Chapter II

Credit Rules, Reality Bites: College Students Learn the Power of Plastic and the Peril of Debt

The analysis of American attitudes and behaviors toward consumer credit and debt begins with the first adult life stage: College Students. In this chapter, a representative mix of College Students from Metropolitan Rochester, New York are examined that reflect the varied social and economic backgrounds of American College Students; it includes private and public universities with the inclusion of a few graduate students and junior College Students.[1] Overall, 86 percent of the students are undergraduates and 13 percent are graduate (M.A.) students. They include 73 percent from four-year institutions and 26 percent from two-year community colleges; 54 percent of the participants attend public schools. There are slightly more female (55%) than male (45%) students, as mirrors the general college population, with nearly one-third (31.8%) minorities (Latino, African-Americans). The age range is from 19 to 27 years old.

The selection of colleges in the Rochester Metropolitan area was designed to explicitly examine the influence of parental/family values on students' attitudes toward saving and spending. That is, whether students' consumption/lifestyle activities differ between those remaining strongly attached to their families (many are commuters to local public and private universities) and those from outside the Upstate New York area whose activities are not directly monitored by their parents. Hence, the key research question to be addressed concerns the primary influences that shape young adults' behavior toward spending and saving. Are students with strong personal ties to their families more likely to mirror their parents' relatively more conservative attitudes toward consumer credit or reflect the more liberal attitudes of peers as influenced by social relationships on college campuses?

The social and cultural forces that profoundly shape the consumer credit and debt experiences of college and increasingly high school students is dramatically different from their parents' generation. This is due to four key factors. First, the inability of families to adequately save for their children's college expenses, combined with the soaring costs of higher education, have led to a sharp increase in the dependence on educational loans and other forms of borrowing.[2] Second, as shown in Chapter 5, the traditional Puritan values (*"A Penny Saved is a Penny Earned"*) that were passed on to their parents (Mature Families) by their grandparents (Seniors) have not been embraced by their teenage and young adult children (16-24 years old). This resistance to conducting financial affairs within the strict economic confines of a personal budget—based on current income—is a pattern that has become most pronounced in the recent efforts of parents to enhance the lifestyle activities of their children in particular and family in general. This is discussed in more detail in Chapters 4 (Young Families) and 5 (Mature Families). Third, the intensifying "competitive consumption" pressures on college campuses—fueled by easy access to consumer credit—has substantially increased the social acceptance and even desirability of increasing levels of personal debt.[3] Finally, the lack of personal finance education in high school and college has created a sense of complacency and even resignation among those students unaware of the long-term financial consequences of their reliance on credit.

The Democratization of Higher Education: The Spiraling Costs of Borrowing to Pay for College

In the academic year 2004-05, more than six million students were enrolled in over 5,000 post-secondary education institutions and more than one-half of young adults have attended college or vocational school. About two-thirds matriculate in public colleges and universities and about 15 percent in private institutions. The fastest growing component of the U.S. post-secondary system is in the burgeoning junior college system with its large proportion of non-traditional and foreign-born students. The rest are enrolled in private vocational and technical institutes.[4] The multitude of institutional revenues, public monies, and subsidized loans that flow into the U.S. college system underscore its central mission: the democratization of higher education for all Americans. This huge allocation of public resources is justified based on the assumption that education is the great "equalizer" in American society and that individual benefits will spur the social and economic prosperity of the entire nation. Indeed, the GI Bill and Federal Student Loan programs are arguably the most successful government loan programs of the post-World War II period.

The most striking trend in higher education is the widening affordability gap. Over the last thirty years, the cost of a college degree has soared due to declining federal and state financial contributions to colleges and universities as well as sharply rising inflation beginning in the late 1970s. Overall, college affordability began to decline in 1975-76 as average government grants and institutional aid peaked at about $3,000 per student or about 85 percent of total financial aid packages. By 1982-83, government grants and institutional aid had dropped to only about $1500 per year and remained at that level through the late 1990s. Today, government and institutional grants average about 30 percent of financial aid packages with the rest in the form of subsidized and unsubsidized student loans.[5] As shown in Figure 1, both the cost and the amount of student loans required for an undergraduate degree have soared. For instance, tuition and fees in current dollars for a private college has jumped from $2,534 in 1976-77 to $20,082 in 2004-05 while the cost of public university has spiraled from $617 in 1976-77 to $5,132 in 2004-05; the comparable cost for junior college jumped from $283 in 1976-77 to $2,076 in 2004-05.[6] Together with declining household savings, especially over the last 15 years, most families have shifted to borrowing in order to finance their children's college expenses through a patchwork of government and private bank loans; in 1992-93, about 40 percent of College Students received loans, which jumped to nearly two-thirds at the end of the decade. For example, Nellie Mae reports that average total undergraduate student debt has nearly tripled since its first survey in 1987, rising 236 percent between 1991 and 2002 to $18,900—an almost 50 percent increase since 1997. Overall, it reported average total debt for public school graduates at $17,900 and $21,200 for private school graduates in 2002.[7] Not surprisingly, student credit card debt also has risen dramatically during this period.[8]

FIGURE 1

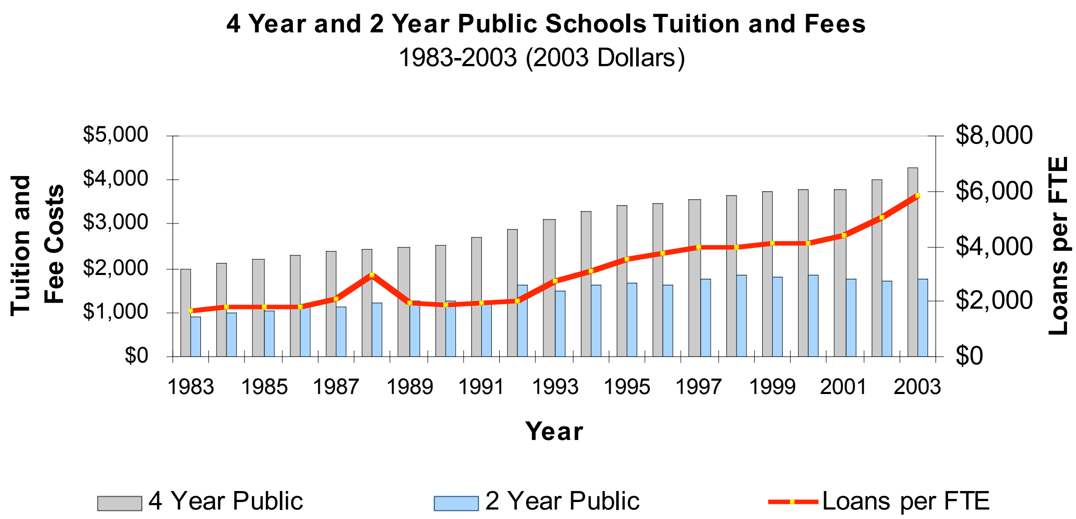
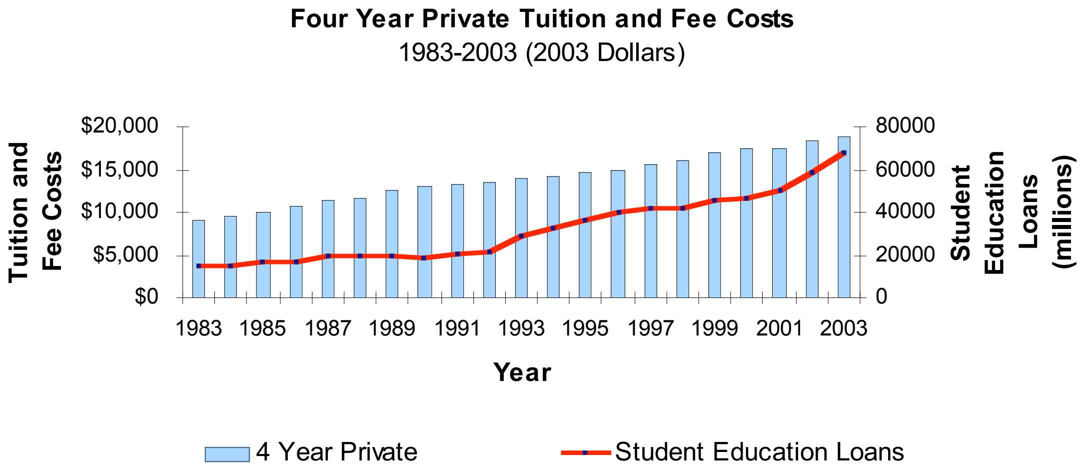


Figure 2



Source: Data from Annual Survey of Colleges, The College Board, New York, NY (1987-88 to 2004-05), weighted by full-time undergraduate enrollment; data for 1976-77 to 1986-87 are from Integrated Postsecondary Education Data System (IPEDS), U.S. Department of Education, National Center for Education Statistics, weighted by full-time equivalent undergraduate enrollment. See Trends in College Pricing and Trends in Aid, 2004.

Decline of Parental Influences Makes Way for "New School" Financial Values:

The Cognitive Shift from Earned Privilege to Social Entitlement of Consumer Credit

The most influential factors that shape students' attitudes toward credit and debt are family based. Parents/guardians are the single most formative influence with almost 90 percent of the study participants citing early educational experiences with their parents, grandparents, or older siblings. The centrality of the family in passing on traditional attitudes toward personal finance is crucial for three reasons. First, enhanced lifestyle activities and rising material expectations contribute to the intensification of peer "competitive consumption" pressures outside the purview of parental control. Second, students' access to revolving and installment credit is occurring at a progressively younger age—even in high school before full-time employment.[9] Third, few students remembered any personal finance curriculum during high school; less than 15 percent of the student participants reported any formal instruction in secondary school.[10]

For example, 21-year-old Peter is a senior at a public university whose college-educated parents stressed the importance of managing money: *"My parents started me saving money when I was five and always said that saving was important for college. They just started planning really early with me. They are definitely the biggest influence in my spending habits because they wouldn't let me spend money frivolously. ... I'm glad for it now."* Peter has three credit cards with an aggregate balance of less than $200. Similarly, Holly is a 25–year-old MBA student in a private university whose college-educated parents are economically prosperous in comparison to Metropolitan Rochester household incomes. Their strict emphasis on frugality and industriousness have been the most important formative influences in her attitudes toward spending: *"My parents saved money since I was born for me to go to school… so I didn't have to take out loans to go to school. In my family loans are frowned upon…and so I've never taken out a loan for anything…I think my parents [would] look at it as a failure if they take out a loan."* Holly has eight credit cards but insists on paying her outstanding balance in full each month.

Early emphasis on saving and deferring immediate gratification is an important attitudinal factor in distinguishing between good versus bad debt. Robert, a 24-year-old MBA student from a single parent household in Upstate New York, describes the importance of his parents encouraging him to save and manage his personal resources:

> *My first experience was when I was little. We always got this weekly allowance from my parents and they said 'It's yours, you can do whatever you want with it.' And then [my siblings and parents] would go out to a store and I'd want [to buy things]. Well, you can't have it. [My parents would say] 'Do you have the money for it? No, okay, so you have to start saving for it.' It was like they were indirectly teaching me how to save money for things that I wanted to get and couldn't necessarily have it now. I kind of had the same experience in college…*

Both parents do not always agree on the importance of frugality and debt, which sends contradictory signals to their children. For instance, William is a MBA student whose family endured financial difficulties in his early childhood but is now financially secure; his father is a plumber and his mother, a corporate risk assessment administrator. William did not receive guidance in personal finance from his parents as a child and is now "training himself" via challenging life experiences following the loss of his job and marriage in his mid- 20s. Today, William has between $40,000 - $45,000 in consumer debt obligations and $60,000 in student loans; he routinely uses student loans to pay down his credit card debt. According to William, he experienced cognitive confusion as a child due to the divergent attitudes and behaviors of his parents toward personal financial issues:

My dad always stressed paying for everything in cash. My mother had a problem with spending money on credit cards and I knew that. My father, on the other hand, as much as he would tell us to save our money, pay the bills, pay everything in cash, he never really had any money [after paying bills]. [So] here he is telling us to be financially responsible, and he would spend all that extra money.

For the most part, I was spoiled. If my mom wasn't giving it to me, Daddy!!! If they weren't giving it to me, Grandma!!!... I grew up with the delusion that everyone's going to give me everything, this is awesome... -Aleesha, 23

On the other hand, many parents with good intentions seek to insulate their children from financial pressures at an early age and, in the process, often fail to adequately prepare them for the economic realities of adulthood. In the case of Aleesha, a 23-year-old community college student who regrets her parents' reluctance to teach her personal financial discipline, this educational deficiency is having serious economic consequences on her:

For the most part, I was spoiled. If my mom wasn't giving it to me, Daddy!!! If they weren't giving it to me, Grandma!!! So it was always coming from somewhere else. I grew up with the delusion that everyone's going to give me everything, this is awesome…

Lastly, 22-year-old Jeff who is from Upstate New York and experienced financial sacrifices throughout childhood: *"All my friends had money to buy baseball cards and new bikes. I got hand-me-downs and didn't have any money to waste."* Jeff learned his economic lessons without parental guidance and emphasizes the importance of individual responsibility through personal experiences:

> *I learned [my] first value of a dollar when I turned 16 and I had to buy a car. But I never got a real understanding of personal financial management until I graduated high school… coming from a large family of seven, it was OK you have to pay for [the car]. I [then] applied to 11 colleges and got [accepted] and had to start making some money … so I put myself through [college] and that's how I got an understanding … that savings is going to come first over spending, cash and carry—you have to free up your credit. So my views are all personally driven.*

Although nearly all of the study's participants responded positively to their early personal finance learning experiences, as guided by their parents, it is striking that their views are changing so rapidly today. The traditional or "Old School" emphasis of saving, living on a budget, and self denial is being successfully challenged by a "social entitlement" ethos or "New School" values where you can have it all—without personal sacrifice—through the use of consumer credit and acceptance of debt. The focus on instant gratification and the cognitive denial of long-term consequences shifts the view of responsible spending from living within a budget to more quickly acquiring the material accoutrements associated with professional success. Indeed, mass marketing campaigns and young adult social pressures promote such new school financial attitudes as spending over saving as a strategy for escaping parental or self-imposed denial (loss of socio-financial freedom) whereas debt-based behaviors are portrayed as assertions of adulthood/independence, freedom, and market-based self worth/social status. As a popular credit card advertisement marketed to College Students exclaims, *"Free from parental control at last, now all you need is money. Cha-ching."* Hence, students can demonstrate their personal empowerment through consumption that does not differentiate between debt- versus cash-based purchases.

The most notable feature in the cognitive development of students' financial values is the dramatic decline in parental influences as shaped by the growing power of peer-based, competitive consumption pressures. The overwhelming majority (nearly 80 percent) of project participants report resisting *"parental influences intended to modify* *[your] consumption behavior"* because their parents are *"Much More Conservative"* or "*More Conservative"* in their views on personal spending. This underlies a much more expansive definition of "good" versus "bad" debt as well as the priority of time-frames: long- versus short-term. As one female undergraduate student asserted: "*Living within your means is… not necessarily where you are now but what you expect to need [in the future]."* This helps to explain why, at the cognitive level, more than 90 percent of the students responded that "*Saving"* was "*Very Important"* or *"Important"* at *"this stage of your life"* whereas at the behavioral level only one-tenth reported that they sought to respond responsibly by "hav[ing] a monthly budget." A similar pattern emerges in regard to the self-reported importance of "Financial Planning." In summary, College Students recognize the importance of creating and following a financial "game plan" but believe that their economic circumstances are already too constrained to make modest lifestyle adjustments that will have little positive impact on their long-term financial future.

The changing attitudes and receptivity toward consumer credit and debt are striking. As LaShana, a 20-year-old African-American Business student from Brooklyn explained:

> *I definitely believe that debt is good. I definitely agree [that] buying a house, a car, paying for [college] education and… even general family things… the basics that I need and have to leverage [consumer credit] to get what I want. [But] I do agree that over indulging via the wrong [reasons] of envy can lead to [bad] debt… I personally know that this bad debt has gotten me a lot of stuff that I want and from a psychological standpoint, indulging has actually shaped, redefined, and bettered myself as an individual. So from a sociological standpoint, there is that [bad] debt. But then it comes down to the point that even bad debt can be viewed as good…*

Peter explained that the distinction should be based on long-term financial returns:

> *I would say that any debt could be good or bad depending on your financial circumstances. If you plan on getting a job where you're not going to make a lot of money, I don't think that you should go to a school [and] pay $25,000 for tuition [per year]. If you're going to be a teacher, you should go to a school that is affordable. I have a friend that just bought a house [that] he couldn't afford, it's only a $100,000 house… As long as you're living within your means, I don't think it is necessarily bad to have debt unless you've got credit cards and have debt that you are still paying for after [the purchases] are gone.*

Other students defined good debt as based on realistic personal expectations even if it required long-term dependence on credit. Stephanie, a 21-year-old Biology major from rural New York, described good debt as *"school and a house and a car as long as its not a $80,000 or $100,000 car, that would be a little extreme to take out a loan for… I think it's a case of planning … For example, they might have money to pay their rent and other [expenses] but they haven't taken a vacation in 10 years. So that would be something they need and they'll be able to pay it off eventually assuming that it's not a ridiculous vacation."* Andrea, a 21-year-old Latina Psychology major from Brooklyn who attends a local public university, describes her changing views:

As I was growing up, I was taught [by my parents] that debt was bad. As I got older, I realized that debt was going to be something that would always be with you so… I'll always be in debt.
-Andrea, 21

As I was growing up, I was taught [by my parents] that debt was bad. As I got older, I realized that debt was going to be something that would always be with you so… As long as I'm here in America, I'll always be in debt. Because U.S. society is… so materialistic. So when I have kids, even though I might not think clothes and stuff are important, I know when they go to school, that they're going to want to look nice, so either way, debt will be fine. Debt is good!

For others, consumer credit is less of a want than a need. For example, Clenita is a 25-year-old single mother who attends a local community college. Clenita must work as a receptionist in her campus activities center in order to pay tuition and other childcare-related expenses. Despite receiving personal financial training during high school, which included managing a personal budget, Clenita has approximately $10,000 in consumer debt – accrued over six credit cards which she later consolidated; her parents did not discuss with her the potential problems of credit card debt. Clenita's attitude toward various forms of personal debt (furniture, student, pawnshop, automobile, payday, rent-to-own loans) is ambivalent, describing them as *"neither good or bad…[but] depends on the situation and the person."* This reflects her father's view toward consumer credit as a valuable, empowering resource for achieving a variety of personal goals: *"When I was a teenager, my father wanted to get a sports car – and he told me and my sister, if you want to get* *something, you can take out loans or use a credit card… if you want something bad enough you can always get it."*

Is a Starving Student Still Hungry?
The Rise of Competitive Consumption

Like Young Families who view consumer credit as a reward for their hard work, College Students similarly justify their elevated lifestyle demands as a reward for unpaid "work" in school. Significantly, this generationally perceived social "right" or entitlement to material goods is no longer tied to one's current level of income or to a realistic budget that includes a savings component. Moreover, it is reinforced by college administrators and loan providers who assert that higher education is the most important investment that students will make. According to this perspective, students can and should enjoy their college social life since they will obtain a great job and salary after graduation. This attitude is articulated by Holly: *"I don't keep a budget now because – compared to all my friends – I'm a 100 times better off than them [in terms of consumer debt] and it just got to my head… I kinda feel like I earned it. Once I finish grad school – I'll go back to that lifestyle where… you have to plan a budget."* In contrast, Robert remarks that the end of a thrifty lifestyle is a cherished goal of students: *"I think everyone is trying to rush towards the American Dream. Nowadays people are graduating and they want everything now…the house…the car and the picket fence… and you can pay for it later because the money is available to us now."*

> ***Nowadays people are graduating and they want everything now…the house…the car and the picket fence… and you can pay for it later because the money is available to us now.***
> ***-Robert, 23***

Like other life stage groups, College Students are not immune from the pressures of "competitive consumption," even among the fiscally prudent. A key point of departure for College Students is that most are still financially and emotionally dependent upon their parents, who serve as a form of social control over inappropriate spending. For example, Stephanie is financially cautious but she explained that her spending activities could offend her family with potentially serious consequences:

> *Around Christmas time, everyone was going shopping [and] it was about the time that I got my student loan refund… I was planning [on] $600 but it turned out that it was only $100. [Later in the week a] credit card came in the mail… and it had a $1200 limit on it. I went shopping three days over the week and on the fourth day I got [my credit card] declined… I did not even realize that I had spent $1200 on gifts. I would never get another credit card… [Futhermore] my parents are always there to help me out if something comes up that I need. [Even so,] I know that if I were to buy all this stuff and tell my parents…they would cut me off. So if I did make a big purchase, I would definitely try to hide it from them.*

Josh, a 19-year-old sophomore whose father is a financial planner in suburban Rochester, New York noted his generally frugal attitudes and rejection of a consumer-oriented lifestyle. Even so, Josh often finds himself succumbing to peer consumption pressures such as when his buddies want to hang out at a sports bar. Last year, he made a shockingly impulsive purchase that he still regrets due to the economic and emotional costs:

> *This past winter I got my scholarship check in the mail. One of my friends happened to mention to one of his buddies that we were going to pick up my scholarship check. They stopped me and said we've got to go and look at this snow mobile we saw on sale. I said oh no – I got to get home. [And] about four hours later, didn't I have this brand new snowmobile sitting in my driveway. I had to hear about that from my parents for weeks.*

Even financially disciplined Holly acknowledged the influence of peer pressure on her spending behavior: *"When student loan checks come in [the mail]…Rochester is alive that weekend. [Last year] I was working three jobs and could go out and spend more…You'd [feel the need] to have to keep up with everyone."*

The pressure to consume is often attributed to the newfound power of "plastic" and the strong sense of empowerment derived from its use. Indeed, the lack of

> ***I don't want to rely on money that I don't have. People in my family and others that I know have horrible experiences with credit cards and I shy away from them… -Jermaine, 25***

preparation for this financial responsibility often results in high levels of debt due to the "cognitive disconnect" between the understanding of one's income and the standard of living that it can support.[11] One important finding is that some students accumulate high levels of credit card debt within weeks and even within days of receiving their line of credit. Oftentimes, this "shopping spree" phenomenon reflects the psychological need to satisfy cravings for independence, self-esteem, and financial freedom as students cope with a plethora of personal, emotional, social, academic, and economic issues in their lives. For example, Clenita notes that: *"When I first got my credit card, I spent $500 the first day and I bought stupid things."* Catherine, a 19-year-old community college student, explained: *"When I first got my credit card, I waited two weeks. I pondered and then I just went out and spent $300 on shoes and clothes. I kept putting it off and the interest accumulated and I ended up paying $900. I had to get a student loan to pay it off."* And, as Robert noted, *"It provides you with an opportunity to get what you want now…without really thinking of the consequences…"*

Of course, not all students succumb to the temptations of "easy credit," including those from economically disadvantaged backgrounds. For some, the negative experiences of family members provide a psychological deterrent for controlling impulsive and irresponsible spending behavior. As Jermaine, an African-American computer science major from Brooklyn explained,

> *I don't want to rely on money that I don't have. People in my family and others that I know have horrible experiences with credit cards and I shy away from them... when I was 18 or 19, I kind of got forced out of my house by my mother and I had to start living on my own, so right there I really had to start saving my money. I've done pretty good I think…especially when I have family members who are homeless… I never wanted it to be me, so I made sure I saved my money.*

Student Financial [Il]Literacy:

Balancing the Development of Job Skills with Personal Finance Education

Numerous media accounts have described the undisciplined spending behavior of young College Students that have resulted in excessively large consumer debts with occasionally tragic consequences. But, even among seemingly unrepentant student debtors, the demand for financial education is palpable —especially among those whose learning curve has matured. This is especially significant since poor personal credit histories can impact the ability to obtain future college loans, rent an apartment, and even obtain a job. Consequently, for many College Students, their ignorance of the consumer credit system and how it can negatively affect their lives has contributed to increasingly persistent efforts to assume personal responsibility through financial education programs. As Aleesha declared:

> *If you weren't taught then you don't know. They don't sit you down when they give you [a credit card] and say, 'Listen dear, we're giving you this credit card, but you have to understand that if you can't pay the bills you're going to pay 20 times more than what you expected… After all, they make a lot of money off [interest]... and that's why they make it sound so good. I had a credit card that was 21percent and I ended up losing a job that I didn't expect to lose… I ended up paying $80 for a $20 pair of pants!*

Similarly, even assertive proponents of personal responsibility and free-market business policies emphasize the need for educational guidelines and contract disclosures. As Jeff, a recent Business School graduate remarked:

> *I think that there should be an educational requirement… you should have 100 percent full knowledge of the contract that you are signing. If you had the proper education you might not get into that situation. Maybe there should be a $500 limit for when you first start out…*

If you weren't taught then you don't know. They don't sit you down when they give you [a credit card] and say, 'Listen dear, we're giving you this credit card, but you have to understand that if you can't pay the bills you're going to pay 20 times more than what you expected… -Aleesha, 23

Finally, students' general lack of personal finance knowledge underscores their naïve view of their personal credit reports which further reinforces their negative attitudes toward the financial services industry. Many students assume that you start with a positive credit report or that a negative credit report will benignly "wash away" by the time that they graduate. Other students expressed outrage that late payments while in school are used as indicators of their credit worthiness before obtaining a job and that negative information remains on their personal credit reports for seven years; few understood how their credit score is calculated and the various ways that it is used. Indeed, a large number of students expressed shock that credit reports are used to justify job rejections and higher cost loans. According to Aleesha:

> *You need education before you get a credit card… I just heard the other day from someone that credit could affect you getting a job – and I'm 23! I'm going to be 30 by the time I have good credit. If I had known that it would affect me [in terms of] getting a job or a house…I would've never done some of the things that I've done.*

In fact, Jeff retorted*, "I have had three different employment opportunities where I've had to give them the right to review my credit report. You are going to need that 700-800 credit score for them to say yes. It was the very first question."*

These issues are especially important since the banking experiences of most students are based on de-personalized interactions such as online bank solicitations, payment systems, and correspondence. According to Peter: *"the banks don't know who you are or seem to care."* As a result, students are becoming increasingly cynical about the financial services industry, which is perceived as encouraging individual responsibility and yet often relying on confusing or misleading contract disclosures and financial naiveté in their marketing campaigns. A particularly frustrating topic for Students is the emphasis of the banking industry on building a healthy "financial DNA" early in their adult careers while being aggressively marketed loan products that exceed their ability to repay. Not surprisingly, then, the limited employment experiences of students and their lack of understanding of the consumer financial services system often produce a state of emotional paralysis.

As LaShana explains:

> *I haven't really looked down the line…it's really hard to make plans for years ahead exactly to achieve what you want. So, the best I can do for now is to evaluate my [economic] situation now, my job now. Until better days come along, then I will start planning [for my future].*

ENDNOTES

[1] The selection protocol sought to include a representative distribution of racial and ethnic minorities (African-American, Latino, Asian) as well as a relatively equal composition by gender.

[2] Robert D. Manning, *Credit Card Nation, America's Dangerous Addiction to Credit*, New York: Basic Books, 2000 and Sandy Baum and Marie O'Malley, *College on Credit: How Borrowers Perceive their Education Debt, Results of the 2002 National Student Loan Survey, (*Nellie Mae: Braintree, MA, 2003).

[3] See Robert D. Manning, *"Credit Cards on Campus: The Social Costs and Consequences of Student Debt,* Washington, D.C.: Consumer Federation of America, 1999 and Robert D. Manning, *Credit Card Nation, America's Dangerous Addiction to Credit*, New York: Basic Books, 2000, Chapter 6.

[4] 1987-88 to 2004-05: data from Annual Survey of Colleges, The College Board, New York, NY, weighted by full-time undergraduate enrollment; 1976-77 to 1986-87: data from Integrated Postsecondary Education Data System (IPEDS), U.S. Department of Education, National Center for Education Statistics, weighted by full-time equivalent undergraduate enrollment.

[5] Laurence Mishel, Jared Bernstein, and Heather Boushey, *The State of Working America*, (Cornell: ILR Press, 2003), page 305.

[6] 1987-88 to 2004-05: data from Annual Survey of Colleges, The College Board, New York, NY, weighted by full-time undergraduate enrollment; 1976-77 to 1986-87: data from Integrated Postsecondary Education Data System (IPEDS), U.S. Department of Education, National Center for Education Statistics, weighted by full-time equivalent undergraduate enrollment.

[7] Sandy Baum and Marie O'Malley, *College on Credit: How Borrowers Perceive their Education Debt, Results of the 2002 National Student Loan Survey*, (Nellie Mae: Braintree, MA, 2003). Among post-graduate respondents, they averaged $31,700 in loans after the completion of their undergraduate degree—much more among medical and law students.

[8] In the late 1980s, less than 40 percent of College Students had credit cards (primarily co-signed by parents) while today it is over three-fourths. Overall, average credit card debt upon graduation among student borrowers is estimated at over $3,000 in the early 2000s and would be higher if not for the use of student loans to pay down "revolving" debt. For a review of empirical studies on this topic, see Robert D. Manning, *Credit Cards on Campus: The Social Costs and Consequences of Student Debt,* Washington, D.C.: Consumer Federation of America, 1999 and Robert D. Manning and Ray Kirshak, "Credit Cards on Campus: Academic Inquiry, Objective Empiricism, or Advocacy Research," *Journal of Student Financial Aid*, Vol. 35, No. 3, (Spring, 2005), pages 39-48; and Sandy Baum and Marie O'Malley, *College on Credit: How Borrowers Perceive their Education Debt, Results of the 2002 National Student Loan Survey*, (Nellie Mae: Braintree, MA, 2003).

[9] National Public Radio, "Credit Card Companies Target Kids," February 6, 2005 available: http://www.npr.org/templates/story/.php?storyId=4488488.

[10] See *Lewis Mandell, Financial Literacy: Are We Improving?,* Washington, D.C.: Jump$tart Coalition, 2005 for a time-series, survey-based analysis of financial literacy among high school students (1997-2004). In the late 1990s and early 2000s, student financial literacy scores fell to dismal levels and Mandel reports with optimism regarding the modest statistical reversal of this trend in 2004.

[11] Robert D. Manning, *Credit Card Nation, America's Dangerous Addiction to Credit*, New York: Basic Books, 2000, Chapter 4.