparisons: TERI (1998) reported that 59% of the students paid their credit balances in full each month, 33% paid more than the minimum, and 8% paid the minimum, and apparently none were behind on their payments (p. 12). *Public Interest Research Group* (1999) reported that 25% of college students paid the minimum only or were late on their payments. In the general public, Cardweb.com (2003) reported that 3% of credit card holders were late on their payments each month. *Cambridge Consumer Credit Index* (2002) reported that 47% of credit card holders in 2002 paid just the minimum or no payments at all (Chart 18b). Jamba-Joyner et al. (2000) found gender, race, socioeconomic

status, and the number of cards owned to be related to credit card debt handling problem among college students.

CHART 19:

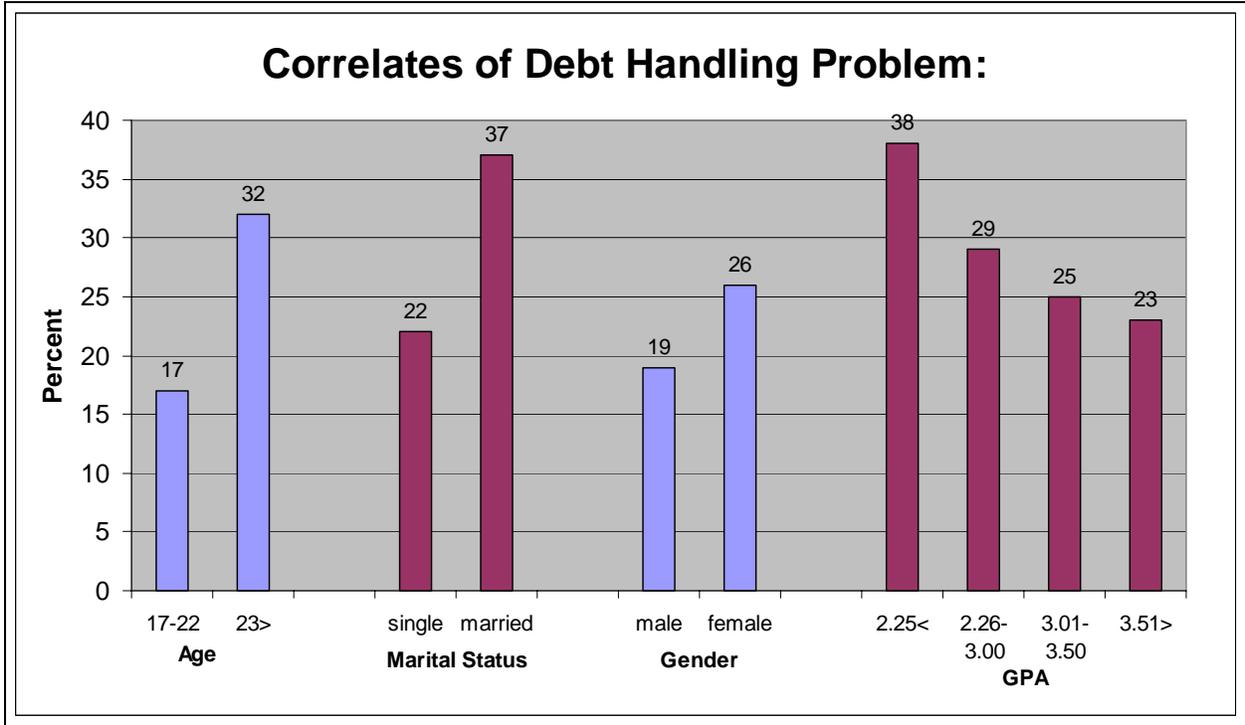
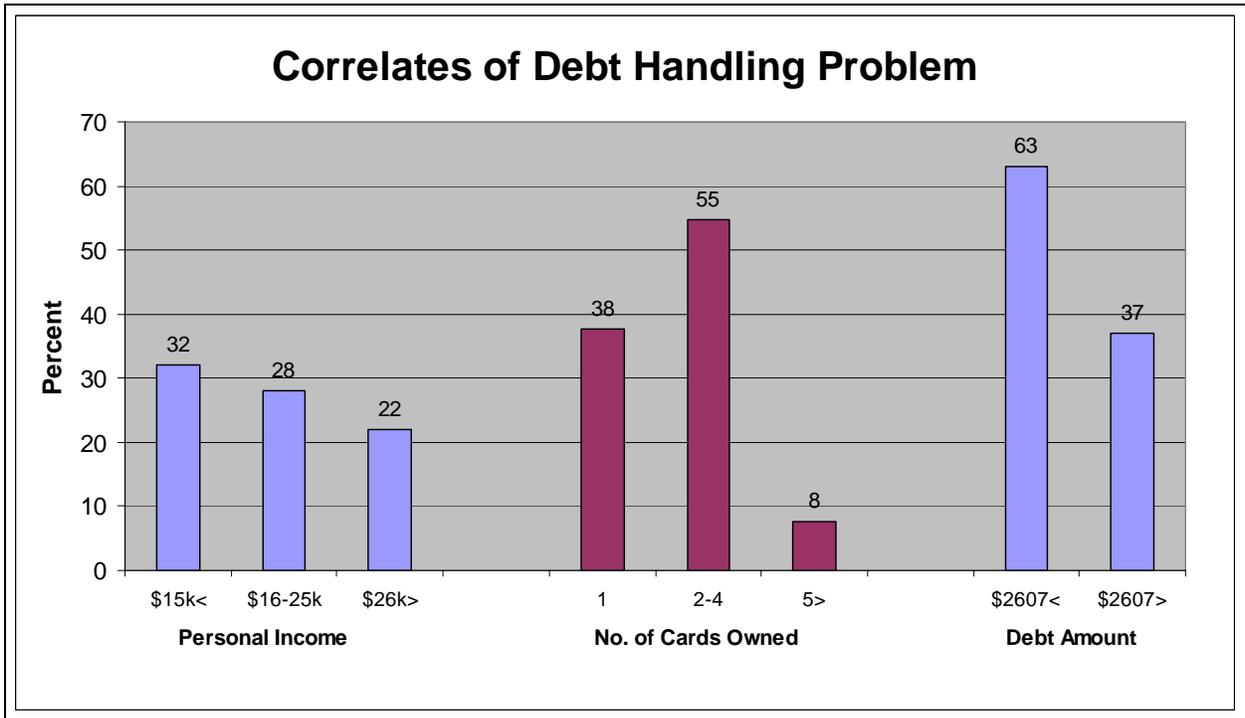


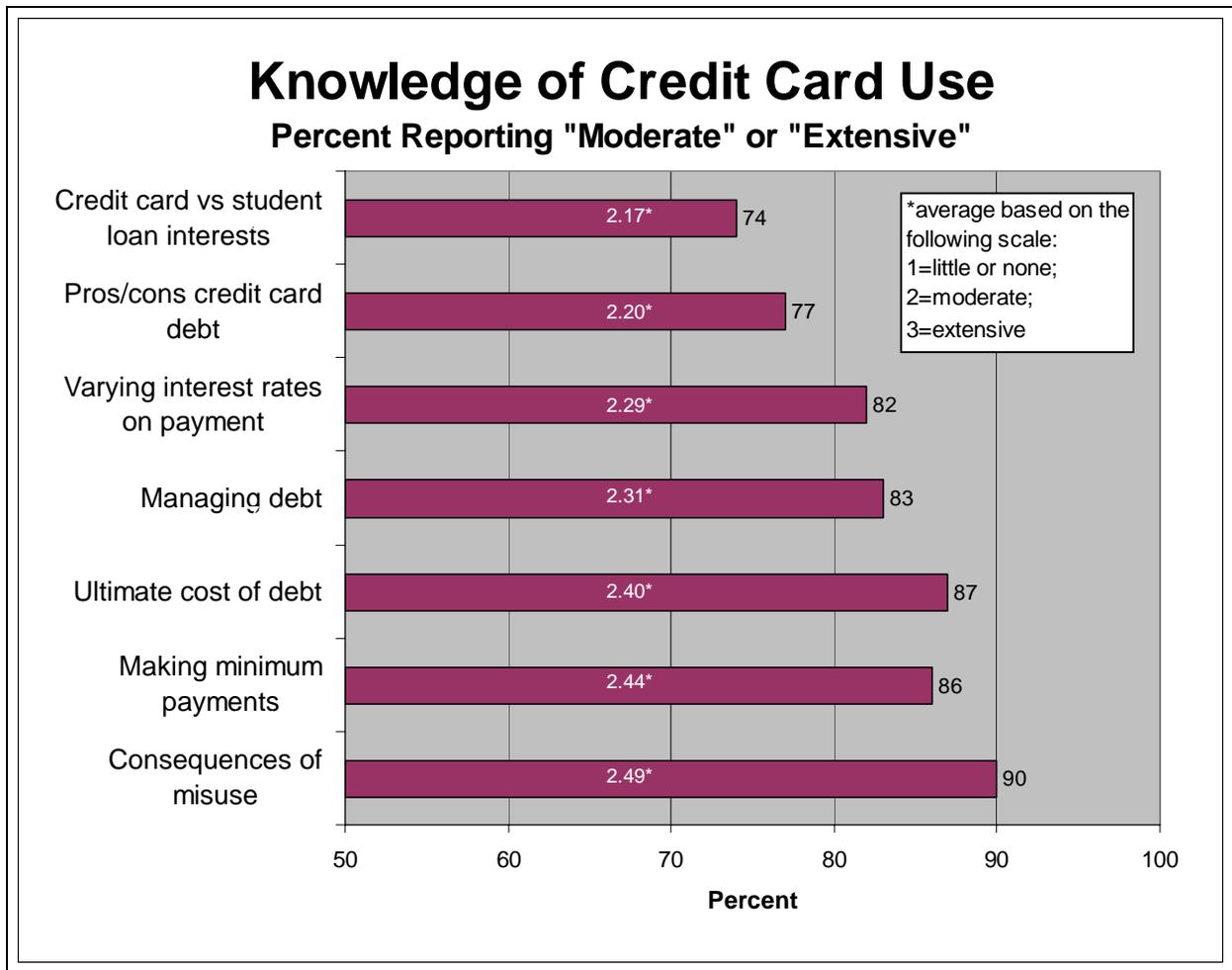
CHART 20:



Understanding of Credit Card Use and Implications

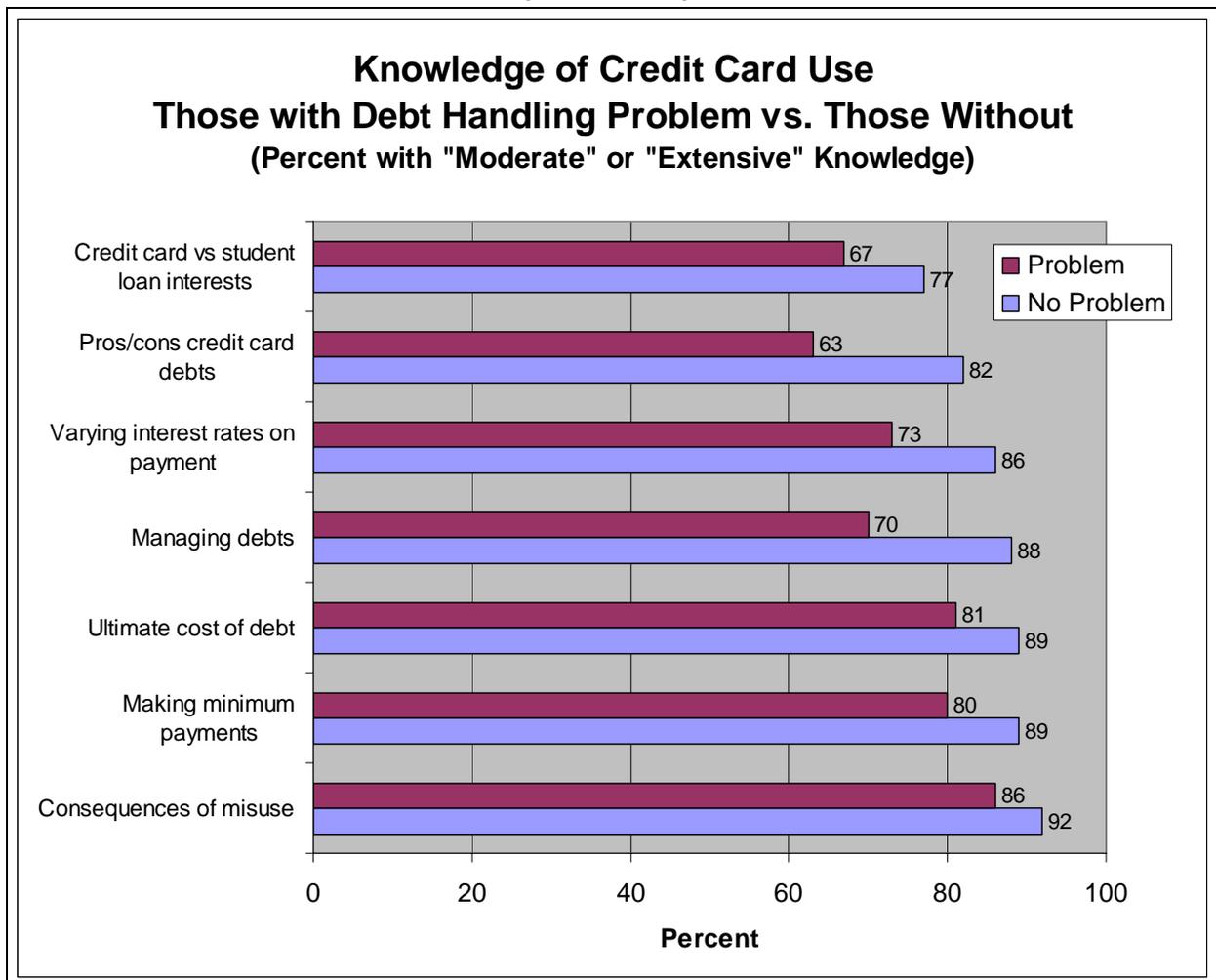
- When the students were asked about their understanding or knowledge of credit card use and the implications of credit card debt, most reported a higher than “moderate” level of understanding (the scale used was the following: 1=little or none; 2=moderate; and 3=extensive). The students particularly understood the implications and consequences of misusing credit cards (such as bad credit record or bankruptcy) (average score of 2.49) and the implications of making just the minimum payment on their credit card balances (score of 2.44). They also understood how much their debt would ultimately cost them (score of 2.40), how to manage their credit card debt (score of 2.31), and the impact of varying interest rates on their debt payments (score of 2.29). To a slightly lesser degree, they understood the advantages and disadvantages of credit card use compared to other forms of debt (score of 2.20) and the differences in interest rates charged on their credit cards from those charged on their federal student loans (score of 2.17) (Chart 21a).

CHART 21a:



- If the knowledge level of credit card use was relatively high for most students, what accounted for the difficulty in debt repayment among a quarter of the students? Part of the answer lied in the disparity in knowledge level between those students who were having difficulty repaying their debt and those who did not have the problem. There was significant evidence that students with a debt repayment problem had a lower understanding or knowledge of credit card use. Specifically, 63% of the students with a debt payment problem (compared to 82% of the students without a debt repayment problem) reported "moderate" or "extensive" knowledge about the pros and cons of credit card debt versus other forms of debt. The other disparities were in their knowledge about how to manage their credit card debt (18% differential); the impact of varying interest rates on their debt payments (13%) the differences in interest rates charged on their credit cards and those of their federal student loan (10% differential); the implications of making just the minimum payment on their credit cards (9% differential); the ultimate cost of their credit card debt (8% differential); and the implications and consequences of misusing credit credits (6% differential) (Chart 21b).

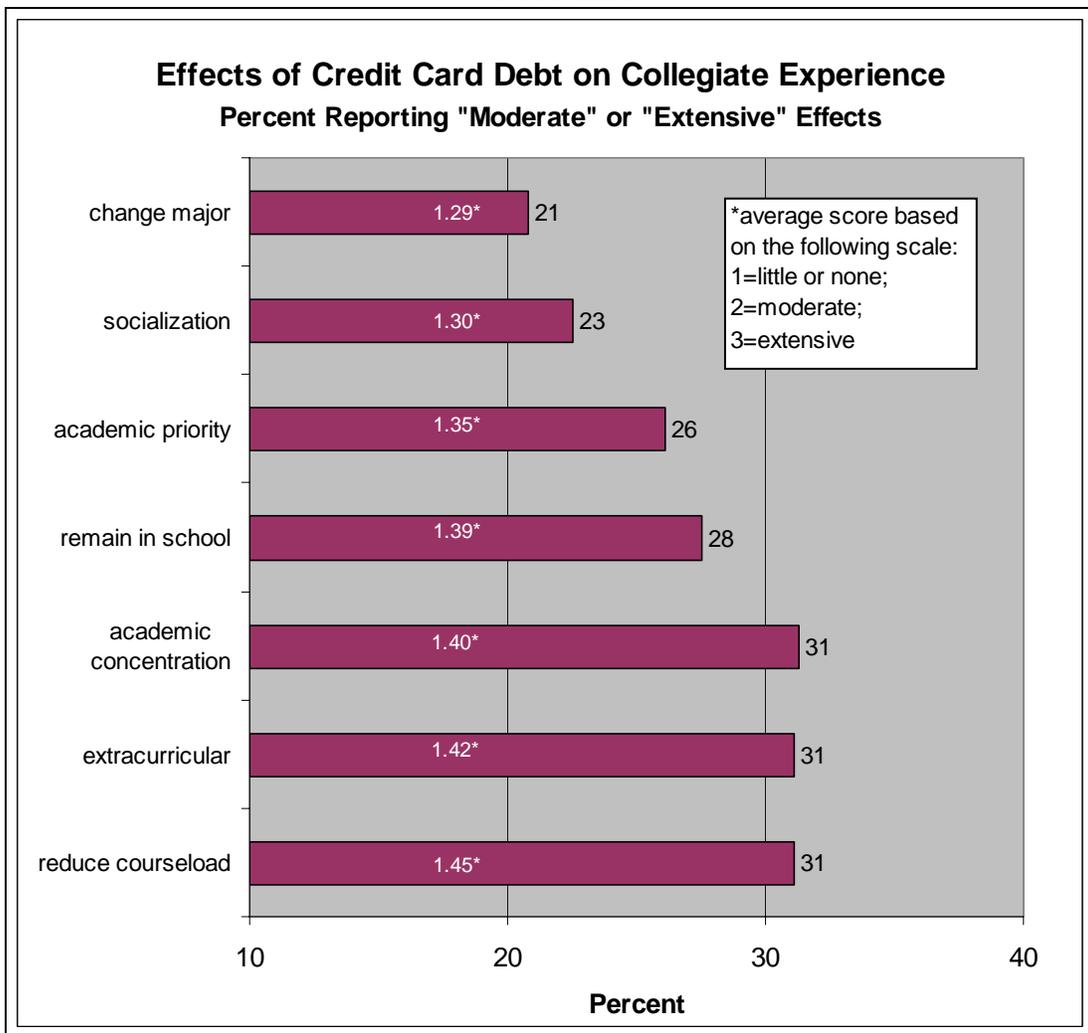
CHART 21b:



Effects of Credit Card Debt on Collegiate Experience

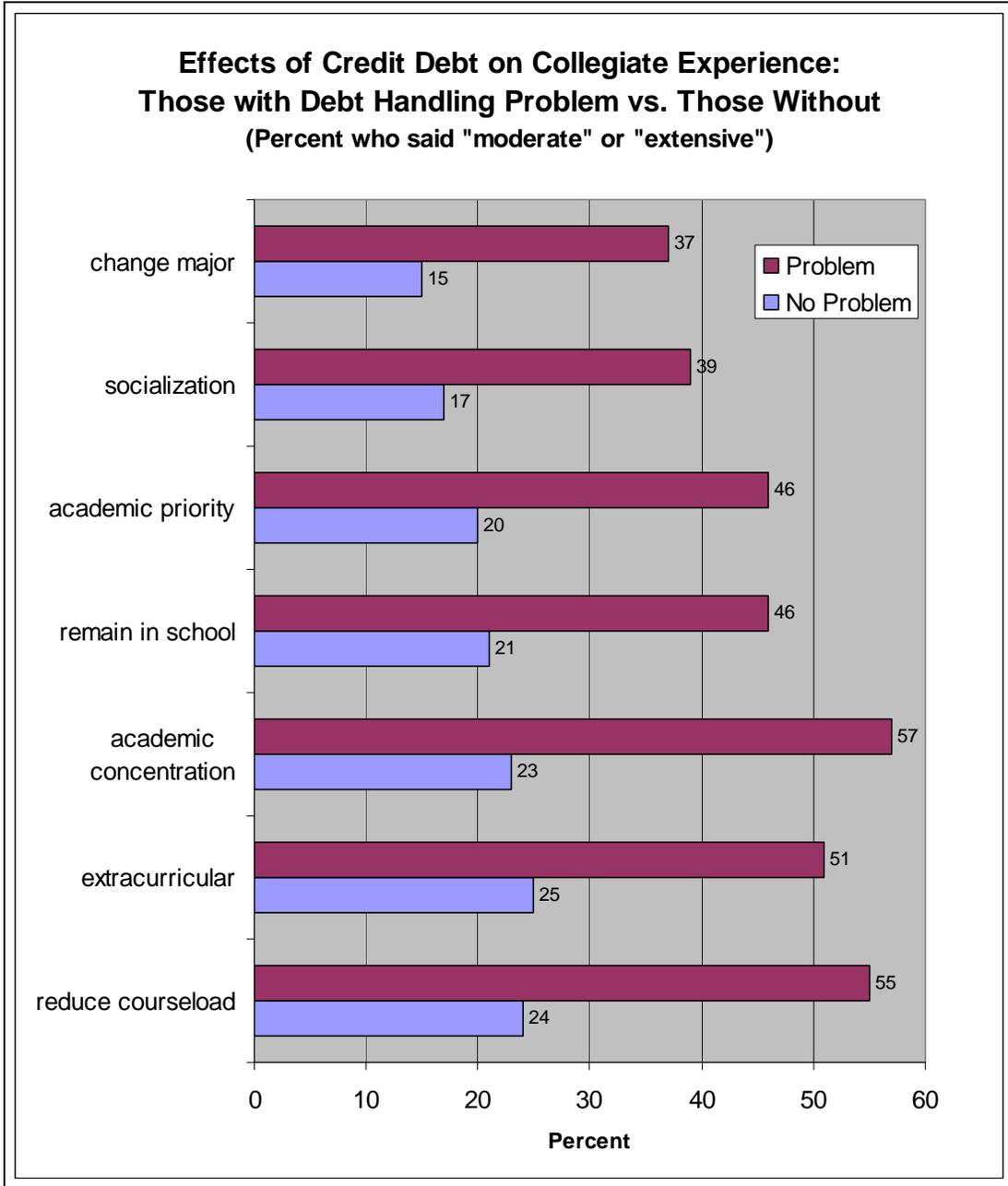
A majority of the students did not report significant adverse effects of credit card debt on certain key collegiate experiences. However, there were sizable proportions (between 20% and 31%) of the students who felt the effects of their credit card debt, either moderately or extensively. Among the collegiate experiences affected were their concentration on academic work (31% reported this problem), participation in extracurricular activities (31%), the decision to reduce course load and get a job to pay off debt (31%), the decision to remain in school (28%), their sense of priority about academic work (26%), their socialization patterns on campus (23%), and the decision to change their area of study or major in anticipation of a higher salary after graduation in order to pay debt (Chart 22a).

CHART 22a:



Among students who were not handling their credit card debt well, the effects were even more pronounced. The most pronounced effects were on their concentration on academic work (57%), decision to reduce course load and get a job to pay debt (55%), participation in extracurricular activities (51%), decision to remain in school (49%); and sense of priority about academic work (46%) (Chart 22b).

CHART 22b:

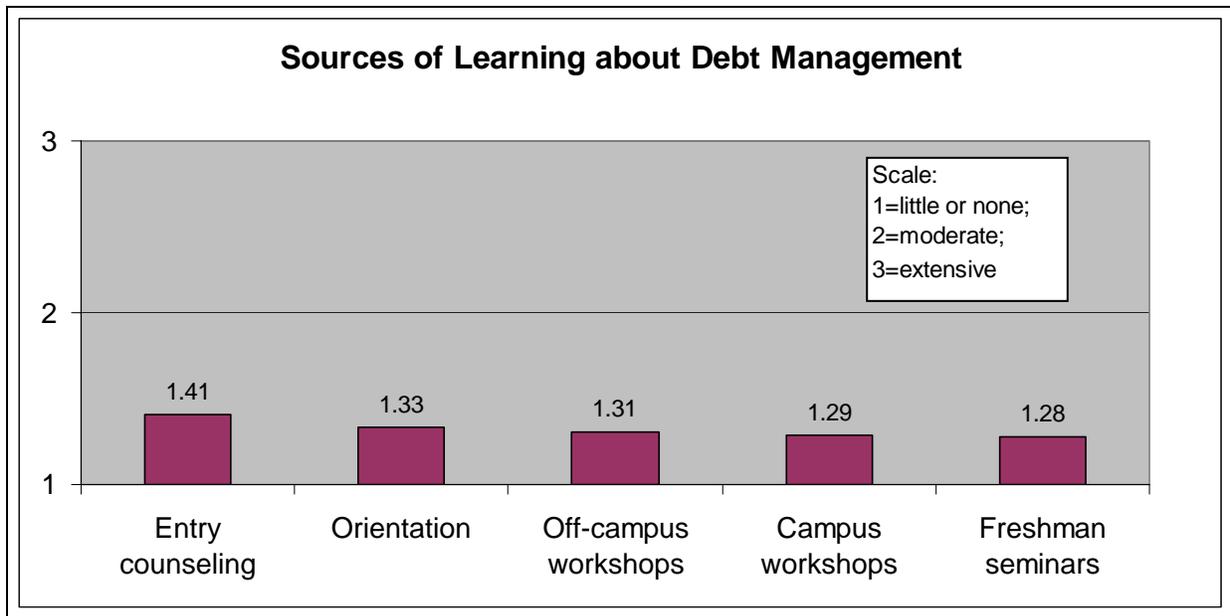


Sources of Information about Financial Responsibilities and Debt Management

Most of the students reported less than moderate levels of usefulness with existing programs on their understanding of financial responsibilities, debt management, and issues related to credit card use (based on the following scaling scheme: 1=little or none; 2=moderate; and 3=extensive). These programs included on-campus entry counseling programs before getting student loan money (such as a personal interview or watching a video) (average score of 1.41); orientation programs (average of 1.33); freshman seminars or gateway-type classes (average of 1.28); on-campus workshops or seminars dealing with financial management (average of 1.29); and off-campus workshops and seminars dealing with similar issues (average of 1.31) (Chart 23). There was no significant difference in the ratings of these programs between the students who were managing their credit card debt well and those who were not.

Despite the low ratings for usefulness given to the above activities, many students expressed the need for these workshops and were willing to participate in them (see Table 1).

CHART 23:



Miscellaneous Attitudinal Questions

In the last part of the credit card survey, the students were asked to rate their level of agreement with specific questions related to credit card issues (Table 1). The coding scheme used was this: 1=strongly agree; 2=disagree; 3=agree; and 4=strongly agree. For analyses, "strongly agree" and "agree" were collapsed into one, and "strongly disagree" and "disagree" into the other.

Below are some key points:

- There was a very strong general agreement among all students that they were personally responsible for their own credit card debt (87% agreed). Despite their debt, many indicated that they were managing their credit card debt well (74% agreed); that they were spending money responsibly (74% agreed); and that they were living within their budgets each month (72% agreed) (Table 1).
- Despite the recognition among the students that they were personally responsible for their own credit card debt, they had a general agreement that their institutions could do more to educate them about credit card use and misuse (79% agreed); that their institutions should develop a policy curtailing the number of aggressive credit card marketers on campus (78% agreed); and they wished credit card companies would impose more stringent requirements on credit card applicants (65% agreed) (Table 1).
- There was also general agreement that their attitudes about credit card use had changed from the time they received their first credit card (66% agreed). A good majority (67%) said that they were constantly seeking new ways to reduce their credit card debt. A good majority (60%) also indicated that they would participate in workshops that dealt with personal financial management and responsibilities. Their intent to participate in workshops that dealt with the implications and ramifications of credit card debt in specific was not as clear since there were almost a 50-50% split on the issue (Table 1).
- There was also a strong indication that the students were not engaged in inappropriate credit card behaviors, such as applying for more credit cards when existing limits were reached (86% disagreed), deciding to incur more credit card debt based on their expected salary after graduation (60% disagreed), or paying off their credit card debt by using their student loans (58% disagreed). At the same time, most (69% disagreed) were not in favor of an institutional policy prohibiting the use of credit cards as payment for tuition and fees (Table 1).
- In terms of the affordability issue, a good majority of the students did not feel that their credit card debt were due to their institution's increasing cost of attending (69% disagreed) nor to the inadequacy of federal financial aid to cover all their educational and living expenses (55% disagreed) (Table 1).
- Focusing on students who were having problems managing their debt, a majority (64%) did not deny the reality that they were not managing their credit card debt well; 43% admitted that they were not spending money responsibly when they incurred more credit card debt; 56% understood that they were not successful at living within their budget each month. On other hand, there were indicators of practice or attitude reflective of a financial reality in which they might not have a choice but to use their credit cards. For example, 52% attributed their credit card debt to the inadequate federal financial aid to cover all educational and living expenses; and 58% said they had or would use their student loans to pay on their credit card debt. On the positive side, most (84%) still felt ultimately responsible for

their own credit card debt, most (78%) were attempting not to apply for more credit cards once their existing cards had reached their limits; and 64% would not consider their expected salary after graduation as a factor for incurring more credit card debt. Many students also had ideas about possible remedies applicable to them as well as future students. For example, 81% of the students were in favor of a policy curtailing the number of aggressive credit card marketers on campus; and 71% were in favor of seeing more stringent requirements imposed on applicants by credit card companies. An overwhelming majority (80%) also said that their college or university could have done more to educate them about credit card use; 72% would participate in workshops dealing with personal financial management and responsibilities; and 66% would attend a workshop dealing with implications and ramifications of credit card debt. As a side note, even though most of the students who had debt problems did not attribute their problem to their institution increasing the cost of attending (72% said this), a good proportion of them (67%), however, did not want a policy prohibiting the use of credit card as payment for tuition and fees.

Conclusions

This study's multi-institutional design and substantial coverage of the issues related to credit card use has revealed some important information for institutions, credit card companies, college students, and parents.

It is an inevitable fact that college students will own credit cards. The hope is that they will learn the advantages and disadvantages of credit card use and know how to manage their credit card debt well. While most students were indeed managing their debts well, there is reason for concern over a quarter of them who had found themselves in a financial bind due to their credit card use. Worse yet, there was significant evidence to indicate that this debt had influenced their collegiate experiences in a negative way.

Perhaps it is important to note the characteristics of the students who have the greatest likelihood of experiencing a credit card debt problem. The findings of this study suggest that these students are likely to be older, married, and female. They are also more likely to have a lower college grade-point-average, lower personal income, a higher number of credit cards in their possession, and a higher debt level. Many of these students also have a lower understanding of the meaning of credit card use and its implications. Concerned parties will be well served to identify these individuals and to assist them in avoiding or coping with their financial problems.

With the proper training and development exposure, there is hope that more college students can learn the meaning of credit and can discern the advantages and disadvantages of credit card use so that decisions that they make regarding their use do not interfere with their educational and life plans.

TABLE 1: Attitudes Toward Credit Card Issues

	<u>% Disagreed</u>	<u>% Agreed</u>	<u>Median</u>
<u>These statements had general agreement</u>			
I am personally responsible for my credit card debt	13.1	86.9	4
I feel my college or university can do more to educate students about credit card use and misuse	21.5	78.6	3
I am in favor of a policy curtailing the number of aggressive credit card marketers on campus	22.4	77.6	3
Even though I have incurred a credit card debt, I feel I am spending money responsibly	25.6	74.4	3
I am currently managing my credit card debt well	26.5	73.6	3
I am successful at living within my budget each month	28.1	71.9	3
I am constantly seeking new ways to reduce my credit card debt	33.4	66.6	3
My attitudes about credit card use have changed from when I first got my credit cards to the current moment	33.9	66.1	3
I would like to see more stringent requirements imposed on credit card applicants by credit card companies	34.7	65.3	3
I would participate in a workshop which deals with personal financial management and responsibilities	40.5	59.5	3
<u>These statements had general disagreement</u>			
When my credit cards have reached their limits, I usually apply for more	86.4	13.6	1
I am in favor of a policy prohibiting the use of credit cards as payment for tuition and fees	69.4	30.6	2
My credit card debt is due to my college or university increasing the cost of attending	68.5	31.5	2
When I decide to incur more credit card debt, I usually consider my expected salary after graduation	60.0	40.0	2
I have or would use my student loans to pay on my credit card debt	58.8	41.2	2
My credit card debt is due to the inadequate federal financial aid to cover all educational and living expenses	55.2	44.8	2
I would attend a workshop dealing with the implications and ramifications of credit card debt	51.3	48.7	2

References

- CardWeb.com (2003). <http://www.cardweb.com>.
- Cambridge Consumer Credit Index (2002). Press Release March 7, 2002. <http://www.cambridgeconsumerindex.com/>
- CNN (2003). *Market Reports*. <http://money.cnn.com>.
- College Credit Counseling.com (2002). *Credit Card Analysis*. <http://collegecreditcounseling.com>.
- Jamba-Joyner, L.A., Howard-Hamilton, M., & Mamarchev, H. (2000). College Students and Credit Cards: Cause for Concern? *NASFAA Journal of Student Financial Aid* 30(3): 17-25.
- Nellie Mae (2002). *Undergraduate Students and Credit Cards*. Braintree, MA.
- Oklahoma State Regents for Higher Education (2003). *Student Data Report: Oklahoma Higher Education 2001-2002*. Oklahoma City.
- Public Research Interest Groups (1999). *The Campus Credit Card Trap*. <http://www.pirg.org/student/consumer/credit98>
- Princeton Review (2003). <http://www.princetonreview.com>.
- The Education Resources Institute (TERI) (1998). *Credit Risk or Credit Worthy? A National Survey*. Washington, DC.
- US General Accounting Office (2001). *College Student Credit Cards*. Washington, DC. GAO-01-773.

Special Appreciation

- Oklahoma State Regents for Higher Education—Dr. Kermit McMurry, Vice Chancellor for Student Affairs; and Dr. Debra Stuart, Executive Director of State System Research
- COSA Credit Card Committee—Dr. Gerald Williamson, Vice President for Student Affairs, East Central University; Dr. Lee Bird, Vice President for Student Affairs, Oklahoma State University; Dr. Philip Birdine, Vice President for Student Services, Oklahoma State University at Oklahoma City; Dr. Jeanie Webb, Vice President for Student Affairs at Rose State College.
- University of Oklahoma—Dr. Myron Pope, Assistant Professor of Adult and Higher Education; and Lisa Schmidt and Jose Gonzalez (graduate students).
- COSA members, including vice presidents or deans of student affairs, and student services practitioners.

APPENDIX 1:

Statewide Student Credit Card Survey Center for Student Affairs Research (CSAR)

Instructions to Respondents: The main objective of the survey is to examine issues related to credit card use among students in Oklahoma. The results of the survey will guide strategies and policies for resolving and promoting appropriate use of credit cards. The information you provide will be sent anonymously to the Center for Student Affairs Research (not to any governmental, institutional, or other entities) and will be reported on an aggregate basis to ensure the strictest confidentiality. This survey contains only 20 questions, which should take no more than 25 minutes to complete. Your honest answers are key to the success of this study. Please take the time to complete this very important survey. Your participation is completely voluntary, and you may stop at any time during the survey.

Demographics

1. Name of college or university you are currently attending: _____
2. Age: _____
3. Gender:
 - Male
 - Female
4. Marital Status:
 - Single
 - Married
 - Divorced/Separated
 - Widowed
5. Based on your earned credit hours, what is your current student classification?
 - Freshman (1-30)
 - Sophomore (31-60)
 - Junior (61-90)
 - Senior (90 & above)
 - Graduate
 - Other: _____ (please specify)
6. What degree are you working toward at the college or university you are currently attending?
 - Associate
 - Bachelor's
 - Master's (M.A, M.S.)
 - First-Professional (M.B.A., M.D., J.D.)
 - Doctoral
 - Other: _____ (please specify)

7. What is your ethnic background?
- White
 - Black
 - Hispanic
 - Asian-American/Pacific Islander
 - Native American
 - Multi-Ethnic
 - Non-US Citizen or Non-Permanent Resident
8. What is your current college cumulative grade-point average, or if this is your first semester, what is the grade-point-average you are expecting to earn at the end of the semester?

On a 4-point scale: _____

Dependent/Independent Status

9. Your dependent/independent status is determined by the filing of last year's income tax return. You are a dependent if your parents or legal guardians claimed you on their income tax return.

Dependent

If you are a dependent, what was the approximate combined annual gross income (before taxes) of your parents or legal guardians last year?

Annual Gross Income:

- Less than \$25,000
- \$25,000-\$50,000
- \$51,000-\$75,000
- \$76,000-\$100,000
- Above \$100,000

Independent

If you are an independent, what was your annual gross income (before taxes) last year?

Annual Gross Income:

- Less than \$15,000
- \$15,000-\$25,000
- \$26,000-\$35,000
- \$36,000-\$45,000
- \$46,000-\$55,000
- Above \$55,000

Financial Debts

10. What percent of your total debt is represented by the following categories?

<i>Type of Debt</i>	<i>Percent</i>
Credit cards	
Student loans	
Automobile loans	
Home mortgage loans	
Bank loans	
Other. Please specify.	

Credit Card Information

11. How many credit cards or accounts do you currently have? Please indicate the number under each category and the approximate amount you owe. (Note: If you do not have a credit card issued in your name or if you do not use a credit card, you should end the survey now.)

<i>Type of Credit</i>	<i>How Many?</i>	<i>Current Balance on Accounts (\$)</i>
Major (Visa, MasterCard, American Express, Discover, and Diner's Club)		
Departmental/Retail Stores (Dillard's, Foley)		
Oil Companies (Texaco, Shell, Amoco, Conoco)		
Revolving lines of credit with bank		
Other. Please specify:		

12. Do you know what the average interest rate is on your major credit cards (Visa, MasterCard, American Express, Discover, and Diner's Club)?

Interest Rate (APR): _____%

13. When did you get your first credit card?

- Before College
- First or Second Year of College
- Third or Subsequent Years of College
- Graduate School

14. To what extent did the following factors influence your decision in getting your first and subsequent credit cards?

(Scale: 1="little or none"; 2="moderate"; 3="lots"; NA=not applicable)

<i>Sources of Influence</i>	<i>Extent of Influence</i>			
Credit card marketers on campus (sidewalks, student union, bookstore)	1	2	3	NA
Credit card marketers off campus (mall, grocery stores, etc.)	1	2	3	NA
Solicitations from fellow students on campus who are working for credit card companies	1	2	3	NA
Solicitations from your college or university offering alumni/affinity cards	1	2	3	NA
Incentives for signing up (e.g., water bottle, discounted airline ticket)	1	2	3	NA
Solicitations from your own bank and/or credit union	1	2	3	NA
Pre-approved credit card solicitations through mail	1	2	3	NA
General solicitations through mail	1	2	3	NA
General solicitations through email	1	2	3	NA
TV advertisements	1	2	3	NA
Other.	1	2	3	NA

15. What requirements were usually necessary for you to get your credit cards?

<i>Requirements</i>	yes	no	don't know
Proof of your independent income	yes	no	don't know
Proof of your ability to pay back the debt	yes	no	don't know
Information about your estimated graduation date	yes	no	don't know
Information about your major or program of study	yes	no	don't know
Information about your expected salary	yes	no	don't know
A secured deposit	yes	no	don't know
Proof that you are a full-time student	yes	no	don't know
Signature of a parent or guardian	yes	no	don't know
Signature of a co-signer	yes	no	don't know
None (it was pre-approved)	yes	no	don't know

16. In the last academic year, how did you usually handle your credit card balances each month?

- Paid them in full
- Paid more than the minimum
- Paid the minimum only
- Behind on payments

Understanding or Knowledge of Credit Card Use

17. Please rate your level of understanding or knowledge about the following issues related to credit card usage.

(Scale: 1="little or none"; 2="moderate"; 3="extensive"; NA=not applicable)

	<i>Level</i>			
The implications and consequences of misusing credit cards (such as a bad credit record or bankruptcy)	1	2	3	NA
How much your debt will ultimately cost you	1	2	3	NA
The impact of varying interest rates on your debt payments	1	2	3	NA
The implications of making just the minimum payment on your credit cards	1	2	3	NA
The differences in interest rates charged on your credit cards and those of your federal student loans	1	2	3	NA
How to manage your credit card debt	1	2	3	NA
The pros and cons of credit card debt versus other forms of debt	1	2	3	NA

Potential Impact of Credit Card Use

18. To what extent has your credit card debt affected your

(Scale: 1="little or none"; 2="moderate"; 3="extensive", NA=not applicable)

	<i>Level</i>			
concentration on academic work?	1	2	3	NA
participation in extracurricular activities?	1	2	3	NA
socialization patterns on campus?	1	2	3	NA
sense of priority about academic work?	1	2	3	NA
decision to remain in school?	1	2	3	NA
decision to change your area of study or major in anticipation of a higher salary after graduation in order to pay debt?	1	2	3	NA
decision to reduce course load and get a job to pay debt?	1	2	3	NA
Other. Please specify:	1	2	3	NA

19. To what extent did your participation in the following activities help you to understand financial responsibility, debt management, and issues related to credit card use?

(Scale: 1="little or none"; 2="moderate"; 3="extensive"; NA=not applicable)

	<i>Level</i>			
Entry counseling requirements (such as a personal interview, watching a video) before getting student loan money	1	2	3	NA
Orientation programs	1	2	3	NA
Freshman seminars or gateway-type classes	1	2	3	NA
Campus workshops or seminars dealing with financial management	1	2	3	NA
Off-campus workshops or seminars dealing with financial management	1	2	3	NA
Other. Please specify:	1	2	3	NA

20. Please rate your level of agreement with the following statements.

(Scale: 1="strongly disagree"; 2="disagree"; 3="agree"; 4="strongly agree"; NA=not applicable)

	<i>Level of Agreement</i>				
I am currently managing my credit card debt well	1	2	3	4	NA
Even though I have incurred a credit card debt, I feel I am spending money responsibly	1	2	3	4	NA
When I decide to incur more credit card debt, I usually consider my expected salary after graduation	1	2	3	4	NA
I am successful at living within my budget each month	1	2	3	4	NA
I am constantly seeking new ways to reduce my credit card debts	1	2	3	4	NA
I am personally responsible for my credit card debt	1	2	3	4	NA
My credit card debt is due to my college or university increasing the cost of attending	1	2	3	4	NA
My credit card debt is due to the inadequate federal financial aid to cover all educational and living expenses	1	2	3	4	NA
When my credit cards have reached their limits, I usually apply for more	1	2	3	4	NA
I have or would use my student loans to pay on my credit card debt	1	2	3	4	NA
My attitudes about credit card use have changed from when I first got my credit cards to the current moment	1	2	3	4	NA
I am in favor of a policy prohibiting the use of credit cards as payment for tuition and fees	1	2	3	4	NA
I am in favor of a policy curtailing the number of aggressive credit card marketers on campus	1	2	3	4	NA
I would like to see more stringent requirements imposed on credit card applicants by credit card companies	1	2	3	4	NA
I feel my college or university can do more to educate students about credit card use and misuse	1	2	3	4	NA
I would attend a workshop dealing with the implications and ramifications of credit card debt	1	2	3	4	NA
I would participate in a workshop which deals with personal financial management and responsibilities	1	2	3	4	NA