

Usage of Credit Cards Received Through College Student-Marketing Programs

By John M. Barron and Michael E. Staten

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The authors note that five credit card issuers contributed the data used for this study, but did not have a direct influence on the reporting of the study's results.

This article provides benchmark measures of college student credit card usage by utilizing a pooled sample of over 300,000 recently opened credit card accounts. The analysis compares behavior over 12 months of account history for three groups of accounts: those opened by young adults through college student marketing programs; those opened through conventional marketing channels by young adults ages 18-24; and those opened through conventional channels by older adults. Results indicate that student-marketed accounts have smaller balances, lower credit limits, and lower utilization rates than accounts opened by the other groups. Student accounts are more likely to be delinquent and have a higher likelihood of charge-off, but both the delinquency and charge-off rates for student accounts and non-student-marketed accounts of young adults converged within 24 months. These findings are consistent with card issuers' statements that they establish student accounts with relatively low credit limits expecting that the large majority of new, young cardholders will learn how to manage a credit card, establish a credit history, and become longer-term customers.

In the fall of 2000, the U.S. Government Accountability Office (GAO) proposed to conduct a study of college student credit card behavior using samples of accounts from major card issuers with student credit card marketing programs. This account-level empirical study was to be part of the GAO's response to a request from members of Congress to examine a variety of issues that pertain to college students, credit card marketing, and student credit card usage. Concern over credit card marketing practices used in soliciting college student accounts led to proposed legislation at both the state and federal levels that would restrict card marketers. The members of Congress who requested the study specifically asked the GAO to gather information about whether students managed their cards and debt differently from non-student account holders.

In June 2001, the GAO issued a preliminary report on college student card usage that reviewed the findings from three existing surveys of student card usage and reported the results from the GAO's interviews with card issuers, campus administrators, and others regarding card marketing practices (GAO 2001). The three surveys of student card usage (The Institute for Higher Education Policy 1998; Nellie Mae 2000; Student Monitor 2001) employed different sampling methods, and each produced dramatically different results on card holdings and outstanding balances. For example, the Student Monitor

survey of 1,200 undergraduates reported an average monthly balance per card of \$577 for students who carried a balance in 2001 (GAO, 2001). Student Monitor also found that students owned 1.55 cards on average, which implies a total credit card debt of \$894 per student (Student Monitor, 2001). In contrast, the Nellie Mae survey of 256 undergraduates conducted one year earlier reported an average total credit card debt of \$2,748 (GAO, 2001) for cardholders who carried a balance.

To derive a more representative database of objective (rather than self-reported) data, the GAO initiated discussions with nine major credit card issuers who expressed willingness to participate in a study of account performance data comparing college students with other groups (GAO, 2001). In a letter inviting issuers to participate (GAO, letter to major credit card issuers, October 2000), Thomas McCool, managing director for financial markets and community investment for the GAO, emphasized the importance of compiling representative account-level data. He noted that “In recent years the media have presented anecdotal reports of college students who have mismanaged their credit cards. Although sound surveys of college student credit card use have been conducted, we think that an analysis of card data maintained by card issuers would help determine whether or not college students manage their cards any differently than other card users and the extent to which college student credit card debt may or may not be a problem. Such information would help inform any public debate about college students and their credit cards.” However, following the release of its preliminary report in 2001, the GAO’s plans for further study were tabled, apparently because of lack of sufficient government funding.

Nevertheless, a group of five card issuers continued discussions regarding the merits and logistics of a study of pooled, account-level data. These five companies were among the top 15 general-purpose credit card issuers in the United States, as ranked by managed card receivables at the end of 2000 (Faulkner and Gray, 2002). They agreed to provide samples of accounts to a third-party institution that would merge the datasets and produce an analysis of the pooled account data that would mirror the GAO’s proposed study plan.

In fall 2001, the five issuers provided large samples of recently opened accounts for analysis by the Credit Research Center. To comply with applicable privacy laws, each issuer stripped personally identifiable information from all accounts prior to shipment. The subsequent analysis followed the GAO’s study plan in scope (i.e., the range of cardholder behaviors examined) and shared its focus on comparing the activity of recently opened college student accounts with the activities of cardholders with accounts opened recently through conventional (non-student) marketing programs.

An analysis of card data maintained by card issuers would help determine whether or not college students manage their cards any differently than other card users and the extent to which college student credit card debt may or may not be a problem.

This article presents results from the analysis of the pooled card issuer database. Account usage is compared across three groups of cardholders. The first group, “students,” contains individuals identified by the participating companies as opening an account through the issuers’ college student marketing programs. These programs generate new student accounts either on campus, in a branch of a financial institution, or through various direct marketing channels, depending upon the issuer. The second group, “young adults,” contains individuals who were 18 to 24 years old at the start of the observation period and had not opened their account through a college student-marketing program. The third group, “older adults,” contains individuals who were 25 years old and older at the start of the observation period and had not opened their account through a college student-marketing program. In a concluding section we compare these new results with findings of previous studies of college student card usage.

The Data: Identifying a Representative Sample of Active Accounts

Random samples of credit card accounts were obtained from participating card issuers, each of which had a college student credit card program as part of their total card portfolio. At the outset of discussions with the participating issuers, it was clear that a simple comparison of student versus non-student accounts drawn randomly from the entire portfolio could be misleading because accounts identified as originating through student marketing programs (and subsequently tracked while the cardholder was still a student) were necessarily recent. Consequently, several issuers chose a random sampling design that drew only from recently opened accounts, and stratified the sample by young-adult student-marketed accounts; young-adult, non-student-marketed accounts; and older adult, non-student-marketed accounts.

Other issuers provided a sample randomly drawn from all accounts in the issuers’ portfolio, but included identification of student-marketed accounts, the date each account was opened, and the birth date of the account holders. This allowed the researchers to identify recently opened accounts by type of account, and cardholders by age. The pooled sample is restricted to accounts open two years or less at the start of the observation period.

Each account record contains the activity history over a 12-month observation period. A common feature across the companies’ samples is the existence of accounts with no recorded activity during the observation period, even though such accounts are considered “open” by the issuers. Such dormant or “inactive” accounts may reflect a credit card being held in reserve by cardholders for an emergency, or credit cards that have been discarded or destroyed by cardholders without the companies being notified. The incidence of inactive cards varies substantially across companies, suggesting differences in

companies' policies regarding the retention of open accounts. The largest variance occurs in the "student" card segments of the companies' samples, ranging from a low of 2.7% inactive accounts to a high of 46.5% across the participating card issuers.

Given the significant presence of inactive accounts, it became clear that any discussions in the literature of student credit card usage that are based solely on the number of credit cards owned (i.e., number of open accounts) would likely overstate—perhaps substantially—the actual use of credit cards. To maintain comparability across companies and account types and thus avoid potential bias in statistics such as delinquency rates, we restrict the analysis in the following sections to active accounts. Active accounts are defined as accounts being used, i.e., those with at least one instance of charge activity, payment, positive balance or some other posting of activity during the observation period.

The result is an analysis dataset containing more than 300,000 unique credit card accounts, each of which contains a year's worth of monthly observations, yielding about 3.7 million total monthly observations. Weights were calculated to reflect the relative size of each issuer's portfolio in the pooled group. The weights yield a database of the 12-month experience of more than 300,000 accounts that is representative of accounts that were opened at major credit card issuers during the period from mid-1998 through early 2000 and were active during 2000-2001. The weighted distribution of accounts by cardholder group is 75.9% older adult accounts, 7.1% young adult accounts, and 17.0% student accounts.

Table 1 displays the mean and median ages of individuals in the three groups at two points in time. It is important to note that classification of an account as belonging to a "non-student young adult" or "non-student older adult" does not necessarily mean that the cardholder was not a student at the time the account was opened. It simply indicates that the account was generated through the issuer's general marketing programs

Table 1
Mean and Median Ages of Accountholders by Account Type

Account Type	Cardholder Age at Account Opening		Cardholder Age at Start of Observation Period	
	Mean	Median	Mean	Median
Student Accounts	21.2	19.9	22.1	20.9
Young Adult, Non-student Accounts	21.3	21.4	22.1	22.3
Older Adult, Non-student Accounts	42.6	40.8	43.4	41.7

Source: Georgetown University Credit Research Center, Pooled Cardholder Database, 2001

and not through its college student program. Depending upon the issuer, this may or may not have implications for the account terms (e.g., finance charges and late payment fees) and handling during delinquency. In all cases, we only know the age of the cardholder and the type of channel through which the card was acquired. We do not know whether the non-student “young adult” or “older adult” cardholders were currently or ever college students, nor do we know whether cardholders in the “student” group are still enrolled in college.

Two additional caveats should be noted about the database. First, because the underlying data derive from specific accounts sampled by the participating issuers, the dataset does not provide a comprehensive picture of the total credit card debt or number of credit cards held by each account holder in the sample. For some card holders, the sampled account may be their only general-purpose credit card. For others, the sampled account may be one of several owned, and possibly one of several issued by the same company.

Second, because the data represent the pooled accounts of several large issuers, the resulting statistics do not represent the portfolio characteristics or performance of any single issuer.

Results

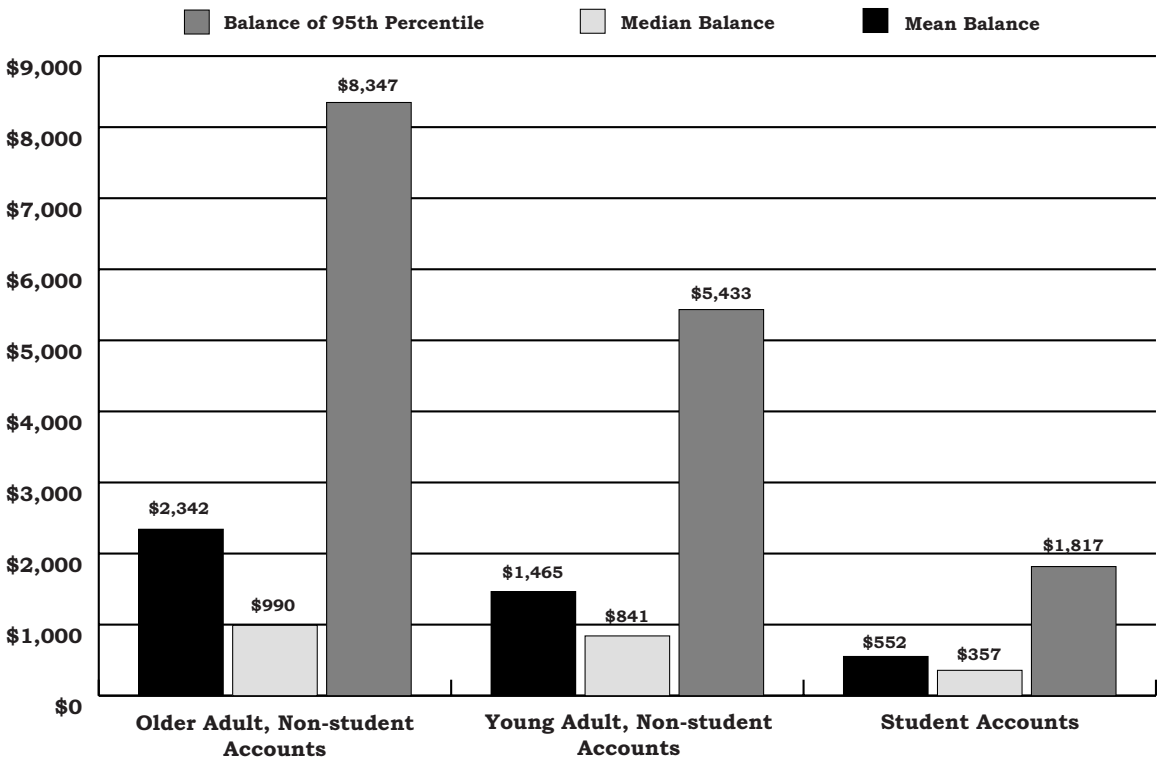
Account Balances, Limits, and Usage Rates

One important feature of student credit card accounts is that they are substantially smaller than non-student accounts in terms of current balances and credit limits. Figure 1 illustrates that the average balance of an active student credit card account in a given month (\$552) is approximately one-third the size of the average balance for active non-student young adult accounts (\$1,465) and one-fourth the size of active accounts for older adults (\$2,342). The substantially smaller balances for student accounts reflect, in part, dramatically lower credit limits for such accounts.

Figure 2 indicates that the mean credit limit for student accounts is less than 40% of the mean for non-student accounts of young adults and less than 20% of the mean for adult accounts. Such a difference holds even for accounts with relatively high limits in each group. For instance, older adult accounts in the 95th percentile in terms of credit limits have a limit of \$15,800, while student accounts in the 95th percentile in terms of credit limits have a limit of \$3,500.

Even though credit limits are substantially lower for student accounts than for the other groups, the student account mean utilization rate (i.e., outstanding balance as a percent of account limit) is still below 50%. Specifically, across the 12-month observation period for each account, the mean utilization rate is 45% for student accounts, compared with 36% for older adults and 46% for non-student accounts of young adults. However, as credit limits rise, student utilization falls more rapidly than for the other groups. Figure 3 indicates that for

**Figure 1
Balances by Type of Account**



Source: Credit Research Center, Pooled Cardholder Database, 2001

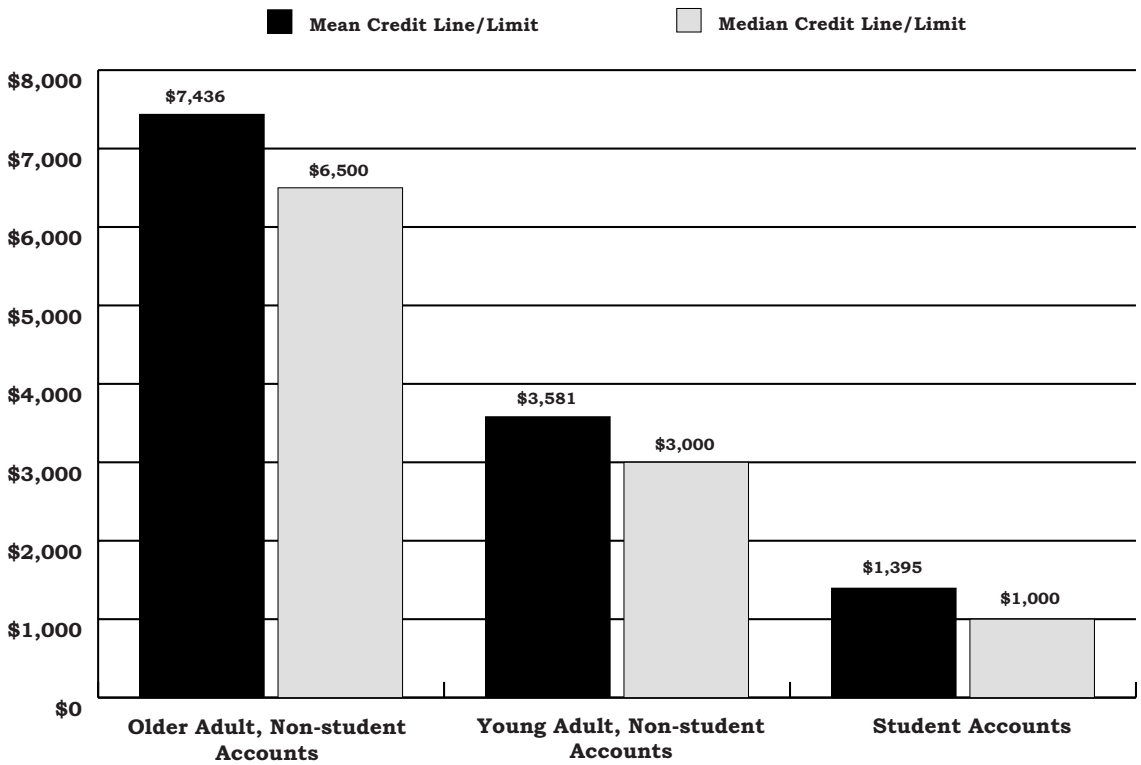
accounts with credit limits above \$1,000, student account utilization rates are the lowest of the three groups.

Given the combined factors of substantially lower credit limits and relative inexperience with handling credit cards among college student account holders, it is not particularly surprising that a higher proportion of student accounts have balances that exceed their limits, compared with the other groups. About 12% of student accounts are fully utilizing their credit lines (i.e., at or over the account limit), versus about 11% of young, non-student accounts and slightly fewer than 5% of older adult accounts. Additional evidence suggests that this is largely attributable to the low credit limits for student accounts. Figure 4 indicates that students with larger credit limits (above \$1,000) are less likely to be over their credit limits than the other account groups.

Card Usage: Charges, Cash Advances, and Paying the Full Balance

There are a number of ways to measure differences in monthly credit card usage across the three categories of active account

**Figure 2
Credit Limits by Type of Account**



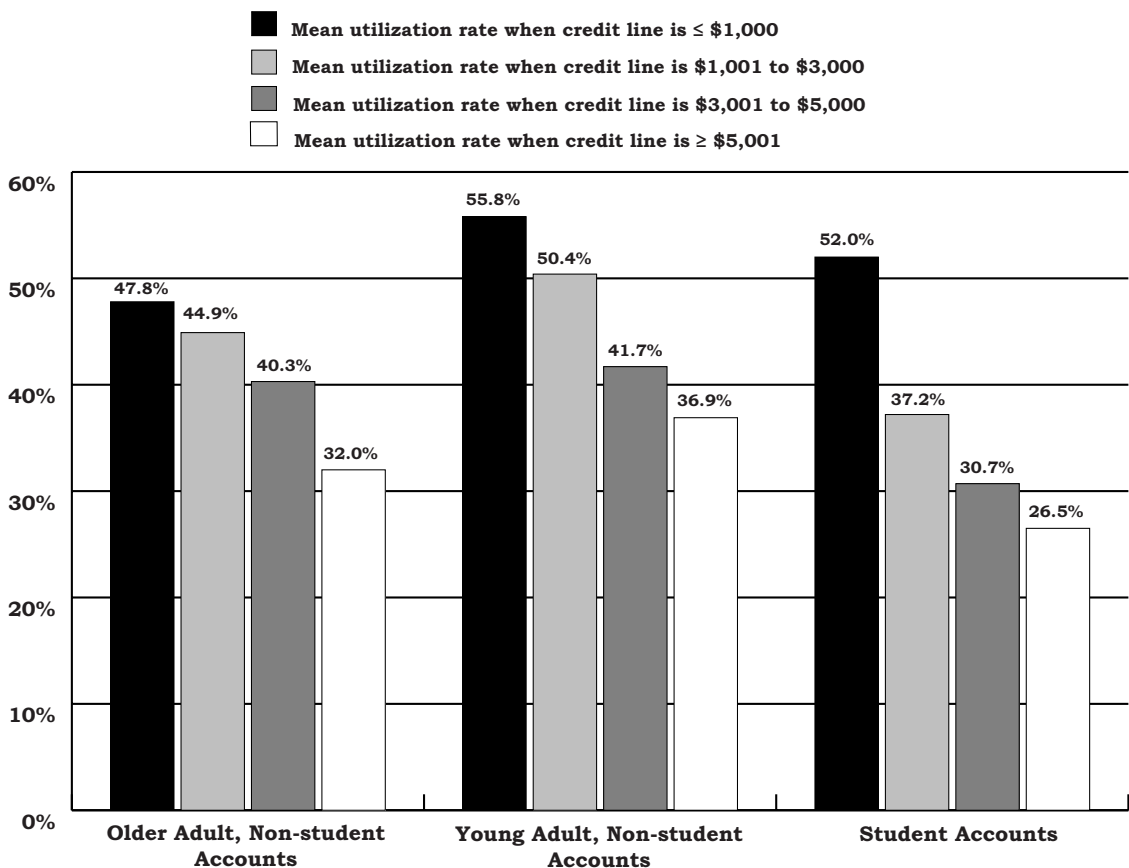
Source: Credit Research Center, Pooled Cardholder Database, 2001

holders. At the outset, it should be noted that in any given month, 77.1% of active student accounts have a positive balance. This does not mean a balance that has been revolved—it simply indicates a positive balance reported on the cardholder’s statement. This figure is similar to the 75.4% of older adult accounts with balances and 81.2% for young adult, non-student accounts.

One reason an active account may have a zero balance in a given month is if the account holder pays off a prior balance in full before the due date and does not use the card for charges or cash advances in the subsequent month. In fact, among accounts with positive balances, student account balances are the most likely to be paid in full in the next month. More than 22% of the student accounts with positive balances in the prior month have a payment that equals the prior balance, compared with less than 19% for older adult accounts and about 17% for young adult non-student accounts.

Further, student accounts are substantially less likely to be used for cash advances. Only 6.4% of student accounts report a cash advance in a given month, compared with about 11% for each of the other types of accounts. On the other hand,

Figure 3
Credit Card Utilization by Size of Credit Line and Type of Account



Source: Credit Research Center, Pooled Cardholder Database, 2001

student accounts, like young adult non-student accounts, are more likely than older adult accounts to show a purchase in a given month. About 48% of the student accounts have a new charge each month, which is slightly higher than the rate for young adult non-student accounts (47.6%) and significantly higher than the 42% charge rate for older adult accounts.

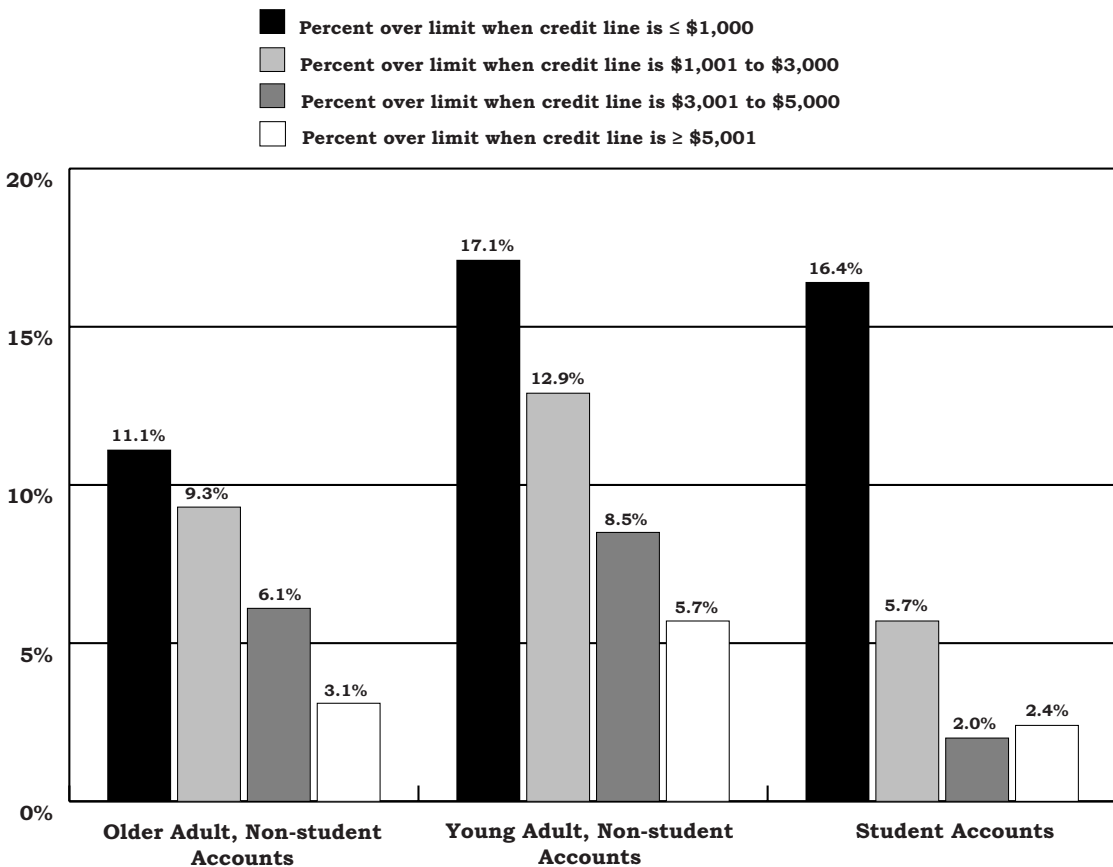
Although a higher percentage of student accounts show use of the card in a given month relative to the other two groups, the dollar amounts of monthly charges and cash advances on student accounts are significantly smaller, due in part to their smaller credit limits. On average across all months (including those with zero charge activity), student account holders charge \$111 per month, compared with \$182 for young adult non-student accounts, and \$324 for older adult accounts.

For those with the highest credit card usage in each account category, the difference is even greater. For instance, the 95th percentile of monthly charges across all student accounts

is \$594, with only 5% of student accounts registering charges greater than \$594 in an average month. In contrast, the 95th percentiles of monthly charge amounts for older adults and young adult non-student accounts are \$1,974 and \$1,044, respectively.

Figure 5 shows that a student account is less likely to incur finance charges in a given month, but more likely to incur late or over-credit-limit fees. Specifically, only 55.5% of student accounts incur finance charges in a given month, while 57.8% of older adult accounts and 64.5% of young adult non-student accounts incurred such charges. On the other hand, 18.4% of student accounts are assessed fees in a given month, similar to 18.1% of young adult non-student accounts but significantly higher than the 12.5% of older adult accounts. Much of the difference results from both student and young adult

Figure 4
Percentage over Credit Limit by Size of Credit Line and Type of Account



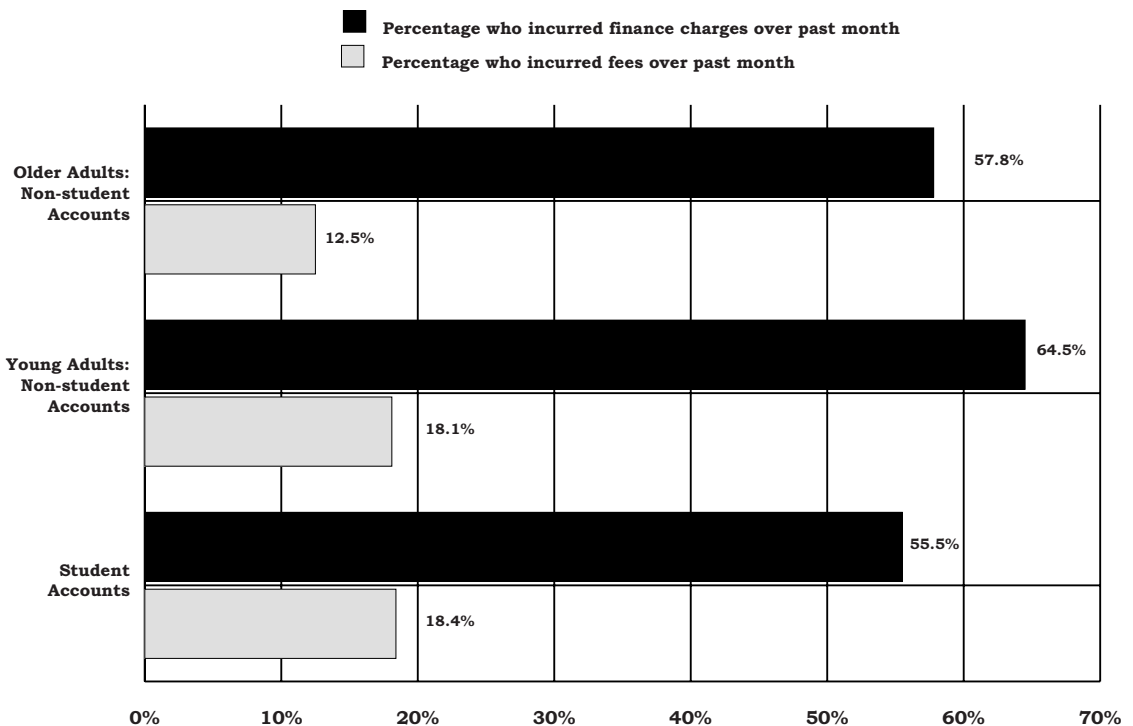
Source: Credit Research Center, Pooled Cardholder Database, 2001

accounts being twice as likely as older adult accounts to have balances that exceed their credit limits in a given month.

As with charge volume and cash advances, the dollar amount of finance charges for student accounts is substantially below that for other types of accounts, due to their smaller card balances and limits. For instance, the 95th percentile of finance charge amounts across student accounts in a given month is \$26. In other words, 95% of students incur finance charges less than or equal to \$26 in a given month. On the other hand, the 95th percentiles of finance charge amounts for older adult and young adult non-student accounts are \$111 and \$74, respectively.

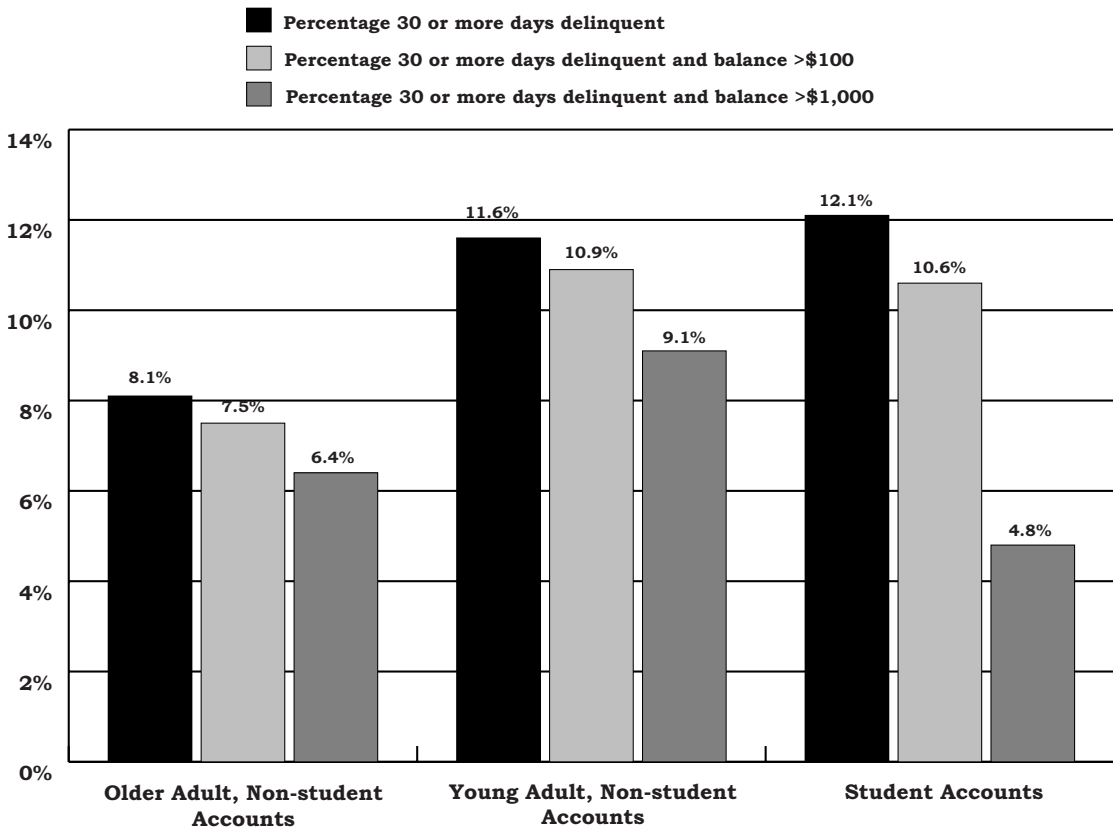
Delinquency Rates, Charge-offs, Dollars at Risk, and Revenues
 Delinquency rates for both groups of young card holders are substantially higher than for older adult account holders. Figure 6 reveals that, in the average month, 12.1% of student accounts are delinquent 30 days or more, versus 11.6% for young adult non-student accounts and 8.1% for older adult accounts.

Figure 5
Percentage Who Incur Finance Charges or Fees in a Given Month
by Type of Account



Source: Credit Research Center, Pooled Cardholder Database, 2001

Figure 6
Delinquency Rates by Size of Balance and Type of Account

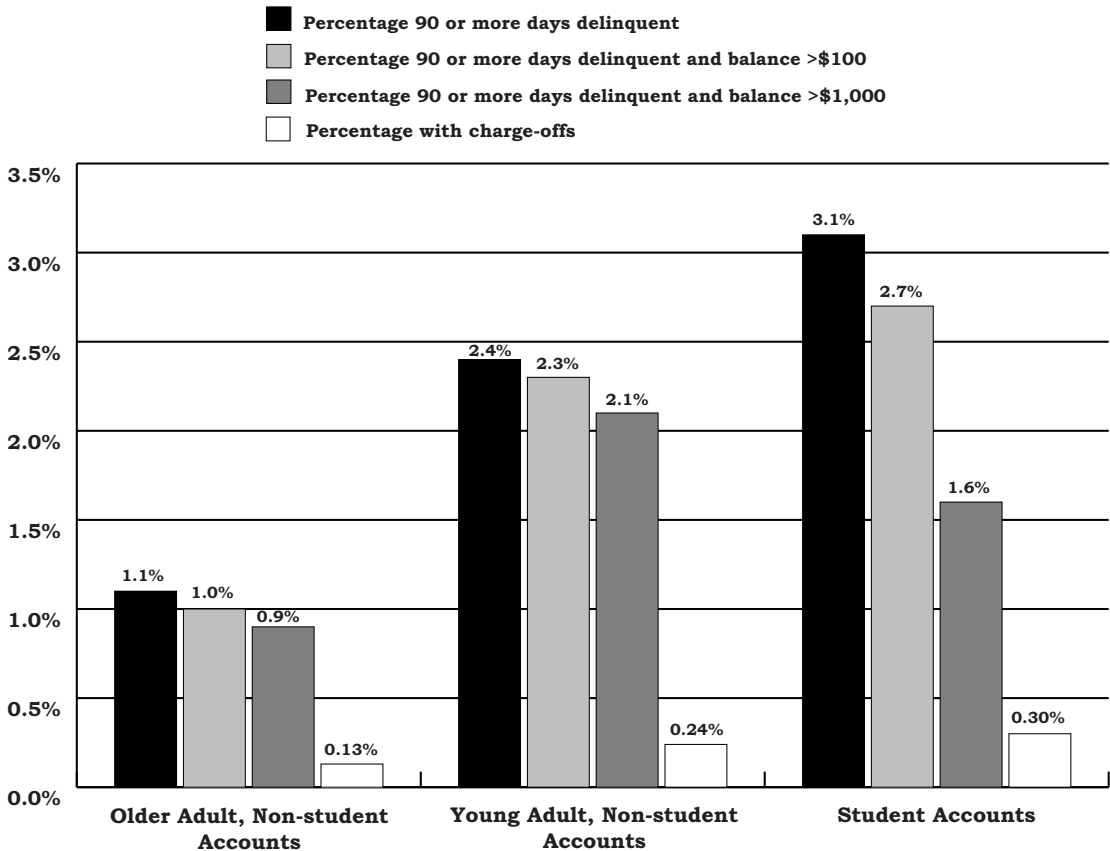


Source: Credit Research Center, Pooled Cardholder Database, 2001

However, Figure 6 also indicates that the incidence of delinquency on accounts with larger balances (i.e., outstanding balance greater than \$1,000), as a percentage of all accounts held by a group, is lower for students than for the other two groups of account holders. Put another way, 40% (4.8 as a percentage of 12.1) of all delinquent student accounts involve an outstanding balance greater than \$1,000. By comparison, 78% of delinquent young adult non-student accounts and 79% of delinquent older adult accounts involve an outstanding balance greater than \$1,000. Of course, this is due in part to the lower frequency of student accounts with balances greater than \$1,000.

With respect to the incidence of more serious delinquency, Figure 7 indicates that the 90-day delinquency rate of student accounts (3.1%) is nearly triple that of older adults and 29% higher than that of non-student young adults. However, student account delinquency falls sharply on accounts with outstanding balances above \$1,000. Only 1.6% of all student accounts in a given month are 90 or more days delinquent *and*

Figure 7
Serious Delinquency and Charge-off Rates
by Size of Balance and Type of Account

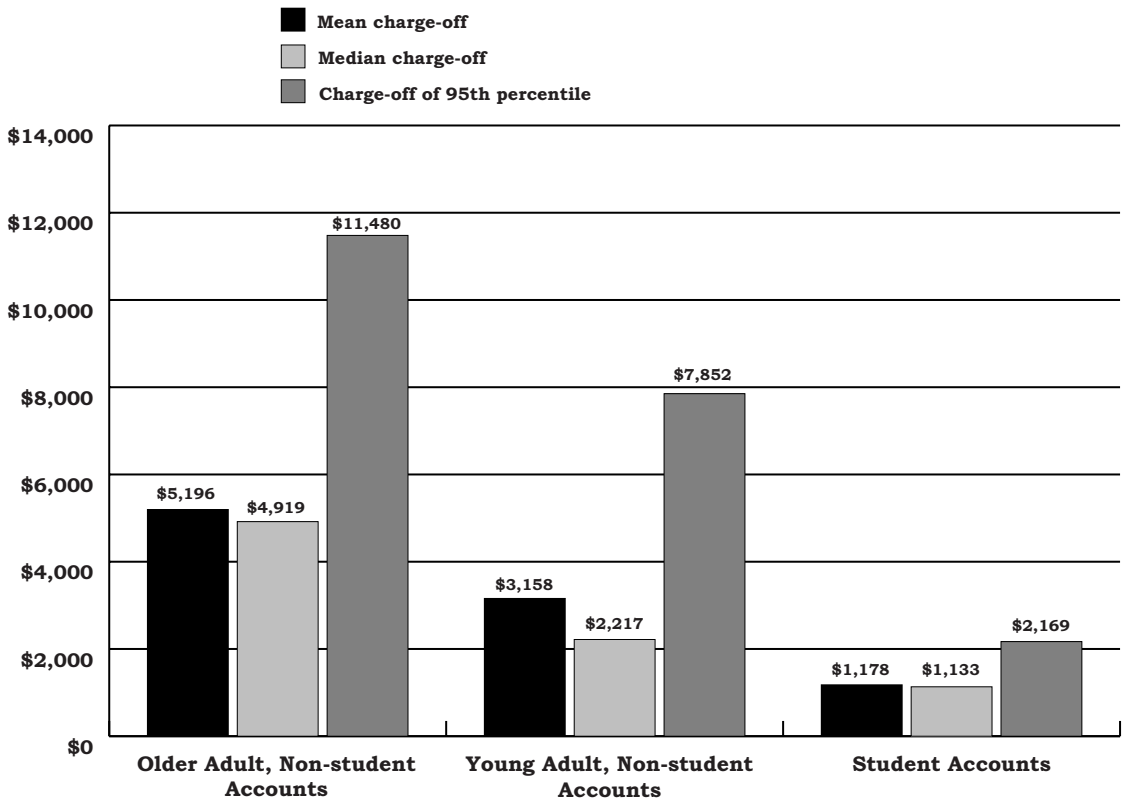


Source: Credit Research Center, Pooled Cardholder Database, 2001

have an outstanding balance greater than \$1,000. This is below the rate for young non-student accounts (2.1%), although it is nearly twice the rate for older adults (0.9%).

Over the 12-month observation period, charge-offs occurred for 2% of all accounts. By account category, charge-offs occurred for 1.6% of older adult accounts, 2.8% of young adult non-student accounts, and 3.6% of student accounts. Figure 7 displays these data in terms of monthly rates. Figure 8 displays the size of charged-off balances. Given the substantially smaller balances and lower credit limits on student accounts, large charge-offs are not common in this group. The median charge-off for student accounts is \$1,133, which is 51% of the median charge-off for young adult non-student accounts (\$2,217), and only 23% of the median charge-off for older adult accounts (\$4,919). Even at the 95th percentile for charge-offs, student account charge-offs are \$2,169, which is 28% of the 95th percentile of charge-offs for young adult non-student accounts

Figure 8
Size of Charge-offs by Type of Account, for Those with Charge-offs



Source: Credit Research Center, Pooled Cardholder Database, 2001

(\$7,852), and less than one-fifth the size of older adult charge-offs in the 95th percentile (\$11,480).

Focusing only on charge-offs over \$2,000, we find that such charge-offs occurred for 1.2% of older adult accounts, 1.6% for young adult non-student accounts, but for only 0.2% of student accounts over a one-year observation period. If we consider charge-offs that exceed \$5,000, student account losses are even more rare. For every 10,000 accounts of each type, the dataset indicates there would be 77 adult accounts with charge-offs exceeding \$5,000 during a one-year period, 58 such charge-offs for non-student accounts of young adults, but only 2 charge-offs for student accounts.

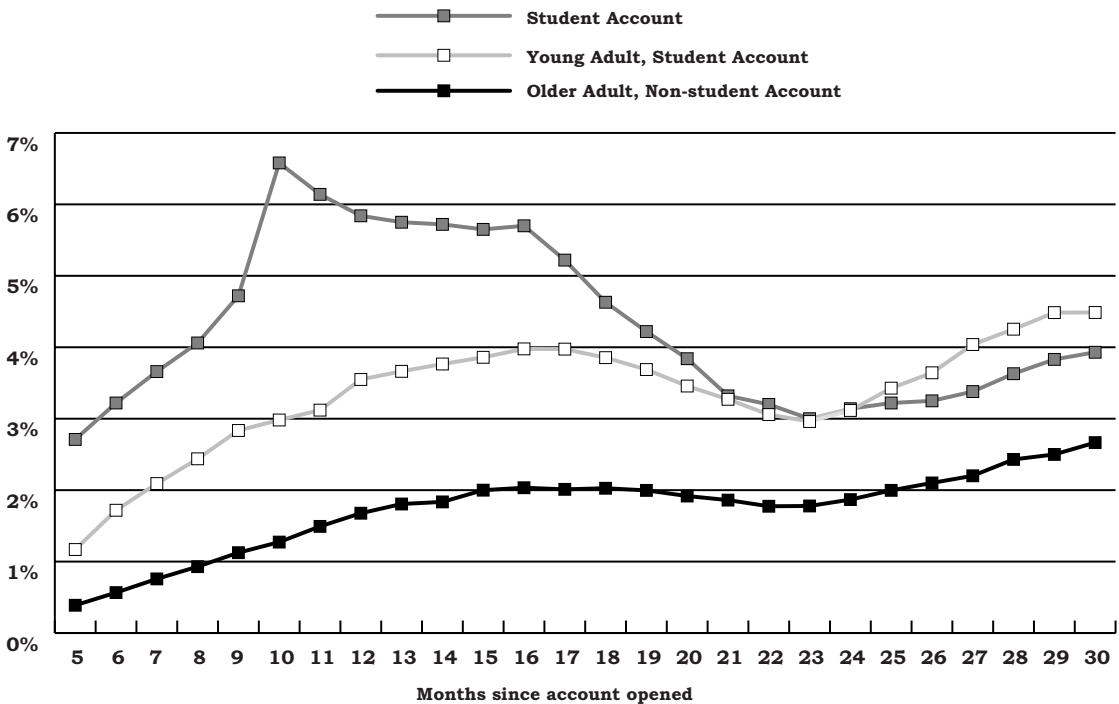
Over time, the performance rates of student accounts become similar to those of young adult non-student accounts. Figure 9 illustrates the 90+ day delinquency rates for the three types of accounts by the number of months since the account was opened. Note that the high delinquency rates for student accounts relative to other young adult accounts occur within the first two years that the account is open. However, by the end

of the second year, the delinquency and likelihood of charge-off for student accounts is similar to other accounts opened by card holders under age 25.

Comparison of Results to Prior Studies of Student Cardholders

In its June 2001 report, the GAO examined evidence from two prior survey-based studies that had used representative national samples of college students and their credit card experience. One study was conducted in 1998 by The Institute for Higher Education Policy (IHEP) and funded by The Education Resources Institute (TERI). The other was the latest available installment (2001) in a series of annual marketing research surveys conducted by Student Monitor, a market research firm. Both studies drew statistically valid samples that were representative of a broad college student population in the United States, but were based on interviews with students. Consequently, all data on card holdings, balances, usage, and payment history are based on self-reported answers to the survey questions. Such data can be useful, but should be treated with some caution. On the one hand, survey responses are a unique source of information on such questions as how and when students first receive their

**Figure 9
Delinquency Rates of 90 Days or More on Active Accounts,
By Number of Months Since the Account Opened**



Source: Credit Research Center, Pooled Cardholder Database, 2001

credit cards and their general attitudes toward card usage. On the other hand, self-reported data, especially on sensitive questions such as amount of debt owed, is subject to well-known limitations arising from respondents' memory lapses, poor estimates, and underreporting. Neither study reported the response rates on interview requests, so it is not possible to gauge the degree of self-selection bias. Furthermore, neither of the studies collected detailed data on the delinquency experience for student cardholders.

The GAO also reviewed a third study of student credit card usage that was conducted by Nellie Mae, a company specializing in federal and private education loans for undergraduate and graduate students. Nellie Mae has published three such studies, beginning in 1998, and the second installment (published in 2000) was available to the GAO for its analysis. The primary advantage of the Nellie Mae studies is their usage of credit report data to derive student credit card holdings and balances. This feature eliminates the biases that accompany self-reported responses.

However, as the GAO noted, the primary disadvantage of all of the Nellie Mae surveys of student card usage is that they do not use samples representative of all college students. For each of its studies, Nellie Mae draws its sample from its pool of applicants who applied for credit-based student loans. The financial profile (and card usage) for this subset of college students may not be representative of all college students because 1) these students applied for student loans, and 2) they applied for credit-based loans, meaning that they (or their families) either do not qualify for federally subsidized loans or have already borrowed as much as allowable under the federal loan programs. For this reason, it is not surprising that the Nellie Mae studies consistently find a higher incidence of credit card ownership and higher balances than other studies more representative of the undergraduate student population. The Nellie Mae results may be entirely representative of the specific subgroup of student loan applicants that use their products, but the resulting debt levels should not be generalized to the entire student population.

This point is reinforced by a comparison of results from Nellie Mae's 2000 student credit card usage report and the authors' recent analysis of credit report data from a large sample of college student credit card applications received by a major U.S. credit card issuer. The Nellie Mae study drew a random sample of 256 18- to 25-year old undergraduates who applied for credit-based student loans during 2000 and had credit bureau files. In order to evaluate the Nellie Mae findings, we obtained access to a database of about 200,000 college students' credit card applications generated by a major card issuer's college student marketing campaign. The database covered a 12-month period from November 1999 through October 2000,

Self-reported data, especially on sensitive questions such as amount of debt owed, is subject to well-known limitations arising from respondents' memory lapses, poor estimates, and underreporting.

which is approximately the same time period used in the Nellie Mae study. The database we used excluded applications from students who did not have a credit bureau file. The analysis discussed below is based on our random sample of 50,000 applications from the issuer's database. Because it reflects only one company's application experience, this database is not necessarily representative of all student card applicants. However, the large size of the database provides a useful profile of college students who are the objects of marketing programs by major credit card companies.

Table 2 compares student card holdings based on the Nellie Mae study and the application experience of the major student card issuer. The comparison is constrained somewhat by the limited detail provided in the Nellie Mae report. In particular, the Nellie Mae report did not subdivide responses by age of the student.

Two important points emerge from Table 2. First, the card issuer database illustrates that both card holdings and account balances increase sharply as student age rises. Second, it is clear that the student loan applicants who comprise the Nellie Mae sample have substantially higher credit card debt than the average student credit card applicant. Students in the

Table 2
Comparison of Student Credit Card Holdings Based on Credit Bureau Data

	Nellie Mae, 2000	Major Card Issuer Applications, 1999-2000*
Number of Credit Card Accounts		
Undergraduate student loan applicants, age 18-25	3	
Student credit card applicants, age 18-20		1.84
Student credit card applicants, age 21-24		3.15
Student credit card applicants, age 25+		4.77
Student credit card applicants, overall		2.77
Mean Total Balance across All Revolving Accounts		
Undergraduate student loan applicants, age 18-25	\$2,748	
Student credit card applicants, age 18-20		\$ 736
Student credit card applicants, age 21-24		\$1,403
Student credit card applicants, age 25+		\$3,423
Student credit card applicants, overall		\$1,435
Median Total Balance across All Revolving Accounts		
Undergraduate student loan applicants, age 18-25	\$1,236	
Student credit card applicants, age 18-20		\$ 106
Student credit card applicants, age 21-24		\$ 416
Student credit card applicants, age 25+		\$ 733
Student credit card applicants, overall		\$ 260
Sample Size	256	50,000

*Credit bureau-based data provided to the authors from student credit card applications to a single major card issuer during the 12-month period from November 1999 through October 2000.

Nellie Mae sample have an average total credit card debt of \$2,748, compared with an average total credit card debt (based on the much larger card-issuer database sample) of \$736 for student card applicants age 18-20, and \$1,403 for student card applicants age 21-24. Only student card applicants over age 25 in the card-issuer sample had higher total credit card balances (\$3,423) than those in the Nellie Mae student loan applicant pool. This result strongly suggests that the Nellie Mae sample of applicants for credit-based student loans is not typical of the general student population.

Which of the prior studies of student credit card usage provides the best benchmark for comparison with the results displayed in the previous section? Because the IHEP study was based on interviews conducted in 1998, the responses are somewhat dated for purposes of comparing dollar balances and charge activity with the results from the pooled card issuer database. Because the Nellie Mae study is based on a particular subgroup of college students who have applied for credit-based student loans, it produces statistics on outstanding credit card balances that are consistently higher than for a broader, more representative sample of undergraduates.

Consequently, although it uses self-reported responses, the 2001 Student Monitor survey most closely matches the methodology and observation period that characterize our sample. The Student Monitor respondent base consisted of 1,200 full-time undergraduate students (600 men, 600 women) enrolled at four-year colleges and universities throughout the United States.

Table 3 compares values on selected variables from our sample to the student responses from the March 2001 Student Monitor interview period. For those cards with a balance, the mean, self-reported balance per card in the 2001 Student Monitor study was \$531, compared to \$718 in the Credit Research Center Pooled Cardholder Database. Sixty-five percent of student respondents in the Student Monitor study reported that they typically paid their balance in full each month; by comparison, the pooled-sample indicated that only 44.5% of active student accounts do not incur a finance charge in an average month. In the Student Monitor survey, students reported credit limits that were substantially higher than those found in the pooled sample. The mean self-reported limit per card was \$2,322, compared with the pooled-sample experience of \$1,395.

A difference in the opposite direction appears with respect to reported monthly charge activity. The Student Monitor respondents reported an average of \$169 in credit transactions per card, while the pooled sample revealed an average of \$231 per card for those with any charge activity.

Although the pooled-sample database includes extensive information on student account delinquencies, the Student

The 2001 Student Monitor survey most closely matches the methodology and observation period that characterize our sample.

Monitor survey contains only a very limited set of questions related to late payments. When the Student Monitor survey asked students if they had ever been charged a late payment fee, 31.8% of students said yes; of these respondents, 56.4% said they had been charged a late fee more than once. Unfortunately for comparative purposes, the pooled-sample database records fees paid by account holders, but does not distinguish between late fees and over-limit fees. About 54% of students paid some type of fee during the 12-month observation period.

Conclusion

This study of credit card usage is the first that we know of to compare the activity and performance of student-marketed credit card accounts to other types of accounts by using pooled random samples of account-level data from a number of large credit card issuers. All comparisons involve accounts that have been open less than three years. The data indicate that, in general, student-marketed accounts have smaller balances, lower credit limits, and lower usage rates than accounts of similar age that were opened by young adults through issuers' conventional (non-student) marketing programs. The credit card balances and limits are substantially lower on student accounts than on older adult accounts opened through non-student marketing programs. About 12% of student accounts are delinquent in a given month (i.e., minimum payment is 30 days or more past due), which is about the same as for young adult non-student accounts, but substantially higher than the 8% delinquency rate on accounts held by older adults.

Table 3
Comparison of Selected Student Cardholder Results with Student Monitor Survey, Spring 2001

	Student Monitor, undergraduates, self-reported	Credit Research Center Pooled Cardholder Database
Median number of cards in own name	0.84	NA
Mean number of cards in own name	1.55	NA
Percentage for which student receives bill	96%	NA
Percentage for which student pays bill	85%	NA
Mean balance per card, for those with a balance	\$ 531	\$718
Median balance per card	\$ 242	\$357
Mean credit limit per card	\$2,322	\$1,395
Median credit limit per card	\$1,639	\$1,000
Mean amount charged/month, for those with any charge activity per card	\$ 169	\$ 231
Percentage who don't incur a finance charge (Student Monitor: percentage who say they typically pay in full)	65.0%	44.5%

Although recently opened student accounts are more likely to be delinquent and have a higher likelihood of charge-off compared with other groups, the dollar amounts at risk on delinquent accounts and the actual losses on charged-off accounts are substantially lower. Further, within two years of opening the account, the delinquency and charge-off experience for student accounts becomes quite similar to non-student accounts of young adults. These findings are consistent with issuers' statements that they establish student accounts with relatively low credit limits and the expectation that the large majority of young, new cardholders will learn how to manage a credit card, establish a credit history, and become longer-term customers (GAO, 2001). While these account-level performance data indicate that frequent news media reports of a "credit card debt crisis" among college students are exaggerated, it is also quite possible that the relative performance of student accounts improves over time in part because parents of college students may intervene to help pay the monthly credit card bills.

There is no evidence in the Credit Research Center Pooled Cardholder database that young adults who have received credit cards through student marketed programs are misusing cards so frequently as to warrant singling them out as a group for special protections from marketing solicitations.

Clearly some college students build up large credit card balances that lead to repayment problems, but this is true of all of the cardholder populations we studied. There is no evidence in the Credit Research Center Pooled Cardholder Database that young adults who have received credit cards through student marketed programs are misusing cards so frequently as to warrant singling them out as a group for special protections from marketing solicitations.

The idea of "legislating away" card marketing to college-age students would not seem to be in the students' best interest. The four years that most undergraduates spend in school are arguably the best time to get acclimated to credit cards, which almost inevitably become a fixture in households in the years following graduation. A general-purpose credit card with relatively low limits gives students an introduction to a powerful and versatile payment device, but as if with "training wheels." Students learn that a purchase made with the card today and forgotten tomorrow can come back and haunt them at the end of the month with the arrival of the credit card statement. They learn that the credit card company does not forget a purchase made, nor does it forget a payment missed.

For cardholders who choose to revolve payments, a balance that seems to fall far too slowly month after month kindles a new urge to find gainful employment during the summer or after graduation. All of these lessons about the use of credit cards must be learned eventually. The lessons may well be less costly with the relatively small exposure permitted by the lower limits that are typical of credit cards obtained through college student marketing programs. Postponing the lesson until after graduation, as would be the case under some legislative proposals, would substantially raise the financial stakes and put young consumers at even greater risk.

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