

## University Students' Knowledge Of Credit And Credit Card Usage

Janie Kenner<sup>1</sup>, Lisa Mize<sup>2</sup>, Phyllis Gilbert<sup>3</sup> and Marie Saracino<sup>4</sup>

College students are a prime target for credit card marketing, which emphasizes feelings of security (Susswein, 1995) and satisfaction of immediate needs and wants (Veigel, 1999). About 61% of students have at least one credit card (Susswein, 1995), and a few have 10 or more (Joo & Grable, 1999; Prepping, 1998). About 50% use their cards for convenience, and 20% use them for emergencies. Students tend to use their first credit card for 10-15 years (Frick, 1997). Undergraduates tend to be a low-income, high-debt group with a relatively tolerant attitude toward debt.

A survey of 360 undergraduate students in a freshman-level resource management course at a regional university was done in fall and spring 2000 to identify (a) number of students with credit cards and their card usage purposes, (b) students' current attitudes toward debt, and (c) consumer knowledge awareness levels prior to and after classroom instruction specific to this topic. Of the students, 70% were females, 58% were 20 to 22 years of age, and 68% had a monthly income of \$750 or less; 55% had at least one credit card in their name, and 45% reported having two to six cards. Most frequent use of credit cards by both genders was for clothing, personal care items, and groceries. Average debt amount was \$500 or less. Students indicated that credit card debt was acceptable because of perceived excellent to good work prospects after graduation.

Significant pre- and posttest differences were found on consumer-based knowledge questions. On the posttest, 72% of the students indicated they knew the interest rate for the credit card they used most frequently; at posttest, 37% of students, compared to 14% at pretest, indicated they knew the amount an individual is legally responsible for if a credit card is lost or stolen. At pretest, 48% of students did not know how long poor payment habits would remain on a credit report; at posttest, 65% answered the question correctly. Also at posttest, 94% of the students correctly answered a question correctly

regarding factors that are most important to lenders when deciding to approve a loan, and 88% answered correctly questions regarding reasons under federal law for denying credit.

Students results indicated that students are in need of consumer knowledge information prior to entering college and incurring credit card debt. Specific information is needed pertaining to interest rates and interest calculation, credit responsibility, monitoring card balance, paying more than minimum payment, and searching for the best long-term interest rate. Students need to realize that credit card use during college years impacts future ability to borrow and acquire additional credit.

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1. Janie O. Kenner, Associate Professor, Department of Human Sciences, Stephen F. Austin State University, SFA Box 13014, Nacogdoches, TX 75962. Phone: 936-468-4502. Fax: 936-468-2140. E-mail: jkenner@sfasu.edu

2. Lisa Mize, Assistant Professor, Department of Human Sciences, Stephen F. Austin State University, SFA Box 13014, Nacogdoches, TX 75962. Phone: 936-468-4502. Fax: 936-468-2140. E-mail: lmize@sfasu.edu

3. Phyllis Gilbert, Lecturer, Department of Human Sciences, Stephen F. Austin State University, SFA Box 13014, Nacogdoches, TX 75962. Phone: 936-468-4502. Fax: 936-468-2140. E-mail: pgilbert@sfasu.edu

4. Marie Saracino, Professor, Department of Human Sciences, Stephen F. Austin State University, SFA Box 13014, Nacogdoches, TX 75962. Phone: 936-468-4502. Fax: 936-468-2140. E-mail: msaracino@sfasu.edu