

CREDIT CARD OWNERSHIP AND BEHAVIOR AMONG TRADITIONAL-AGE UNDERGRADUATES, 2003–04

The U.S. Department of Education's 2003–04 National Postsecondary Student Aid Study (NPSAS) contains valuable information about student use of credit cards. In 2003–04, 56 percent of all dependent undergraduates¹ owned at least one credit card that was issued in their name and was billed to them. Almost one out of four undergraduates carried a balance on their credit card from month to month, with the median debt at \$1,000 (see **Figure**).

Credit Card Ownership. The study shows little variation in credit card ownership by students' family income (see **Table 1**). The only minor difference is that students with family incomes of \$80,000 or more were slightly *more* likely to own a credit card than those with incomes of less than \$40,000 (58 percent versus 54 percent, respectively).

The likelihood of owning a credit card did increase as students progressed through their academic careers. Forty-three percent of first-year undergraduates owned credit cards, compared with 74 percent of fourth- and fifth-year students. Further, students became more likely to hold multiple cards as they advanced through college. In the first year of college, only 8 percent of all undergraduates owned three or more cards. By the fourth or fifth year, 24 percent of students held that many cards.

Credit Card Balances. The majority of student cardholders² paid off their balance each month. Forty-one percent of cardholders carried a balance from month to month, and the median amount these students owed was \$1,000 (see **Table 2**). A minority of students amassed more significant levels of debt. One quarter of students who carried a balance had debt exceeding \$2,500. One quarter of all cardholders reported that their parents helped them pay their credit card bill.

While the study found little difference in credit card ownership by student income, low-income cardholders were more likely to carry a balance than higher-income cardholders. Nearly half of low-income cardholders carried a balance, compared with one-third of upper-income cardholders. However, when students did carry a balance, there was no significant difference by income level in the amount of debt they had amassed.

The likelihood of carrying a balance and the amount that students owed both increased with students' academic level. Thirty-seven percent of first-year students who owned cards carried a balance, versus 48 percent of fourth- or fifth-year student card owners. The median amount of debt these students carried ranged from \$790 for first-year students to \$1,579 for fourth- or fifth-year students. This difference may reflect the

¹ Only dependent students were asked about their credit card use, so all references in this issue brief to students refer only to dependent undergraduates. Undergraduates who are age 24 or younger and are unmarried, have no children, and are not either veterans or wards of the court are considered dependent. Their parents' income is considered when calculating their eligibility for financial aid. Half of all undergraduates are dependent students.

² The term "cardholder" refers only to students who own a card in their own name that is billed to them. It excludes students who use a card that was issued to their parents.

common practice among card issuers of increasing the amount that consumers may borrow after they have been customers for a given period. Of course, it also likely reflects increased demand for credit as students advance through college.

Credit Card Use. The only question included in NPSAS about credit card use relates to tuition. Approximately one out of four students with a credit card had used it to pay for tuition. Many of these students may have used the card as a matter of convenience, given that most institutions have online course registration systems. However, students who charged their tuition to a credit card were more likely than other card holders to carry a balance from month to month. Fifty-five percent of card holders who had charged their tuition carried a balance from month to month, versus 38 percent of card holders who did not charge their tuition. This may reflect greater financial savvy among the latter group, as there are several lower-cost options for paying tuition, including student loans and tuition payment plans. Students who chose these options also may have been more likely to pay off their credit card each month. Alternately, students who charged their tuition and then carried the balance may have exhausted these lower-cost options.

Credit Cards and Student Loans. Interestingly, students with credit cards were not significantly more or less likely to borrow student loans than those who did not have a credit card. Students who carried a balance on their card were somewhat more likely to have also borrowed a federal student loan than those who paid off their credit card balance each month (42 percent versus 34 percent), suggesting that these students may have turned to credit cards to augment what they had borrowed through student loan programs.

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Figure: Credit Card Ownership and Behavior of Traditional-Age Undergraduates: 2003–04

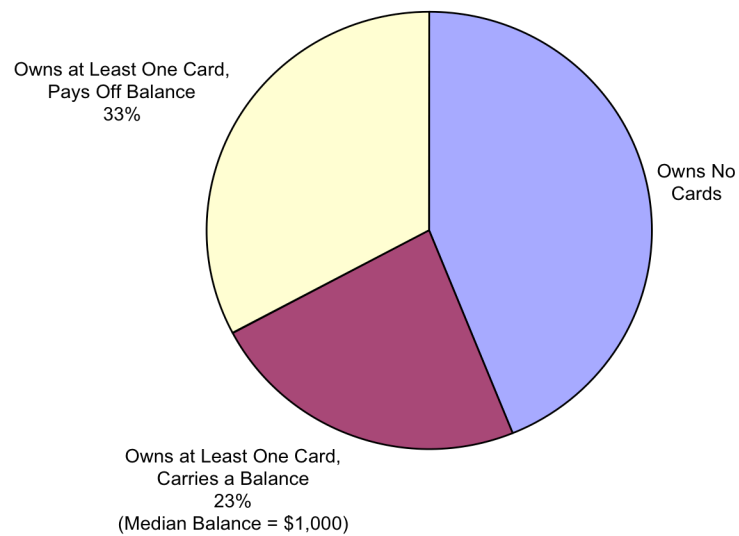


Table 1. Credit Card Ownership Among Dependent Students, by Family Income and Academic Level: 2003–04

	Owns No Cards (%)	Owns One or Two Cards (%)	Owns Three or More Cards (%)	Owns Any Cards (%)
All Dependent Undergraduates	44	42	14	56
Family Income				
Less than \$40,000	46	39	15	54
\$40,000 to \$79,999	44	41	15	56
\$80,000 or more	42	45	13	58
Class Level				
First-year undergraduate	57	35	8	43
Second-year undergraduate	44	42	14	56
Third-year undergraduate	36	46	19	64
Fourth- or fifth-year undergraduate	26	51	24	74

Table 2. Credit Card Debt Among Dependent Student Cardholders, by Family Income and Academic Level: 2003–04

	Carries a Balance	Median Balance
	(%)	(\$)
All Dependent Cardholders	41	1,000
Family Income		
Less than \$40,000	48	1,000
\$40,000 to \$79,999	43	1,000
\$80,000 or more	33	1,000
Class Level		
First-year undergraduate	37	790
Second-year undergraduate	40	956
Third-year undergraduate	42	1,100
Fourth- or fifth-year undergraduate	48	1,579