ED466106 2002-01-00 Credit Card Usage and Debt among College and University Students. ERIC Digest.

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ERIC Identifier: ED466106
Publication Date: 2002-01-00
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Source: ERIC Clearinghouse on Higher Education Washington DC.

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Since the late 1990s, lawmakers, college officials, consumer advocacy groups, and higher education practitioners, have become increasingly concerned about the rising use of credit cards among college students. A recent study has shown that both the number of students owning a credit card as well as the amount of credit card debt held by students has risen in the last couple of years (Nellie Mae, 2000). Since eighteen year-olds in most states are eligible for a card without parental consent or employment, many have been concerned that students will use credit unwisely because of their financial inexperience and suffer the long-term consequences of carrying high debt (U.S. General Accounting Office, 2001, June, p. 1).

NELLIE MAE AND TERI/IHEP SURVEYS

In 1998, The Education Resources Institute (TERI) and The Institute for Higher Education Policy (IHEP) conducted a survey about credit card usage among college students by using a stratified random sampling method. The majority of the students surveyed were undergraduates. This report found that almost two-thirds of the students owned at least one credit card and one in five of those students had four or more credit cards (The Education Resources Institute, 1998, June, p. 9). The majority of students (82%) surveyed reported an average balance of $1,000 or less (The Education Resources Institute, 1998, June, p. 11). In 2000, Nellie Mae, a prominent lender of educational loans, examined credit card ownership among undergraduate and graduate students who were applying for credit-based loans with Nellie Mae. Their survey found that 78% of undergraduates (aged 18-25) have at least one credit card. Ninety-five percent of the graduate students surveyed had at least one card. Undergraduates carried an average balance of $2,748 while graduate students carried an average balance of $4,776. Nellie Mae also found that of the 78% of undergraduates with a card; 32% have four or more cards; 13% have credit card debt between $3000-$7000; and 9% have credit card debt greater than $7,000 (Nellie Mae, 2000).

THE ADVANTAGES AND RISKS OF CREDIT CARD OWNERSHIP AMONG STUIDENTS

A study conducted by the U.S. General Accounting Office in 2001 found that most college administrators viewed credit card usage by students as something positive. (U.S. General Accounting Office, 2001, June, p. 2) They cited the advantages of using a credit card for establishing credit, medical or family-related emergencies, making travel arrangements and reservations, payment conveniences such as shopping by telephone and the Internet, and cash less transactions (U.S. General Accounting Office, 2001, June, pp. 3, 9). Indeed, the TERI/IHEP report showed that 77% of students used their credit card for routine personal expenses and 67% of students used it for occasional or emergency expenses (The Education Resources Institute, 1998, June, p. 10). The survey also reported that most students used their credit cards responsibly. Many students, 59%, pay off their balances right away. Of the 41% who carry a balance, 81%

pay more than the minimum balance due every month (The Education Resources Institute, 1998, June, p. 11).
However, the disadvantages of owning a credit card can outweigh the advantages, especially for students who have student loans and credit card debt and/or students that charge tuition and fees. The TERI/IHEP survey showed that many students are using their credit cards to pay for education-related expenses such as tuition and fees (12%) and books and supplies (57%). (The Education Resources Institute, 1998, June, p. 10). One in five respondents charged tuition and fees at some time; of these students, 57% paid the balance immediately, and 43% carried over the balance (The Education Resources Institute, 1998, June, p. 12).

The TERI/IHEP survey found a connection between student loan debt and the ownership of credit cards - 33% of the respondents reported having at least one credit card and student loans (The Education Resources Institute, 1998, June, p. 17). Loan recipients were also more likely to carry over credit card balance than non-recipients (The Education Resources Institute, 1998, June, p. 17). The U.S. General Accounting Office survey reports that the average undergraduate student loan debt upon graduation is $19,400 (U.S. General Accounting Office, 2001, June, p. 3). Students who have not adequately planned for their financial future may be unable to handle payments for credit cards, student loans, and living expenses after college. Excessive debt and inability to pay can lead to damaging credit reports that can inhibit future plans such as buying a car or renting an apartment. A poor credit record or high debt can impede a student's chance of finding a job after graduation or result in higher rates for car loans or mortgages. (The State of Iowa, 2000) In extreme cases, high debt levels could lead to personal bankruptcy (U.S. General Accounting Office, 2001, June, p.14).

Besides financial considerations, there are academic and psychological risks associated with students accumulating high debt. According to Iowa Attorney General Tom Miller, an increasing number of students are accumulating high credit card debt with serious long-term consequences (The State of Iowa, 2000). One of those consequences, according to an Indiana University administrator, is an increase in student dropouts due to unmanageable credit card debt (The State of Iowa, 2000). Mr. Miller also argues that excessive debt can lead to psychological problems such as stress, and in extreme cases even suicide. Highly publicized cases of students who committed suicide apparently due to the anxiety related to their unmanageable credit card debt have forced lawmakers, consumer groups, and colleges to take a closer look at this issue. (See Hoover, 2001; Loyal, 2002).

CREDIT CARD SOLICITATION ON CAMPUS

Credit card solicitation on college and university campuses is a common occurrence. The TERI/IHEP study found that 24% of students applied for a card through a campus representative or advertisement. Students also reported applying through the mail (37%) or at a business (36%) (The Education Resources Institute, 1998, June, p. 30).

Some campuses restrict solicitation in some way while state laws mandate other college solicitation policies (U.S. General Accounting Office, 2001, June, pp. 25-26). Meanwhile, numerous colleges and universities form multi-million dollar partnerships with credit issuers, which encourages students to apply for credit. (see Hoover, 2001; Loyal, 2002; Pinto, Parente & Palmer, 2001).

Officials and students have complained that issuers do not significantly inform students about important credit terms such as available interest rates or penalties that are written in disclosure statements. In response, some colleges require credit card issuers to hand out additional materials about credit terms to students. (U.S. General Accounting Office, 2001, June, p. 28).

COLLEGE POLICIES THAT PREVENT STUDENT DIFFICULTIES WITH CREDIT CARDS

William Stanford, the director of financial aid at Lehigh University recommends that campuses inform students as soon as possible about how to use credit responsibly. Additionally, he advises campuses to control solicitations, curtail bookstore promotions, establish a working relationship with the nearest Consumer Credit Counseling Services office (call 800-388-2227 for the nearest location), offer workshops during freshman orientation, provide information via the campus website, communicate with senior class members, inform residence hall counselors, and discourage the use of credit cards for making tuition payments (Stanford, 1999, pp. 15-17). STATE LAWS LIMITING CREDIT CARD SOLICITATION AT HIGHER EDUCATION INSTITUTIONS
Between 1999 and May 2001, at least 24 states enacted legislation to either study the effects of credit cards on college students or to limit credit card solicitation at higher education institutions. Legislators were influenced by parents of college students, student groups, and by negative media portrayals of credit card solicitation on campuses. (U.S. General Accounting Office, 2001, June, p. 53). For a complete list of this state legislation, see Appendix II of the U.S. General Accounting Office's report, "Consumer Finance: College Students and Credit Cards" (U.S. General Accounting Office, 2001, June, pp. 53-66).

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This publication was partially prepared with funding from the Office of Educational Research and Improvement, U.S. Department of Education, under contract no. RR-93-00-0036. The opinions expressed here do not necessarily reflect the positions or policies of OERI or the department. Permission is granted to copy and distribute this ERIC-HE Digest.

Title: Credit Card Usage and Debt among College and University Students. ERIC Digest.
Note: Contains small print.
Document Type: Information Analyses---ERIC Information Analysis Products (IAPs) (071); Information Analyses---ERIC Digests (Selected) in Full Text (073);
Available From: ERIC Clearinghouse on Higher Education, Institute for Education

Policy Studies, Graduate School of Education and Human Development, One Dupont Circle, Suite 630, Washington, DC 20036-1183. Tel: 800-956-7739 (Toll Free); e-mail: eric-he@eric-he.edu. For full text: http://www.eriche.org/digests/2002-1.pdf.
Descriptors: College Students, Credit Cards, Credit (Finance), Debt (Financial), Higher Education, School Responsibility, Student Responsibility
Identifiers: ERIC Digests
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