

MAXED OUT: THE RELATIONSHIP BETWEEN CREDIT CARD DEBT,
CREDIT CARD DISTRESS AND GRADE POINT AVERAGES
FOR COLLEGE STUDENTS

By

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ABSTRACT

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Few students leave college with a plan for paying off their debt. Starting a career inundated with student loans and credit card debt burdens is a reality many college students face today. In the wake of graduation coming to terms with the consequences of credit card debt is stressful for many students. This dissertation observes the relationship between distress, credit card debt, and grade point averages for college students.

Evidence suggests that there is a debt culture among college students that varies by income. Debt culture refers to the tolerance levels students have regarding credit card debt. Among economically advantaged college students, this study demonstrates that status consumption encourages purchases to gain peer recognition and social prestige. While disadvantaged college students illustrate patterns of survival borrowing. Borrowing from credit cards to meet basic needs such as clothing and textbooks.

Findings from this study illustrate that having credit card accounts in collection increases distress and negatively affects grade point averages. Secondly, that family income is a significant predictor for grade point averages and financial literacy. Students who have higher family incomes report higher grade point averages, and are less likely to have accounts in collection.

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CHAPTER 1 INTRODUCTION

This dissertation examines credit card debt, credit card distress and grade point averages for college students. In recent years, there has been a dramatic increase in credit card use among college students (Lyons, 2004; Wells, 2007). Increased credit card use among college students has generated concerns that student's credit card behavior is putting them at greater risk for high debt levels and misuse and/or mismanagement of credit after graduation (Lyons, 2004; Hoffman, McKenzie & Paris, 2008). The analysis of this dissertation examines how undergraduate college students are handling debt accumulated through credit card usage, and how the strain of collection efforts impacts both emotional well being and grade point averages.

It is necessary to clearly define the terms used in this study. Credit card debt refers to money owed on credit cards that has not been paid. Credit card distress refers to the emotional disturbance student borrowers feel when they cannot pay credit card bills (for example, 'I have cried about the bills I owe'; 'I spend a lot of time thinking about my credit card bills'). Lastly, this study examines the grade point averages of students with accounts in collection. Studying the ways students handle credit card debt is important because improperly managed credit has many negative outcomes for college students while in college and after graduation. There are numerous reasons exploring the credit card debt of college students is crucial. A few reasons are discussed here, while the literature review in chapter two goes into further detail.

Research on college student credit card debt is needed because credit card debt has become a serious distraction impairing concentration needed to study (Hayhoe, Leach, Turner, Bruin, & Lawrence, 2000). When a student has a delinquent account and creditors begin collection practices, these practices (phone calls, payment letters, etc) hinder a student's ability to give full attention and concentration to studies. Prolonged distractions caused from collection

efforts has also been linked to students working longer hours to pay off debt, missing classes, and ultimately deciding to quit school, such behaviors and decisions affect college student retention rates (Hayhoe et al.,2000; Joo, Durband, & Grable, 2008; Allen & Jover; 1997 as cited in Lyons 2004). Improperly managed credit card debt also impacts credit scores, limiting a student's hiring potential in certain fields effecting post graduation employment opportunities (Wells, 2007; Manning, 2002). The accumulation of credit card debt is also affecting the disposable income of college student's families (Lyons, 2004; Norviltis, Szablicki & Wilson; Asinof & Chaker, 2002).

While literature has confirmed that the consequences of improperly managed credit are dangerous for college students, literature has not offered sound explanations for why certain students are more vulnerable to credit card debt than others. Overall, literature has offered only surface level explanations cloaked in a language of personal responsibility to delineate why some students incur unmanageable credit card debt loads while others do not. Implied in the literature is a belief that credit card spending and the resulting debt are consequences of individual choices, and credit card debt is the consequence of poor individual choices. Impulsivity (Roberts & Jones, 2001; Davies & Lea, 1995; Norviltis et al., 2003), over solicitation (Bianco & Bosco, 2002; Kessler, 1998; Souccar; 1998; Hoffman, McKenzie & Paris2008) and optimism about ability to repay debt (Wells, 2007; Drentea, 2008; Norviltis et al., 2003) are well documented in literature as reasons students incur credit card debt. Such factors suggest that students can make choices to eliminate accumulating credit card debt and simply need to make better choices. This is not entirely true.

A study conducted by Lyons (2004) found that students from families with lower incomes and Black and Hispanic college students were more likely to have unmanageable credit

card debt loads. Lyons's study confirmed that these students were more vulnerable to debt because in addition to the difficulty of managing their credit card debt they were also having financial difficulties in general because they were from families with lower incomes. The results of Lyons's study indicated that students from poorer families were more likely to hold large credit balances, have little or no financial support from parents, work more than 16-20 hours per week and more likely to hold other types of debt and receive need-based financial aid. These findings support concerns raised by Zhou and Su (2000) who indicate that students with lower family incomes are likely to have higher student loan amounts and credit card debt than students from families with higher incomes.

These studies suggest that college students from poorer families and minority college students are more vulnerable to accumulate debt that they cannot repay, primarily because they do not have other monetary resources available to help meet the expenses of college attendance. Sharply reduced family financial contributions to college expenses, and declines in public financing of higher education have shifted student economic strategies from savings, grants, and part-time employment to reliance on federally subsidized loans and credit cards.

For disadvantaged college students credit cards offer a borrowing source to satisfy college expenses from which their advantaged counterparts are insulated. Lower socioeconomic status creates greater vulnerability for credit card debt. Thus, an over reliance on credit cards to make ends meet or survive the economic demands of college could be viewed as hyper consumption and irresponsible credit management instead of a survival tactic to cope with low socioeconomic status. Literature has confirmed that structural inequality has created varying access to resources that create pronounced advantages and disadvantages for individuals in the realms of socioeconomic status, housing and education (Wilson, 2003, 1990; Robert, 1999;

Kessler et al., 1999, 2003, MacLeod, 2000; Mills, 2003; Link and Phelan 1995). Structural inequality occurs when organizations, institutions, governments or social networks contain an embedded bias, which provides advantages for some members and marginalizes or produces disadvantages for other members. This can involve unequal access to health care, housing, education and other physical or financial resources or opportunities (Jencks, 2003; Conley, 2003; Wright, 2003).

One of the consequences of sustained structural inequality over time are disparities in a society's resources primarily the distribution of wealth. Socioeconomic stratification is the hierarchical arrangement of classes within a given society based upon wealth, power, and prestige (Wright, 2003). One of the central beliefs of socioeconomic stratification results in unequal distribution of desirable resources and rewards in society (Wright, 2008; Broman, 1996; Ren, Amick, & Williams, 1999; Microwsky, & Ross, 1999; William, 1990; Oliver, & Shapiro, 1995). Unequal distribution of rewards and resources limit the capacity of the individual to adequately cope and adapt in an environment.

Macro social structures are correlated to individual characteristics and behavior. This perspective predicts that because social structures shape individual values, and behaviors, credit card spending and debt then, could be attributed to conditions of life that derive from an individual's structural position. While individuals can make *choices* regarding their individual behaviors, those choices are situated within political, economic, historical, cultural, and family, contexts.

The idea that everyone has the same opportunities and that individuals can "choose their way" into a socioeconomic status that confers resources to adequately compete in life is uncritical and simplistic. Today the United States has suffered unprecedented declines in

employment. Recession woes complicate post graduation plans for many hopeful graduates, and increases in tuition are becoming extortionate, these societal issues demonstrate that in these financially turbulent times, even those who occupy higher socio economic classes are not completely protected from a compromised economy. Social positioning among the rungs of the lower class today, requires heightened agency and over access to resources to transcend classes and level the playing field.

Unfortunately, the United States has been witnessing a steady decline in household incomes since the mid-1990's, coupled with rising college education costs (Manning, 2002; Baum, & O'Malley as cited in Lyons, 2004). Black and Morgan (1999) found that families with a wide range of economic characteristics are borrowing on credit cards to meet household expenses. Simultaneously, credit card spending has increased from \$243 billion in 1990 to \$891 billion in 2000 (U.S. Bureau of the Census, 1999 as cited in Drentea, 2000).

Over the last two decades, households have been financing more of their expenditures using credit (Getter, 2003). Greater household debt use, larger amounts of credit borrowed, and broader distribution of consumer credit have generated concerns that households face greater financial stress (Getter, 2003). Engaging in "survival borrowing" borrowing from credit cards to meet household expenses has led to growing household indebtedness in the United States that not only introduces students to credit card reliance, but also desensitizes students to credit card debt. Additionally, since more households face greater financial stress today, college students may not be able to turn to family for financial support in the face of credit card misuse (Lyons, 2004).

Families becoming over extended financially may impair the transition to college and adjustment to living away from home, particularly for first generation college students (Lareau, 2003; Lyons, 2004). The disadvantages created from a lack of parental support pose challenges

for many college students. Literature has indicated that both parental income and other parental characteristics are critical in shaping life chances for children (Mayer, 2008; Wells, 2007; Norvltis et al., 2003; Tokarczyk, 2004). Education has often been viewed as a very viable means to achieve upward mobility and gain economic rewards (Lyons, 2004; Armstrong & Craven, 1993; Hayhoe, 2002; Hayhoe et al., 1999). However, the expensive price tag of a college education requires financial resources that are not available for economically disadvantaged college students.

Statement of the Problem

College students who have credit card debt that they cannot repay experience distress that not only impacts well being but grade point averages. The consequences of credit card debt for college students are a serious problem. Health penalties resulting from the strain of debt are costly. Coping with chronic stress exhausts energy levels needed to combat strain. When the stress is not alleviated, as in the case with unpaid credit card bills, a person repeatedly responding to stressful events becomes vulnerable to emotional problems, accidental injuries, physical distress (i.e. headaches, back aches, skin irritants), and behavioral disorders (i.e. irritability, distractibility, chronic fatigue) (Pearlin, 1996; Mieach, Caspi, Moffit, and Wright et al., 1999; Mirowsky, 1999; Williams, 1995).

Literature has confirmed that well being affects grade point averages for college students. Students who reported dealing with chronic stress also reported increased absences in class attendance (Dollinger, Matyja, and Huber, 2007), sleep deprivation, (Lund and Reider et. al 2010), and studying fewer hours outside of class (King and Bannon, 2002). For college students insolvable credit card debt is not only a chronic stressor that impacts both grade point averages and well being, it also influences student's decisions about working more hours to address debt.

Working more than 20 hours a week has been shown to hinder the academic performance of college students (Klum and Sherna, 2006; Orzag and Whitmore, 2001; Austin & Phillips, 2001; Norvilitis, Osberg, Young, 2006 et.al).

While this study examines the experiences of college students, it should be noted that the strain of unresolved debt has consequences that can follow students into their adult lives. The discussion chapter elaborates on the consequences of unresolved credit card debt for college students transitioning into adulthood.

Significance of the Study

Credit card debt is difficult for young adults to manage Robert, 1998; Rogers, Hummer, & Nan, 2000; Ross & Wu, 1995; Williams & Collins, 1995 as cited by Pampel & Rogers 2004; Manning 2000). Young adults have come to age during unprecedented growth in materialism and consumer culture. The enormous profitability of consumer credit cards, together with the cross-marketing strategies of financial services conglomerates in the mid- and late 1990s, have produced competitive pressures to recruit new clients at an increasingly younger age.

This study is significant because it articulates credit debt as a stressor that impacts both well being and grade point averages for college students. Additionally, unique to this study are qualitative findings that divulge intimate details from college students about their credit card spending. Findings from this study will advance the understanding of both credit debt as stressor and identify how college students accumulate this kind of harmful credit card debt.

CHAPTER 2 LITERATURE REVIEW

Despite a strong tradition in the literature examining socioeconomic status and well-being (Anderson & Armstead 1995; Mirowsky & Ross 1999) little is known about other financial measures that impact well-being such credit card debt. Researchers examining health in relationship to one's level of financial distress and worry about financial matters have found clear connections (Bagwell & Kim, 2003; Drentea & Lavrakas, 2000; Kim & Garman, 2003; Kim, Garman, & Sorhaindo, 2003; O'Neill, Sorhaindo, Xiao, & Garman, 2005). Lacking from the literature is a more specific understanding of the association between credit card debt and well being. Previous work has found that prolonged financial stress, such as continuous credit problems and unmet financial needs, are both associated with worse physical health and ultimately poorer mental health outcomes (Drentea & Lavrakas 2000).

For example, financial strain has been associated with physical health problems (Manning, 2000; Anchensel 1999; Kessler, 1999 & 2000), increased drinking problems (Pierce, 1996), decreased self esteem (Aldana & Lijenquist 1998), and depression (Kim, 2006). For college students in particular, prolonged financial stress generated from credit card debt has been proven to increase anxiety (Drentea, 2000; Roberts & Jones, 2001; Wells, 2007; Hoffman, McKenzie, & Paris, 2008), school dropout (Manning, 2002; Jones, 2005; Hayhoe, Leach, Allen, & Edwards, 2005; Joo, Durband, & Grable, 2008), working longer hours (Austin & Phillips, 2001; Norvilitis, Osberg, Young, 2006 et.al) compulsive spending (Mowen & Spears, 1999; Baumeister, 2002) suicide (Dossey, 2005; Johnson, 2005) bankruptcy and charge-offs (Mannix, 1999; McMutrie 1999; Roberts & Jones, 2001; Staten & Barron, 2002; Johnson, 2005).

Unlike debt that can be deferred, such as educational loan payments or large debt amounts that can be resolved across a longer time period (e.g., a home mortgage), credit card

debt is different. Credit card debt is meant to be resolved more expediently than a mortgage and cannot be deferred like student loan debt. For credit card debt, debtors are expected to pay monthly minimum payments, at least, and there are stringent actions taken for failure to do so. This is important to note because the stress generated from credit card debt can be additive. This means there are several consequences linked to missing one payment. Figure 1 illustrates the consequences that stem from missed credit card payments.

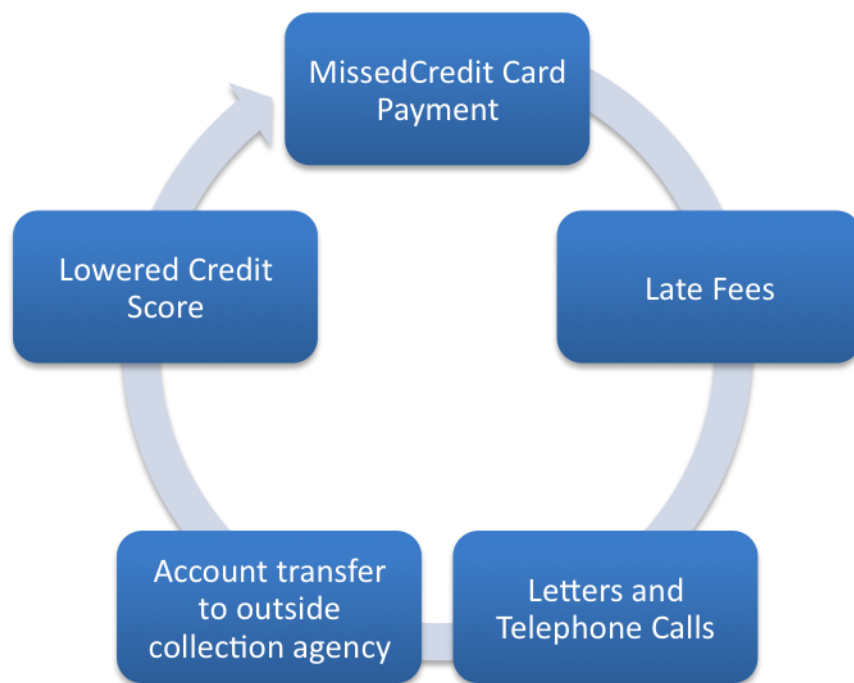


Figure 1. Collection consequences for missed credit card payments. For interpretation of the references to color in this and all other figures, the reader is referred to the electronic version of this dissertation.

The consequences of insolvable credit card debt are continuous. A person continues to receive late notices, letters that demand payment, and calls from creditors and collection agencies until payment obligations are satisfied and (Huygen, 1999; O’Neil, Prawitz, 2006 et.al) over time consequences worsen. For example, the longer the credit card bill is unpaid the longer

efforts will be made to obtain monies for payment. Moreover, until the bill is paid the debtor undergoes the constant stress collection efforts, experiencing the chronicity of collection efforts daily make credit card debt a stressor that affects well being. This can be particularly stressful if resources to alleviate distress of collection efforts are unavailable. Additionally, over time a cycle of missed payments can demolish a credit score. A credit score determined by Fair Issac Credit Corporation ranges from a low of 350 to a high of 850. Relapsing on a scheduled credit card payment can create a significant decrease in credit scoring. Exact calculations of impairment can depend on a number of variables, varying in their impact on credit scoring. Fair Issac Credit Corporation has developed general estimations for impairment resulting from common credit behaviors.

Figure 2 highlights these behaviors as well as pursuant percentage damage relative to credit scoring, behavior that ranges from utilizing all available credit to filing for bankruptcy. Estimated point deductions subtracted from a credit score in relation to each financial event are also illustrated.

Credit Card Exposure for College Students

Modern U.S. society has been described as a time in which “we are active consumers, motivated by self-expression rather than basic survival” (Drentea, 2000). The culture of the credit card is not only propagated, but college students are exposed early and often to credit offers. College students are invited to obtain credit across various advertising and solicitation mediums that make avoiding credit offers practically impossible. For a college student securing a line of credit is highly likely. The frequent exposure to offers is a likely reason as to why the average college student has at least three or more credit cards (Manning, 2002). Credit card vendors gain access to students through several avenues. Many pay fees to the institution to set



Figure 2. Estimated point deductions from credit score given certain financial events. information contained in this chart was taken from the Fair Issac Credit Organization website: www.myfico.com/creditEducation. Calculations are based on an average credit score of 650-680.

up booths to solicit students on campus. Some credit card vendors sponsor student organizations to solicit other students. Purchases made in campus bookstores often contain solicitations for credit cards inserted into the bag in which books are packed. Credit card companies also solicit assistance from college and university development alumni offices. Many institutions promote affinity cards with a picture of a campus landmark or mascot on the card to attract students. Colleges and universities allow several common types of credit card solicitation to take place. These solicitation methods include, but are not limited to, sales tables, bag inserts, give-a ways, and posters.

The frequent exposure to credit offers of various types from various sources fuels credit acceptance that can lead to debt. Nellie Mae (2001), found that 76% of undergraduates have at least one credit card. The study also reported that the average credit card balance for

undergraduate students was \$2,169. Fifty five percent of college students get their first card as freshmen, and 25% first used credit cards in high school. College is a time of transition into adult responsibilities, and using credit cards is one way that young people perceivably demonstrate their maturity, as a result students are being lured into a spiral of spending beyond their means seemingly unaware about the financial consequences.

A College student's decision to obtain credit that may lead to debt is also fueled by knowing others around them who are/were in debt. A study conducted by Lea et al. (1993) termed this "culture indebtedness" this study found an important factor in predicting debt status, was debtors knowing or being surrounded by other debtors. A community of debtors creates an environment that reinforces a person's beliefs, attitudes, and personal norms that overspending and excess buying is normal. Today's college students exhibit higher levels of consumption than in past decades. There is a widespread view that attitudes about debt have changed dramatically during the twentieth century, from a general abhorrence of debt to acceptance of credit as part of a modern consumer society (Roberts and Jones 2001).

Overtime, social norms and attitudes may be modified to reflect this dysfunctional orientation (Roberts and Jones 2001). In a college environment, students have encountered a climate that endorses the use of frequent credit card use, and debt acceptance. As stated previously, statistically 60% to 82% of college students are credit cardholders, with 14% carrying balances over \$3,000 and 20% having three or more cards. Credit card debt, owing money, having high balances can all seem normal, especially if everyone surrounding an individual has credit cards and carry debt. What becomes *abnormal* is using alternative methods other than credit cards for purchases. Credit cards make retail transactions simpler, by removing the immediate need for money. Studies have concluded that in retail settings, when exposed to a

credit card logo, college students are more likely to purchase quicker, and spend more money than students who were exposed to the same products without the presence of a credit card logo (McElroy, Kleck, Harrison & Smith, 1994; Mannix, 1999; McBride, 1997; Hayhoe, Leach, & Turner, 2000; Roberts & Jones, 2001). Feinberg (1986) concluded that students have been conditioned to associate credit cards and spending.

Credit card use stimulates spending and when compared to cash, credit cards leads to greater imprudence. For example, the introduction of credit cards to the fast food industry resulted in more sales and transactions that are 50% to 100% larger than cash transactions (Ritzer, 1995). To many, the money involved in credit card transactions is abstract and unreal (Roberts & Jones, 2001). The realization that one is actually spending “borrowed” money that has to be repaid is a reality that many college students do not grasp during transactions.

Consequently, credit can be confused with income or “real money” from earnings because using credit eliminates the visibility of cash being spent. Credit cards prompt many to spend quickly and more impulsively than they would with cash. College students have been raised in a credit card society, where excess credit card use is glamorized (Manning, 2002). This means that college students are being socialized to perceive consumer credit as a generational entitlement rather than an earned privilege. For most American students, credit card “membership has its privileges” before commencing a full-time job and adhering to a financial budget.

Status Consumption

Consumer research on compulsive buying began with work by Faber, O'Guinn, and Krych (1987), and Valence, D'Astous, and Fortier (1988; as cited by Mowen & Spears, 1999). Faber and O'Guinn (1988) defined compulsive consumers as "people who are impulsively driven

to consume, cannot control this behavior, and seem to buy in order to escape from other problems". Edwards (1992) defined compulsive buying behavior as "a chronic, abnormal form of shopping and spending characterized, in the extreme by, an overpowering, uncontrollable, and repetitive urge to buy, with disregard for the consequences (Mowen & Rowen, 1999). Although compulsive buying gives an individual short-term positive reward, it results in long-term negative consequences.

College students may be more prone to becoming compulsive spenders for a number of reasons. Outside of being conditioned to spend and enticed by multiple credit card offers there may be social pressures that prompt excessive spending behaviors. One mentioned earlier was the culture of indebtedness. The other can be described as status consumption. Status consumption is a form of power that consists of respect, consideration, and envy from others generated by what a person owns. Today status is seen more through ownership of products than personal, occupational, or family reputation (Eastman et al. 1997). To achieve a position of social power or status one must exceed the existing community norm.

Moreover, being viewed as wealthy is socially desirable, being recognized as such might require continual investment in costly items. This leads to a treadmill of consumption, where spending habits may be difficult to support with the earnings of a college student budget. In a college environment that is oversolicited with credit card offers as well as retail advertisements it is probable that there is more social pressure to spend in order to keep up with peers. From iPods, E-readers, Mac books, designer book bags and so on, college presents an environment that promotes spending. Such spending can be justified especially on gadgets that can be viewed as viable products to enhance scholastic productivity. The ownership of such products also becomes unique identifiers affording social prestige and acceptance by both peers and fellow

students. Unfortunately, status consumption is a competitive and comparative process, which requires consumers to continually increase their conspicuous signals of wealth (Bell 1998). Their status gain leads to their financial loss.

On college campuses there are more opportunities to compare status signals with others as many living (dormitories), dining (cafeterias), and work domains (libraries, lecture halls) are public. Moreover, to achieve a position of social power or status, one must exceed the existing norm. This often results in purchasing higher priced items and shopping more frequently. For college students it becomes socially important to maintain a “high profile look” even if this means spending beyond means.

Additionally, Sociologists and social psychologists have suggested that debt-tolerant or debt-inducing norms might be generated if a consumer adopts a reference group with more economic resources than he or she has (Newcomb, 1943, as cited Wang & Xiao, 2009). The result is that there is no end to wants, and little improvement in satisfaction, despite the increase in accumulation of goods. Bell termed this the “treadmill of consumption”. Many college students get stuck on this treadmill their entire college tenure, vulnerable to becoming compulsive buyers.

Debt management being more difficult for young adults today can be attributed to their expectations concerning salaries upon degree completion, and estimated length of repayment. Studies concluded that students were overly optimistic about their abilities to retire debts quickly (Perloff & Fetzer, 1989; Wicker et al. 2004). These studies concluded that students are likely to be more optimistic about future events when events are further away in time, and they are less optimistic, and presumably more accurate, when impending events are closer in time. Incidentally, college students may be “overly optimistic” about paying off debt. Many assume

that there will be both adequate means and time to repay debt. Expectations may readjust as repayment time nears, and they are presented with a clearer picture of their debt load. This is particularly true for upper class students, adjusting their expectations in the face of graduation. If the assessment and appraisal of how credit card debt can be repaid is skewed, credit card debt can become a significant stressor when a debtor begins to miss payments escalating collection efforts.

Financial Literacy

For college students who may be new to both being a debtor and having an account in collection, dealing with debt collectors is very stressful. Findings from several studies indicate that the financial literacy of college students is a chief determinant of whether students successfully manage credit lines, avoiding debt insolvency (Lyons, 2004; Hoffman, McKenzie, & Paris, 2008; Dale, and Bevill, 2007). Unfortunately, studies have also concluded that financial literacy rates among college students are very low (Davies, & Lea 1995; Roberts & Jones 2001). Debt collection practices create a significant source of stress causing distress and impacting academic performance. For this reason it is appropriate to discuss the collection practices of creditors.

The stress of collection efforts and the new responsibility of handling bill collectors becomes a source of ongoing stress that causes distress. For college students that lack financial literacy and experience in dealing with collectors and being in debt (especially in delinquent status) predisposes students to higher levels of anxiety, and prolonged stress. All firms that extend credit to consumers establish procedures for the collection of overdue bills (Hill, 1994; Sutton, 1991).

The methods designed to obtain payment from indebted consumers range from high cost to low cost approaches, all directed towards prompting payment. High cost individualized approaches are methods that cost the agency more money to implement such as mailing personal individualized letters highlighting the consequences of nonpayment. Letters are usually sent to new debtors who have a history of timely bill payment (Sutton, 1991). The rationale is that these debtors have a history of repayment and are more likely to pay when gently reminded. Low cost approaches included telephone calls. This is more cost effective for agencies and tends to be effective for contacting consumers that have poorer repayment histories.

The goal of both methods is repayment fostered through negative reinforcement. This is viewed as an effective strategy on the behalf of collection agencies, because debtors can only escape this aversive onslaught by paying the bill. Letters highlight the consequences of non payment, including the loss of privileges with the creditor, impairment of their credit ratings and possible legal action. Telephone calls convey a sense of urgency that emotionally arouses debtors, particularly when they are both ongoing and reoccurring. Bill collectors are trained to recite scripts that coerce debtors to commit to bill repayment (Hill, 1994). Collectors are socialized to convey urgency, or firmness. The belief is that both unpleasant news and stern people are motivators for repayment. The tone collectors take entails arousal with a hint of irritation or disapproval.

Collectors use phrases that prompt, “promises to pay” or convey high importance. Phrases like: “It is imperative that you pay us today” or “This account has reached a critical stage.” Collectors are rewarded and punished for the outcomes of their work. Raises, promotions, cash prizes, and gifts, are used to encourage collectors to obtain promises to pay, and dollars in payments. Collectors have incentives for conveying intensity and collection, in many cases they

are paid partially in commissions. This literature highlights how receiving multiple calls from aroused collectors can be intimidating (especially for new debtors) and highly stressful.

For college students who are more likely to be both new debtors (Staten & Barron, 2002; Shenk, 1997; Hayhoe; 2002) and have low levels of financial literacy (Davies, & Lea 1995; Roberts & Jones 200) the strain of collection predisposes them to greater levels of distress (Allen, Edwards, & Hayhoe 2007). Debt collection can be a daily stressor. It is possible for a debtor to receive multiple calls daily from a collection agency or agencies hoping to settle an account to earn commission. College students may be extremely unprepared for the rigors of debt collection practices. Being pursued by trained bill collectors in the face of having both limited experience with handling collectors and insufficient funds to repay debt can become taxing.

The financial literacy of college students has consequences for how they handle and process both being in debt and handling the strain of collection efforts. For example, studies have concluded that debt collection agencies rely on the obliviousness of consumers regarding both financial literacy and the law when collecting debts. For example, a bill collector in a study stated: “If people know the law, if people really knew the law, we would collect a lot less money” (Hill, 1995).

In American educational systems financial literacy is not incorporated into formal curricula or universally required for diploma or degree program completions. As a result, the reality is a young person today is highly likely to be unfamiliar with handling credit as well as troublesome debt and bill collectors. There are laws that benefit consumers in the “rules of engagement” with collectors, and offer boundaries to escape the strain of collection efforts. The

Fair Debt Collection Practices Act is an example of such laws instituted in each state. However, it is left up to consumers to be knowledge of the laws.

For example, some provisions under this Act state:

Telephone calls to debtors can be made only between the hours of 8:00 a.m. and 9:00 p.m. occurring on Mondays through Sundays.

Direct contact with debtor's employers or any third party with respect to monies owed is prohibited

Debtors have the right to request that collectors cease communication.

If consumers, especially college students, were familiar with the provisions of this act, even if means to repay the debt in full were absent, options regarding communication or skillful negotiation with collectors could be utilized to lessen the chronic burden of collection efforts.

For instance, if a consumer experienced emotional distress when dealing with collectors on the telephone under the provisions of this act they could mail a cease and desist letter and telephone calls to the debtor would be prohibited. While this does not eradicate the debt, it does alleviate the stress of daily telephone calls from a creditor. This affords the debtor the ability to map out debt solvency without the constant irritant and emotional arousal bill collectors evoke. For college students financial literacy has several advantages. Figure 3 illustrates a relationship between financial literacy, income, credit debt, distress and grade point averages.

A lack financial literacy affects credit card debt. Financially literate consumers are able to convert the knowledge they possess about finances into informed decisions and behavior that maintain financial well being. Consequently, income is linked to financial literacy. Individuals with higher income tend to be more financially literate than persons who have lower incomes (Brown, Taylor and Price, 2004).

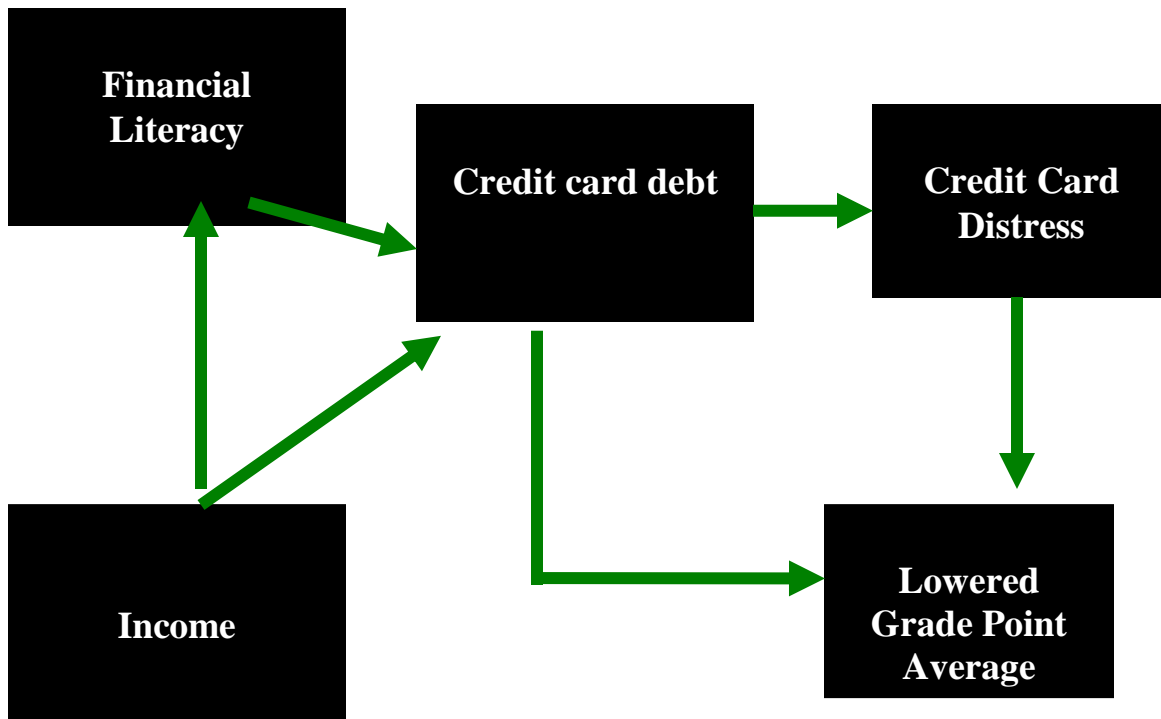


Figure 3. Relationship between financial literacy, income, credit debt, distress and grade point averages.

On the other hand, a lack of financial literacy affects credit card debt adversely. A person who is not financially illiterate is often uninformed about the responsibility of credit card ownership, and more likely to engage in more behaviors that lead to debt insolvency. An obvious impact that income has on credit card debt is the ability it lends to an individual to pay or default on payments. Thus, individuals that have higher incomes are greater insulated from the perils of unmanageable debt, avoiding vicious debt recovery practices from creditors.

Credit card distress arises when debt cannot be repaid and creditors pursue the borrower often daily to collect money. The notices, telephone calls, the vocal aggression of collectors, and other collections tactics all increase anxiety regarding the debt owed. These collection efforts also remind the borrower that they do not have the money to pay the debt and will continue to be

pursued by creditors until money owed is paid. This can create high levels of distress that can affect academic performance.

When the debtor is pursued daily, this becomes a daily hassle that the debtor must emotionally navigate. Moreover, this strain is intensified by the absence of resources a debtor has to combat collection efforts. Consequently, to deal with collection efforts many students who have borrowed beyond their capacity to repay, engage in financial problem solving that compromise the ability to academically perform. Students who are over extended financially work longer hours (Austin & Phillips, 2001; Norvilitis, Osberg, Young, 2006 et.al), miss more class periods (Jones, 2005; Hayhoe, Leach, Allen, & Edwards, 2005; Joo, Durband, & Grable, 2008), and get less sleep (Lund & Reider et. al 2010), taken together these problem solving strategies could seriously impact scholastic functioning resulting in lowered grade point averages. The inability of a college student to repay credit card debt, results in credit card distress. Dealing with credit card distress is a stressor that impacts grade point average because it becomes a distraction that hinders the ability of a student to concentrate and spend sufficient time and energy studying.

CHAPTER 3 METHODS

This study has two sources of data, a questionnaire sample of 330 students and face-to-face interviews conducted with 30 students selected from the questionnaires. The data collected from the questionnaires are analyzed using quantitative methods, specifically regression analysis, ANOVAs tables, and descriptive statistics. The interviews were qualitatively examined using a phenomenological coding strategy to identify themes pertinent to the research agenda of this study. This chapter describes recruitment, sampling, sources of data, measures, and descriptive information about the sample, and each are detailed in turn.

Recruitment: Use of Questionnaire

To locate my sample, I contacted two different professors at Michigan State University. I met with both professors to ask permission to administer my questionnaire during class. During the meetings we reviewed the questionnaire, consent procedures, as well as the length of time the questionnaire would take to distribute, complete and collect. I was granted permission by both professors to administer my questionnaire. Finally a date was chosen when I would actually administer the questionnaire. On the day I arrived to each course, I introduced myself to the students, and reviewed my questionnaire and consent procedures. I then explained that their decision to participate or decline would have no academic consequences. The two courses selected were a four-credit Social Science course and a three-credit course in a different department.

The reason that the social science course was selected is because it is a four-credit course required for graduation regardless of academic major. Additionally, enrollment typically ranges from 200 – 330 undergraduate students. The number of students enrolled in the course I sampled was 210. Given the large enrollment, and general requirement status, I thought this class would

yield a broad diversity of respondents across majors and class standing that would ultimately diversify the study's sample. Also, attendance was mandatory and recorded in this course, therefore I could be fairly confident that on the day questionnaire would be administered I would have a large number of students present to answer the questionnaire.

I chose the other course because of course content. This course was a personal finance course. I thought this course would provide an increased opportunity to locate the students this study focuses on: students who have credit card debt they are having difficulty paying. I also, realized that students enrolled in this course might be taking proactive measures against financial mismanagement. Course enrollment for this class was 160 students and attendance was mandatory. Between the two courses 330 students total completed the questionnaire.

Interview Sample Selection

The 330 questionnaires were organized by academic class standing (freshmen, sophomore, junior or senior). It is important to note that the questionnaires were used to locate 30 students to interview face-to-face. More about the interview selection process is discussed later in this chapter. Briefly, it should be mentioned here that this study has a specific focus on students who cannot pay their bills and are distressed by collection efforts. The questionnaires helped identify these students. Only students who self reported experiencing distress because they were having difficulty paying their credit card bills were interviewed. Using the questionnaire to locate these students helped ensure that only students who met this specific research focus were interviewed. Using the questionnaires to locate the target sample helped save time and reserve incentives disbursed by locating students who met interview criteria and eliminating those who did not.

Methodology research suggests a sample size of at least 30 to 32 is conventional to guarantee that sample statistics do not vary much from the population parameters that they estimate (Frankfort and Guerrero, 2006). Respondents who reported that they did not have any credit cards and were not in credit card debt were removed from consideration. Attempts were made to identify students that were financially at risk. For the purposes of this study, students are identified as financially at risk if they had one or more of the following characteristics

- 1) Have one or more credit card accounts
- 2) Have credit card balances of \$1,000 or more
- 3) Are delinquent on their credit card payments 30 days or more
- 5) Only pay off their credit card balances some of the time or never.

The measures of financial risk were constructed based on previous research that has consistently identified credit misuse and/or mismanagement according to these characteristics (Baum and O'Malley 2003; The Educational Institute and The Institute for Higher Education Policy 1998; U.S. General Accounting Office 2001; Lyons 2004). These measures identify students who are having difficulty managing their credit and/or repaying their credit card balances. Targeting students that are having difficulty managing credit is the first step to exploring adequately the relationship between credit card debt, wellbeing, and academic outcomes. Of the 330 questionnaires, 130 had completed the questionnaire completely, reported having at least one credit card, owed a balance on the card, and met other financial risk eligibility criteria previously mentioned. These are the respondents that I contacted from the questionnaires to be interviewed. From the remaining 130 questionnaires eight questionnaires were randomly drawn from each pile (freshmen, sophomore, junior and senior) for a total sample size of 32. After all respondents were selected, using the contact information listed on the questionnaire,

they were contacted via email or telephone and asked to participate in a face-to-face interview. Obtaining ethnographic accounts from students offer the opportunity to explore in depth the academic consequences as well as the distress students reported experiencing as a result of credit card debt, particularly when debt is insolvable.

Interviews were conducted in a reserved study room at the Michigan State University library. A cash incentive of \$25.00 was offered for participation. Incentives have been well documented in the literature for bolstering response rates (Dillman 2003; Neuman 2006; Biemer and Lyberg 2003). Creating an incentive that is likely to be equally appealing to everyone in the sample of interest is important. For this reason cash incentives were chosen.

Characteristics of the Sample

The respondents in this study were undergraduate college students (n=330). Females accounted for (51.5%) of the study's sample and males (46.7%). Six students in this sample (1.8%) did not answer. The racial identification of the respondents are as follows: African Americans (14.4%), Mexican American or Chicano (3.5%), Asian American (6.7%), Whites (71.9%) and other (3.5%). More than half of the sample was underclassmen: freshmen (30.2%) and sophomores (32.4%). Upper classmen sampled were juniors (14.9%) and seniors (22.5%). The majority of the students (98.7%) were full-time students, with only (1.3 %) being part-time. A little over Fifty-four percent (54.3%) of the students who reported owning a credit card obtained the card at the age of 18. Surprisingly, (14.3%) of the sampled reported obtaining a credit card as young as 16 and less than two-percent (1.4%) of students in this sample reported obtaining a card at 21 years of age. Collectively, (62.5%) of the students owned credit cards. Among those students with credit cards, the amount owed on these cards ranged from \$500 (66.4%) to over \$6,000 (2.2%). A table of descriptive statistics is provided below.

Table 1

Descriptive Statistics for the Sample^a

Variables	Frequency	Percentage
Gender		
Male	154	47.5%
Female	170	52.5%
Race		
African American	45	14.4%
Mexican American or Chicano	11	3.5%
Asian American	21	6.7%
Whites	225	71.9%
Other	11	3.5%
Class Standing		
Freshmen	95	30.2%
Sophomore	102	32.4%
Junior	47	14.9%
Senior	71	22.5%
Enrollment status		
Part-time	311	1.3%
Full-time	4	98.7%
Credit card Ownership		
Yes	200	62.5%
No	120	37.5%
Number of Credit Cards Owned		
0	115	37.0%
1	133	42.8%
2	44	14.1%
3	12	3.9%
4	5	1.6%
5	2	0.6%
Balance owed on credit card(s)		
500	89	66.4%
\$1,500 – \$2,500	37	27.6%
\$3,000 – \$6,000	5	3.7%
Over \$6,000	3	2.2%
Family Income		
<\$10,000 - \$39,999	41	14.7%
\$40,000 - \$69,999	47	16.8%
\$70,000 - \$89,999	51	18.3%
Over \$90,000	140	50.2%

Table 1 (continued)

Variables	Frequency	Percentage
Father's Education		
Grade School	6	2.0%
High School	68	22.4%
College	151	49.7%
Graduate School	79	26.0%
Mother's Education		
Grade School	4	1.3%
High School	69	22.3%
College	179	57.7%
Graduate School	58	18.7%

^aN= 330

Sources of Data

The sources for data collected in this study were obtained from 330 questionnaires completed by students in class and 30 face to face interviews. Demographic data was also collected from the questionnaire.

Questionnaires

The questionnaire in this study contained 71 questions. The questionnaire contained six sections labeled A-F. Each section is outlined below. The complete questionnaire is listed in the appendix.

- A- Credit card ownership information
- B- Financial Literacy
- C- Credit Card Distress
- D- Credit card spending
- E- Scholastic behavior, credit card debt and grade point averages
- F- Demographic information

The questionnaire took students on average 30 minutes to complete. The questions used in each section were constructed and informed both by the research agenda for this study as well as existing literature. I asked students questions that I thought would help explore the hypotheses of this study. Here, I would like to briefly describe what existing literature was used to help inform the design of the questions in each section. It is also important to note here that personal experiences with debt collection practices and debt resolution also informed question creation and selection.

Questions used in sections A and B: Credit Card Ownership and Financial Literacy were informed using the Money beliefs and behaviors scale (MBBS) modified by Hayhoe (1999) and the Attitude to Debt scale (Lea, 1995). Efforts in sections A & B were made to collect information about the debt load students carried as well as knowledge students held in regard to financial management, understanding of credit and other demographic information pertinent to understanding debt vulnerability (i.e. age at time of applying for credit, credit card balance, number of credit cards, etc).

Sections C and D: credit card distress and credit card spending were influenced using the Student Financial Well-Being Scale (Norvilitis et. al, 2003) and Attitude toward debt and Future Optimism scale (Wells, 2007). In sections C and D the goal was to ask students questions to help understand both the impact credit card debt had on distress and what prompted credit card spending.

Questions in sections E and F concerning grade point averages and demographic information were informed by a number of items in scales previously referenced. The goal in section E was to examine specific events or happenings that may impair scholastic functioning related to the stress associated with credit card debt. Previous literature has identified that grade

point averages affect student mental health (Caldwell, 2010; Graham, 2006; Nielsen, 2002). This is an important finding because in this study, I explore the effects credit card debt have on grade point average, and the distress students undergo as a result of credit card debt. Section F collects demographic information about the student's background (race, class standing, gender, etc).

Measures and Reliability

Three scales were created for this dissertation: financial literacy, credit card distress, and credit card debt. The items used to create the scales were taken from the survey "Maxed Out: College students, grade point averages, distress, and credit card debt" that I designed for this dissertation project. Each scale will be discussed in regards to the items that make up each scale, assessment of usefulness of the scale and the reliability of the scale. The reliability of the scales is measured using Cronbach's alpha. The alpha is a measure of internal consistency, that is, it measures how closely related a set of items are as a group. A "high" value of alpha is often used (along with substantive arguments and possibly other statistical measures) as evidence that the items measure an underlying (or latent) construct. Alpha scores range from negative values to 1. Statistically reliable alpha scores are generally at least 0.60. Additionally, the distributions of all the questions that make up the scale are provided.

Scale reliability and items used in each scale

Financial literacy. The alpha for the financial literacy scale is .75. This scale was coded by taking the mean values for the questions for all respondents (no=0 and yes=1). The closer a respondent's financial literacy score is to "1" the more the respondent (presumably) is financially knowledgeable regarding the questions asked. In relation to the survey the financial literacy scale is composed of questions B3- B12. Specifically, the questions students answered as a measure of financial literacy are:

- B3. I know the APR on my card(s)
- B4. In the past I have negotiated with creditors about a lower APR for my card(s)
- B5. I am aware of the debt collection practices for my card(s)
- B6. I know what factors influence my credit score.
- B7. I am familiar with the provisions of the Fair Credit Reporting Act
- B8. I know how to obtain a copy of my credit report.
- B9. In the last 6 months I have obtained a copy of my credit report.
- B10. I know how to read a credit report.
- B11. If I wanted to learn more about handling money I would ask my parents.
- B12. I have taken a personal finance course here at MSU.
- B13. Managing credit is a problem for me.

This scale is useful for gaining a general knowledge about the financial literacy of students in this sample. The questions in this scale address whether or not a student is familiar with locating, interpreting, and understanding various financial documents (i.e. credit card statements, credit reports, etc). Students were asked questions about credit reports; collection practices, and about other items that could be found on their credit card statements. This is scale is a helpful predictor to estimate the familiarity a student has with understanding, and interpreting documents vital to financial health. For example, if a student does not know how to order, or read a credit report how can he/she be knowledgeable of their credit score or credit standing financially? The absence of this kind of knowledge might severely impair a students' ability to make sound financial decisions and affect the future borrowing potential of a student.

Credit card distress. The alpha for the credit card distress scale is .86. The scale is composed of questions C1- C4, C6-C10. The answer choices to these questions were coded as

(never=0, hardly ever=1, some of the time=2, most of the time=3, always=4). The higher a respondent's score is to "4" the more distress they reported experiencing because of credit card debt. Specifically, the questions students answered as a measure of distress in relation to credit card debt are:

- C1. I worry about being able to pay my credit card bills.
- C2. I spend a lot of time thinking about my credit card bills.
- C3. I get down when I think about the money I owe.
- C4. I have cried about owing credit card bills.
- C6. A phone call from a creditor ruins my day.
- C7. When creditors call I do not answer.
- C8. Creditors call my cell phone.
- C9. It is hard to make arrangements with creditors
- C10. I feel overwhelmed by my debt.

This scale is a useful measure to predict the distressing effects of credit card when the debt is not repaid. The items in this scale ask specific questions regarding responses a person might have in relation to dealing with stressful events caused by the inability to make credit card payments or satisfy arrangements as detailed in credit card contracts. Answering positively (sometimes, most of the times, or always) to questions suggest that the respondent is having difficulty meeting payment obligations and is experiencing distress or emotional discomfort as a result.

Credit card debt. This variable measures accounts that students have in collection status for non-payment. The answer choices to this question were coded as (no=0, yes=1) Yes, they had

accounts in collection because they were past due on bill payments or not they were not. The actual question is listed below. The entire questionnaire is listed in the appendix.

C5: Creditors call me because I am past due on my account.

Interviews

Thirty undergraduate students were interviewed for this study. The purpose of electing to conduct interviews for this study was to gain a comprehensive understanding of “what being in debt is like for an undergraduate student.” How might this type of pressure be described and what caused the debt in the first place. The interviews conducted for this study offered great detail from students themselves about how they experience debt, what they know about money and, more importantly, how they were taught financial literacy.

The average interview lasted for 1.5 hrs. In total 52 hours were spent completing interviews with students. The face-to-face interview questions that I used during interviews are listed below.

1. Growing up what did you learn about credit cards, managing money?
2. How old were you when you first applied for your credit card?
3. Why did you apply/ what made this offer appealing?
4. Where did you learn this?
5. When did you first realize your credit card debt was a problem?
6. What event made you realize this?
7. How did you respond? (What did you do?)
8. Does anyone know about your debt? (Who?)
9. Have you sought help or thought about seeking help?
10. How do you feel about owing the money you owe?

11. Are people you know, (or people around you) experiencing similar problems?
12. What causes you to spend money beyond what you intended while shopping?
13. How often does this happen?
14. Do you buy things that cannot be returned?
15. How has credit card debt affected your grades?

Data Analysis

Eight variables are used in this study. They are: family income, credit card debt, grade point averages, credit card ownership, credit card balances, parent's education, race and credit card distress. Using descriptive analysis frequency distributions are provided for each variable in the beginning of the results chapter. The goal of the frequency distribution tables is to provide the reader with a description of the variables used in analysis.

Finally, using SPSS, a variety of analyses were conducted using cross tabulations, ANOVA, and multiple regressions to examine each hypothesis. The goal for the analysis of each hypothesis was to explore and provide clarity regarding understanding the relationship between credit card debt, distress and grade point averages. A series of different variables are inserted into the regression models to further examine this relationship and reveal what variables help predict credit card distress, and lower grade point averages.

CHAPTER 4 RESULTS

In this chapter both the qualitative data from the interviews and quantitative data from the questionnaires are discussed. This chapter begins discussing the hypotheses for this study and ends exploring the phenomenological themes gathered qualitatively from the interviews. Before the hypotheses are discussed, frequency tables for all variables pertaining to the hypothesis are presented. Following the frequency tables each hypothesis is explored in turn.

Eight variables are used in this study. They are: family income, credit card debt, grade point averages, credit card ownership, credit card balances, parent's education, race and credit card distress. In the following tables frequency distributions are provided.

Table 2

Family Income^a

Family Income	Frequency	%
<\$10,000 - \$39,999	41	14.7%
\$40,000 - \$69,999	47	16.8%
\$70,000 - \$89,999	51	18.3%
Over \$90,000	140	50.2%

^aN = 279

Most of the students in this sample had family incomes that are in the higher ranges of this income interval. Table 2 details the majority of students in this sample 68.5% had family incomes of \$70,000 to over \$90,000. The remaining students in this sample have family incomes that range from under \$10,000 to \$69,999.

Recall from chapter two that credit card debt was measured by asking students whether they had accounts in collection for non-payment. Table 3 highlights that credit card debt is a problem for 11% of students in this study who reported that creditors call them because they have accounts in collection for non-payment.

Table 3

Credit Card Debt^a

Credit Card Debt	Frequency	%
YES	30	11%
NO	243	89%

^aN = 273

Table 4 highlights that 24.3% of students have above a 3.6 grade point average. Nearly half (44.5%) of students in this sample reported grade point averages of 3.0 to 3. Most students in this sample have at least a 3.0 grade point average. Students reporting grade point averages of 2.0 to 2.9 totaled 29.1% and 2.1% of students reported having grade point averages of 1.0 to 1.9.

More than half of the college students in this sample 62.5% have credit cards. Findings in table 5 align well with literature regarding credit card ownership and utilization among college students explored in chapter one. Researchers estimate that 60% to 82% of college students own credit cards (Dunn 1993; Hayhoe et al. 2000; Roberts and Jones 2001). This study highlights similar findings.

The distribution of credit card balances ranges from 66.4% of students reporting that they owe at least \$500.00 on their credit card to 27.6% reporting that they owe as much as \$2,500.

Table 4

Grade Point Averages^a

Grade Point Average	Frequency	%
1.0 to 1.9	6	2.1%
2.0 to 2.9	85	29.1%
3.0 to 3.5	130	44.5%
3.6 or above	71	24.3%

^aN = 292

Table 5

Credit Card Ownership^a

Do you own a credit card?	Frequency	%
YES	200	62.5%
NO	120	37.5%

^aN = 320

Students carrying credit card balances from \$3,000 to over \$6,000 in table 6 totals 5.9%. It is also interesting to note that this question (how much money do you owe on your credit card?) was skipped most frequently with 196 students out of 330 electing not to answer this question in particular. The students that skipped this question tended to be white (145), freshmen and sophomore; they had little credit card debt, and reported not being financially literate. Students that answered this question had more debt; reported more credit card distress, were financially literate and tended to be upperclassmen.

Table 6

Credit Card Balances^a

How much money do you owe on your credit card(s)?	Frequency	%
\$500	89	66.4%
\$1,500 - \$2,500	37	27.6%
\$3,000 - \$6,000	5	3.7%
Over \$6,000	3	2.2%

^aN = 134

Most 49.7% of the college students in this sample have fathers that attended college and graduate school 26%. Only 22.4% of college students in this sample have fathers that only attended high school and 2% attending only grade school. Table 7 shows that overall the fathers of college students in this study are well educated.

Table 7

Father's Education^a

Educational Level	Frequency	%
Grade School	6	2.0%
High School	68	22.4%
College	151	49.7%
Graduate School	79	26.0%

^aN = 304

Table 8 illustrates that 57.7% of college students in this study have mothers that attended college and 18.7% reported that their mothers attended graduate school. Overall, table 8 highlights that college students in this study have fairly well educated mothers with only 1.3% reporting that the highest level of education achieved by their mother was grade school and 22.3% reporting high school. Table 9 illustrates that the majority of students (71.9%) in this study are white. This is reflective of the predominantly white Midwest University from which the sample for this study was drawn.

Figure 4 illustrates students self-reported distress scores experienced from having credit card debt (items in this scale are listed in chapter 2). In this figure the distress scores range from 0 – 4. The number “0” corresponds to a student reporting that they are not under any financial strain that would cause distress because of credit card debt. The number “4” demonstrates that the financial strain of having credit card debt is affecting the student’s well being. While the majority of students in this sample have distress scores that fall the between 0 – 1 ranges, the remainder of students have scores that are spread throughout the interval ranges reflecting

Table 8

Mother's Education^a

Educational Level	Frequency	%
Grade School	4	1.3%
High School	69	22.3%
College	179	57.7%
Graduate School	58	18.7%

^aN = 310

Table 9

Race^a

Race	Frequency	%
Black or African American	45	14.4%
Mexican American or Chicano	11	3.5%
Asian Americans	21	6.7%
White or Caucasian	225	71.9%
Other	11	3.5%

^aN = 313

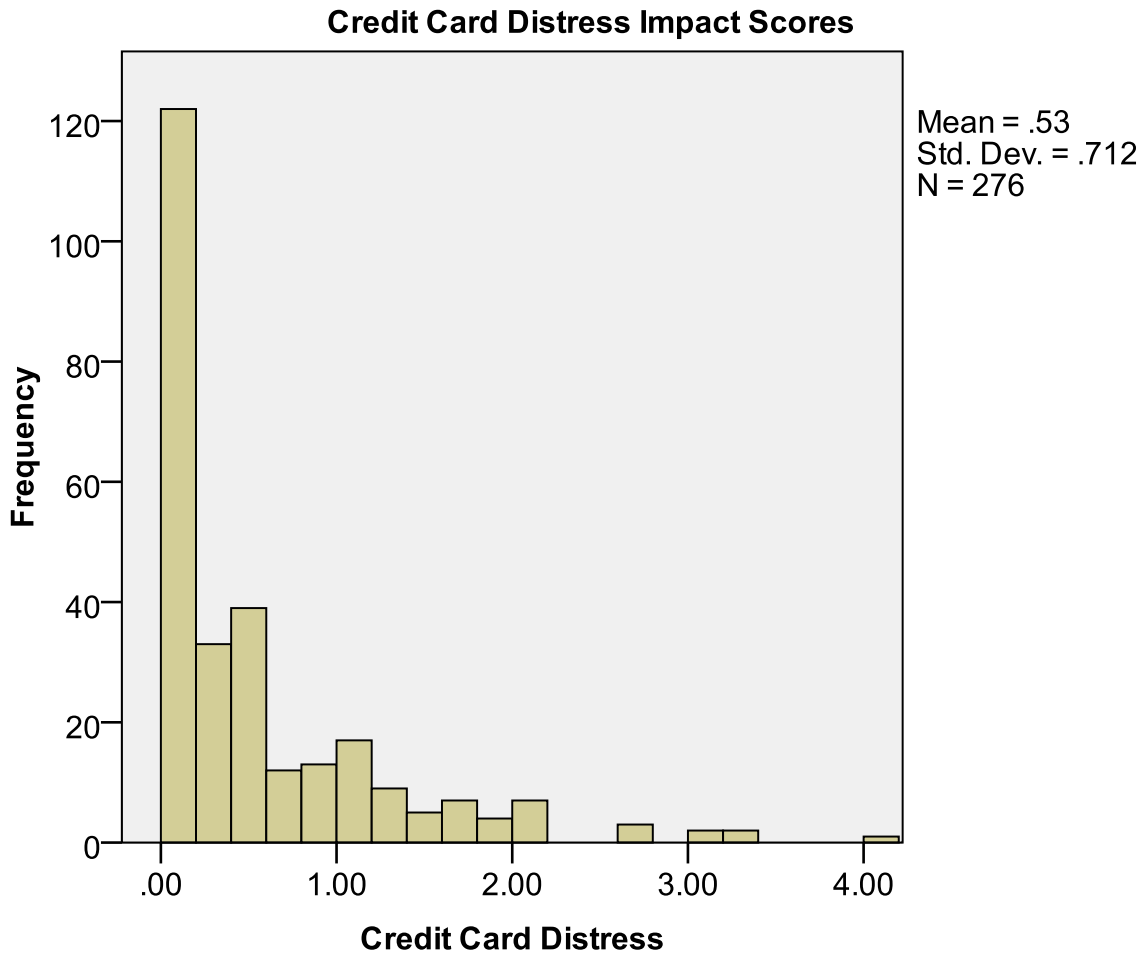


Figure 4. Credit card distress.

diversity in regards to the impact that credit card debt has on well being. In the next section, the hypotheses of this study are introduced and explored in depth.

This study has four hypotheses:

Hypothesis 1: College students that have accounts in collection are distressed than college students who do not have accounts in collection.

Hypothesis 2: College students that have accounts in collection are more likely to have lower grade point averages, than college students who do not have accounts in collection.

Hypothesis 3: Students from lower income families are more likely to obtain credit and carry high balances compared to students from higher income families.

Hypothesis 4: Students from lower income families are more distressed than higher income college students that have accounts in collection.

Hypothesis one inquired whether or not college students that had accounts in collection were distressed. Hypothesis one was supported in analysis. College students that have accounts in collection were distressed about their debt. The regression in table 10 illustrates a positive linear relationship between credit card debt and credit card distress. The more credit debt a college student in this study had, they reported experiencing greater levels of distress.

Table 10

Regression Analysis of Credit Card Debt and Credit Card Distress

Statistic	<i>p</i>
Credit Card Debt	1.42**
R ²	.417

Note. Dependent variable: credit card distress. Unstandardized coefficients reported. *N* = 273. **p*<.05, ***p*<.01

Table 2 details the family income distribution for students in this study. Almost half of the students in this study reported family incomes over \$90,000. Initially, it might appear that family income could mediate the impact of credit card distress for college students. The regression in table 11 demonstrates that income was not a significant predictor of credit card distress for students. That is, family income did not impact whether a student was more or less distressed about credit card debt. Hypothesis 4 explores this finding in more detail.

The regression in table 12 illustrates that credit card debt is the most significant predictor of credit card distress for college students. Additionally, the regression in table 13 highlights that the amount of money owed on the credit card is also a significant predictor of credit card

Table 11

Regression Analysis of Credit Card Debt, Family Income and Credit Card Distress

Statistic	<i>p</i>
Credit Card Debt	1.42**
Family Income	-.044
R ²	.417

Note. Dependent variable: credit card distress. Unstandardized coefficients reported. *N* = 240. **p*<.05, ***p*<.01

Table 12

Regression Analysis of Credit Card Debt, Family Income and Credit Card Distress

Statistic	<i>p</i>
Credit Card Debt	1.38**
Family Income	-.009
Race	.143
Father's Education	.006
Mother's Education	-.103
R ²	.427

Note. Dependent variable: credit card distress. Unstandardized coefficients reported. *N* = 231. **p*<.05, ***p*<.01

Table 13

Regression Analysis of Credit Card Debt, Family Income, Race, Parent's Education, Credit Card Balances and Credit Card Distress

Statistic	<i>p</i>
Credit Card Debt	1.31**
Family Income	.020
Race	.058
Father's Education	-.037
Mother's Education	-.122
R ²	.479

Note. Dependent variable: credit card distress. Unstandardized coefficients reported. *N* = 120. **p*<.05, ***p*<.01

distress. In short, hypothesis one then is supported in analysis and students that have accounts in collection are distressed.

Hypothesis two inquired whether college students that have accounts in collection would have lower grade point averages. Hypothesis two was supported in analysis. College students that had accounts in collection had lower grade point averages. The regression in table 14 illustrates that as credit card debt decreases grade point average increases.

In chapter one, the rigors of debt collection practices were detailed. This finding is not surprising, that having accounts in collection, affects grade point average. For undergraduate students steady streams of telephone calls requiring payments from aggressive debt collectors can be distracting. Time spent to manage daily phone calls, and deal with this kind of financial strain could prohibit concentration ultimately impacting academic performance. Additionally, table 14 shows a positive linear relationship between family income and grade point average. Students that have higher family incomes, tend to have higher grade point averages. Income is

Table 14

Regression Analysis of Credit Card Debt, Family Income, Race, Parent's Education, and Grade Point Average

Statistic	<i>p</i>
Credit Card Debt	-.367*
Family Income	.113*
Race	-.061
Father's Education	.123
Mother's Education	-.002
R ²	.104

Note. Dependent variable: credit card distress. Unstandardized coefficients reported. *N* = 215. **p*<.05, ***p*<.01

inextricably linked with education. Typically, the more education an individual attains the more likely they are to earn higher wages.

For college students, this means that being from a higher income family has resulted in privileges that promote high academic functioning in college. For example, having college educated parents to help navigate transitioning to college, attending elite schools, participation in cultural refining activities (plays, museums, vacations etc) all transmit cultural capital that is rewarded in higher education.

This is well documented in the literature (Bourdieu, 1977; Bowles and Gintis, 1976; Foley, 1990; MacLeod, 1995). Consequently, it is not surprising then that students, who reported higher family incomes, have higher grade point averages. In summary, analysis has illustrated important findings supporting hypothesis two. College students that had accounts in collection did have lower grade point averages; they were also more likely to have lower family incomes.

Hypothesis three inquired whether lower income college students would be more likely to obtain credit and carry high balances. Hypothesis three was not supported in analysis. Lower income college students did not carry higher credit card balances and obtain more credit. The regression in table 15 highlights that family income is not a significant predictor for credit card balances.

Table 15

Regression Analysis of Family Income, Race, Parent's Education, and Credit Card Balance

Statistic	<i>p</i>
Family Income	.013
Race	-.300*
Father's Education	-.060
Mother's Education	.030
R ²	.047

Note. Dependent variable: credit card distress. Unstandardized coefficients reported. *N* = 121. **p*<.05, ***p*<.01

One way to interpret this finding is that the balance of a credit card depends upon multiple factors (the credit limit offered, individual spending and consumption habits, etc) and family income alone does not influence the balance of a credit card. Hypothesis three examines lower income college students and their credit balances, a low-income status may limit the amount that could be borrowed. Lower income college students would not necessarily carry higher balances because they may not be eligible for high credit limits.

In table 15 race is a significant predictor of credit card balances. Recall, that race was coded as 0= other and 1= African American. Table 15 reflects that credit card balances are lower

for African Americans. This finding is not surprising because as previously stated income determines eligibility for credit card limits. Creditors extend higher limits to applicants with higher incomes, and typically lower limits for applicants with lower incomes. While African American students in this sample reported having lower credit balances, Table 16 shows that African American students were more likely to have both accounts in collection for payment relapse and lower family incomes.

Table 16

Regression Credit Card Debt, Family Income and Race

Statistic	<i>p</i>
Family Income	-.055**
Race	.254**
R ²	.084

Note. Dependent variable: credit card distress. Unstandardized coefficients reported. *N* = 240. **p*<.05, ***p*<.01

Table 17 further examines hypothesis three and illustrates that number of credit cards a student has is not correlated with family income. Lower income college students did not carry higher credit card balances or carry multiple credit cards. To this extent, family income is not a predictor of whether or not a student will obtain credit or carry higher balances. Hypothesis three was not supported by the data.

Finally hypothesis four inquired whether lower income college students that have accounts in collection would be more distressed than higher income students with accounts in collection. Hypothesis four was not supported in analysis. Lower income students with higher credit card balances were not more distressed than higher income college students with high

Table 17

Regression Analysis of Family Income, Race, Parent's Education, and Credit Card Balance

Statistic	<i>p</i>
Family Income	-.009
Race	.294
Father's Education	.057
Mother's Education	.039
R ²	.013

Note. Dependent variable: credit card distress. Unstandardized coefficients reported. *N* = 264.
p*<.05, *p*<.01

credit card balances. The interaction variable created in regression 18 composed of credit card debt and family income illustrates the complete opposite of what hypothesis 4 suggested. Higher income students with high levels of debt were actually more distressed than lower income college with high levels of debt.

The findings in this study indicated that higher family income was a predictor of financial literacy. Given this finding, it is then not surprising that higher income students with high levels of debt are more distressed than their lower income counter parts. This finding suggests that perhaps being aware of the perils of credit card debt and the consequences might make being in debt more stressful for higher income college students who are financially literate. Additionally, large balances on credit cards not consented by parents may warrant an explanation. This may deter high-income students from seeking financial assistance from parents. Thus, resulting in higher levels of stress concealing purchases and combating the strain of being in debt.

There were other variables that were significant predictors of credit card distress besides having accounts in collection. Table 19 illustrates that the balance owed on a credit card is a

Table 18

Regression Analysis of Credit Card Debt, Family Income, Race, Parent's Education, Interaction of Income and Credit Card Debt and number of Credit Cards

Statistic	<i>p</i>
Credit Card Debt	.886*
Family Income	-.035
Race	.172
Father's Education	.015
Mother's Education	-.106
Interaction: Income & Credit Card Debt	.185*
R^2	.438

Note. Dependent variable: credit card distress. Unstandardized coefficients reported. $N = 231$.

* $p < .05$, ** $p < .01$

Table 19

Regression Analysis of Credit Card Debt, Family Income, Race, Parent's Education, Interaction of Income and Credit Card Debt, Credit Card Balance and Credit Card Distress

Statistic	<i>p</i>
Credit Card Debt	.030
Family Income	-.022
Race	.089
Father's Education	.021
Mother's Education	-.132
Interaction: Income & Credit Card Debt	.216
R^2	.493

Note. Dependent variable: credit card distress. Unstandardized coefficients reported. $N = 118$.

* $p < .05$, ** $p < .01$

predictor of credit card distress. College students that carry balances that they can pay each month (at least the minimum payment) report feeling less distressed over credit card balances. Credit card balances become a stressor for students when they are unable to meet payment obligations.

Additionally, table 20 reports that the number of credit cards owned, and mother’s education level are also a predictor of credit card distress. The number of credit cards a student owns has implications for the amount of debt that can be utilized. Students who carry more than one card have access to multiple credit lines, and therefore maybe at risk of creating balances that they cannot maintain. Interestingly, table 20 also reports that as the educational level of the mother increases, credit card distress decreases.

Table 20

Regression Analysis of Credit Card Debt, Family Income, Race, Parent’s Education, Interaction of Income and Credit Card Debt, Number of Credit Cards and Credit Card Distress

Statistic	<i>p</i>
Credit Card Debt	.939*
Family Income	-.028
Race	.144
Father’s Education	.000
Mother’s Education	-.113*
Interaction: Income & Credit Card Debt	.134
Number of Credit Cards	.166**
R ²	.485

Note. Dependent variable: credit card distress. Unstandardized coefficients reported. *N* = 229. **p*<.05, ***p*<.01

This finding is interesting for a number of reasons. One is that the education of the father was insignificant. This might reflect the number of students in this study that do not have a father present in the home, or skipped this question because they were uncertain about their father's educational level. Additionally, this finding might reflect that more educated parents may parent more skillfully, for example, possessing the ability to help comfort a college student that is distressed regarding credit card debt. This finding requires deeper investigation, and should be addressed in future studies, as parental education was not a variable directly examined in this study.

In conclusion the data has helped elucidate several important findings. Family income is a significant predictor for grade point average and credit card debt. That is students who have higher family incomes report lower credit card debt and higher grade point averages, and are less likely to have accounts in collection. Secondly, having accounts in collection increases distress and negatively affects grade point averages.

Qualitative Findings

This study conducted 30 face-to-face interviews with college students. Almost half of the participants were sophomores 14, juniors totaled 4, Seniors 8 and 6 freshmen. Approximately 14 students interviewed were male, and 16 were female. Each interview was 1 to 1.5 hours in duration totaling 52 hours. The findings from those interviews are detailed in this chapter. There are three reoccurring themes that persist throughout the qualitative interviews for this study. Each theme will be discussed in turn. A table of interview participants is included at the end of this chapter.

Respondents reported the following most often:

1. Students had low levels of financial literacy. Students reported that they learned financial literacy through trial and error methods, not from parents or other institutions
2. Status Consumption prompted majority of credit card purchases. Students reported that spending on large ticket clothing items to gain peer recognition is important.
3. Anticipatory spending: students reported using loan refunds to repay accumulated credit debt incurred during the semester.

Theme 1: Low Levels of Financial Literacy

Twenty-one respondents reported that they were told by family members or parents not to obtain credit cards. However, they were not offered sound reasons or given clear explanations about why obtaining credit cards could have serious negative financial consequences if credit is managed improperly. The interviews reveal that weak explanations are given to accompany stern warnings about securing credit cards. Consequently, despite stern warnings students interviewed in this sample secured lines of credit some as many as three-four cards. While students are encouraged not to use cards, the reality is 84% of college students own at least one card.

Tragically, what is not being shared with college students is how to use credit wisely and how to become financially literate. When students arrive to college they are over solicited with offers to apply for credit cards. These offers are particularly enticing if the student is faced with financial dilemmas and lack of financial support. Sadly, without a solid understanding of the perils of credit card offers many students forget about the warning they receive and apply for credit offers.

Students were asked if they could recall what they were taught or learned about money and credit cards when they were growing up? What stories advice or interactions they had with their family and money. Repeatedly, students answered with responses such as:

“ I really didn’t know much. I was told not to get credit cards though.”(Sophomore, male)

“I mean nobody really said anything in particular...I really was never sat down and talked to about money.”(junior, female)

“What I know, I taught myself, ain’t nobody coach me or nothing....that’s that TV kinda family, that don’t happen in real life.(senior, male)

“I never even saw my parents managing money.”(freshmen, female)

These statements reflect how students maybe vulnerable to unwise financial choices, because they lack financial literacy. Credit cards are not inherently “bad” consequences of poor credit management and lack of financial literacy cause adverse financial consequences.

Interviews revealed that students lacked financial literacy regarding selecting credit cards with reasonable interest rates, interpreting statements, and understanding the terms and conditions associated with credit card offers. Students in this sample were unaware of information that is printed on statements. It is unclear whether students read statements carefully or at all. For example, only 23% (75 students out of this study’s sample of 330) of students in this study reported knowing the APR for their current credit card(s). This information is printed and made available on each monthly statement. It is unclear then why only 23% of the students in this study reported knowing the APR for a card they carry. For the majority of students who reported not knowing the APR for their credit card, this is an example, of not being sure whether students are reading statements or lack financial literacy regarding interpretation.

This theme of students being cautioned against applying for credit is very noteworthy because if students are only being “cautioned” how are they being educated? Moreover, if families, relatives, parents, or educational institutions do not educate students about effectively handling personal finances, how do they learn? Who teaches them? Unfortunately, as one respondent stated: *“I am wiser about credit cards now. That is because I know everything about credit card debt now that I am in it...I got debt now”* (senior, male). Tragically, many college students learn mastery of personal finances by dealing with the consequences of mismanagement.

Theme 2: Status Consumption: Students Reported That Spending on Large Ticket Clothing Items to Gain Peer Recognition Is Important

Status consumption expresses the idea that admiration, envy, recognition and/or respect is earned on the basis of what an individual possesses. Moreover, the process of acquiring this kind of recognition is competitive and continuous. It requires constant accumulation of “things” and chronic spending to stay at pace with trends. The recognition from peers based on the ownership of possessions for many college students is very important. Certain clothing, electronics, hairstyles and various other items are conspicuous signals and identifiers of wealth and prestige. Desiring this form of admiration has been discussed repeatedly during the interviews. The benefits of gaining this admiration result in increased dating opportunities, invitations to premiere social events, and inclusion in elite friendship circles. While this type of behavior has been associated with high school sub culture, notions of being awarded a social status of “popular” or “unpopular” based on appearance and possessions is very much a part of the college student sub culture. Particularly for minority students whom are parts of smaller populated ethnic circles. Freshmen and sophomore students report more commonly than juniors and seniors that

status and appearance are very important. The pursuit of inclusion and desire for recognition encourages excess spending and status consumption driven purchases for many students. One respondent stated:

“College is all about what you have. People think they have to buy an outfit for every party they go to. You need a picture perfect image...yea. People are so judgmental.

What’s hot true religion, 7’s (referring to \$168.00 jeans) When you are on campus 18, 19, 20---you care, 21, 22 not so much. (freshmen, female)

I feel like you only have so many times to keep telling people you can’t go, before they stop asking you to come out. Telling people you can’t go repeatedly even if money is the reason...means eventually they will quit inviting you.” (junior, female).

“I was like, I am not gone be the only one not going to spring break!” “I cash advanced my card and was out.” (sophomore, female)

These statements mirror how possessions or shared experiences generate respect and inclusion from peers. For many college students acquiring costly items to gain respect prompts excess spending. For others college affords the opportunity to make friends with many diverse individuals. Becoming friends with individuals of varying social economic statuses may necessitate spending beyond available means to foster friendships, particularly if friendships are with individuals of higher SES. From spring break trips, sorority/fraternity membership dues, excessive dinners, frequent movie outings, expensive clothing the high cost of inclusion can create vulnerability to debt. Additionally, factors unaddressed in this study that surfaced during interviews regarding how debt is accumulated were: owning a car, having a sibling in college at the same time they are attending, and medical expenses. This is addressed in this study’s limitations.

Theme 3: Anticipatory Spending: Students Reported Using Loan Refunds to Repay Accumulated Credit Debt Incurred During the Semester

Living from one loan refund period to another has become an economic survival strategy for many college students. During interviews respondents reported reliance on excess monies from loans awarded to help resolve debt accumulated throughout a semester. The anticipation of loan refunds creates a dependence on borrowing to meet financial obligations that are often created with the intention of being satisfied with “left over aid.” Many students begin to borrow educational loans that total cumulative amounts that can be compared to home mortgages. This is an alarming trend because few students have a realistic plan for debt repayment of any kind. The reality that a refund check is generated from “borrowed money” that has to be repaid in the future seemingly resonates with few students. The following statements illustrate attitudes about borrowing and repayment.

“When we get money we think one thing: splurge. A refund check is the most money I have ever —period. I splurged I was not taught any different.” (freshmen, female)

“It feels like free money. I know I have to repay it. When I graduate I will.” (freshmen, female)

“I saw my credit report and I have \$200,000 of private loan debt coupled with student loan debt. I believe that I will get a job to help me pay back my loans.”(junior, male)

Using anticipated loan refunds to cover debt accumulated throughout a semester is dangerous because it creates a dependence on the receipt of excess funding. It encourages economic frivolity that can be remedied by excess borrowing. However, glitches in financial aid, exceeded maximums, and graduation create inability to financially problem solve by receiving excess financial aid. This kind of financial problem solving is not sustainable. Additionally, such a

dependence on receiving access aid to help repay debt poses problems after a student graduates and no longer receives refund checks from excess aid.

In conclusion, interviews with students raise a very important question: Who is responsible for educating young adults to manage their finances? While it is clear that financial illiteracy has disastrous consequences, it is not clear how students will become financial literate. Traditionally, the expectation has been that parents are responsible for teaching pertinent “life skills” (i.e. managing finances) that help aid the transition of young adults for life in college and beyond.

However, as these accounts from students illustrate, many are educating themselves, through learning from a series of costly financial mistakes. Perhaps colleges and universities should have a vested interest in ensuring that students become financially literate, especially since many institutions directly market credit cards to college students in the form of affinity cards or through lucrative contracts with third parties.

Moreover, college students translate a “win” for the credit card industry, often depending on their financial obliviousness, and misuse of credit for profit. College students are not only “loosing”, they face great disadvantages in playing the game altogether. College students do not have an adequate grasp on the rules, as previously stated the financial literacy rates of college students are low. As a result, many college students end up with low scores across the board, low credit scores, low grade point averages and compromised well being.

Table 21

Face-to-Face Interview Participants

Name	Class Standing	Gender
1. Tisha	freshmen	female
2. Emily	freshmen	female
3. Gina	freshmen	female
4. Keasha	freshmen	female
5. Ellen	freshmen	female
6. Christina	sophomore	female
7. Kelly	sophomore	female
8. Beth	sophomore	female
9. Ebony	sophomore	female
10. Janet	sophomore	female
11. Riley	sophomore	female
12. Kate	sophomore	female
13. Rebecca	junior	female
14. Dana	senior	female
15. Margret	senior	female
16. Julie	senior	female
17. Derrick	freshmen	male
18. Robert	sophomore	male
19. Aaron	sophomore	male
20. Kyle	sophomore	male
21. Jamal	sophomore	male
22. Brian	junior	male
23. Jeff	junior	male
24. Rueben	junior	male
25. Seth	senior	male
26. Kirk	senior	male
27. Nathaniel	senior	male
28. Charles	senior	male
29. Curtis	senior	male

Note. For the confidentiality of participants, names have been changed.

CHAPTER 5 CONCLUSION

The results from this study provide evidence that credit debt for college students is not only an issue, but has pernicious consequences for both distress levels and grade point averages. In chapter three the hypotheses for this study were explored. In summation, the following results were presented.

Hypotheses one demonstrated that college students suffer distress when they have accounts in collection. While, this finding may seem obvious it is important.

It could have been the case that students having accounts in collection could have become tolerant to both financial strain and collection efforts adopting a nihilistic attitude. Hypothesis one confirms that college students are alarmed about debts that incur and suffer distress when they are unable to resolve the debt.

Hypothesis two confirms one of the study's most important findings that credit card debt negatively impacts grade point averages. In this study students who had accounts in collection also had lower grade point averages. Arguably, the reasons for lower grade point averages can be numerous (poor study habits, class truancy, illness etc) However, students in this study reported that their grade point averages were affected by their credit card debt and subsequent time spent managing bills instead of scholastic related activities.

Students in this study with higher grade point averages also reported that they had fewer accounts in collection, higher levels of financial literacy more educated parents, and higher family incomes. As previously stated, for college students, this means that being from a higher income family has resulted in privileges that promote high academic functioning in college. For example, having college educated parents to help navigate transitioning to college, attending elite

schools, participation in cultural refining activities (plays, museums, vacations, etc) all transmit cultural capital that is rewarded in higher education and standardized tests.

This is well documented in the literature (Bourdieu, 1977; Bowles and Gintis, 1976; Foley, 1990; MacLeod, 1995). Consequently, it is not surprising then that students, who reported higher family incomes, have higher grade point averages.

Hypothesis three revealed that family income was not a determinant of credit card balances or the number of credit cards a college student carries. While it may be difficult if not impossible to conclude exhaustively what factors affect whether students will or will not accumulate debt. However, this study has offered insight into what makes a college student vulnerable to debt accumulation. This study has highlighted anticipatory spending, knowing others whom are indebted, status consumption, over solicitation of credit offers and lack of financial literacy, are all factors that increase vulnerability to debt.

Finally, hypothesis four found that higher income students with accounts in collection reported experiencing more distress than lower income students with accounts in collection. Initially, this finding was surprising given the assumption that higher income students presumably have access to funds to resolve credit debt. While this may be true, there are other stressors that describe why higher income students report being more distressed regarding credit card debt.

One reason is because they are higher income. Higher income students may lack exposure and a point of reference for dealing with debt. Additionally, their families or communities may contain few people who are indebted, creating embarrassment or reluctance to seek help. Previously mentioned, was also how debt a student incurred may not have been

consented by a parent, and therefore the student does not seek parental assistance in resolving the debt.

Finally, another reason higher income students with accounts in collection may have reported experiencing higher distress levels than lower income students with accounts in collection, is that higher income students reported higher financial literacy levels. An awareness of the severity of consequences for financial mismanagement may be more stressful for financially literate college students. This is due to their ability to assess accurately how much damage they have caused for example, and what repair efforts are necessary to address mismanagement.

Discussion

The rising costs of education and deceiving job markets have gained increased popularity in both literature and media. College students are an important sector of American society and these young consumers are acquiring student loans and are heavily solicited by marketers of credit cards. Today college students are urged to create debt at a time in life when they have the least income (Wells, 2007). It is not surprising then, many college students have developed a dysfunctional orientation regarding credit card spending, resulting in debt loads that are difficult to manage. There is a debt culture for the millennial college student generation. The millennial college students have grown up during an era that has presented debt and credit as normative responsibilities of adulthood.

Media and digital platforms such as face book, twitter, blogs, and online photo albums also present unprecedented pressures to manage appearance and compete with peers through the ownership of expensive clothing and electronic gadgets. Technology has allowed young adults the opportunity to create a diverse population of friends that may have greater economical

privilege. Unlike young adults decades ago, that were limited to establishing friendships with others in close proximity that may have been economically similar. Young adults today with the use of technology maintain friendships with a wide variety of others that attend different schools, live in different neighborhoods and occupy different income levels. Consequently, “keeping up with the Jones” today could mean attempting to compete with more advantaged peers.

Competition with advantaged peers could create consumption habits that supersede income levels creating unmanageable credit card debt.

Status consumption is not the only culprit inciting debt vulnerability for college students. Not all college students use credit cards for luxury items. Disadvantaged college students coming from families that have lower incomes, use credit cards as a borrowing source for necessities. Survival borrowing for many disadvantaged college students is the only option for instrumental support needed during college. The expenses of textbooks, healthcare, cell phone plans, and other day-to-day expenses (transportation, grooming, toiletries, etc) create ongoing costs for disadvantaged college students, who lack financial support from parents. Thus, credit cards create immediate access to funds that temporarily solve financial dilemmas. However, as purchases and balances increase disadvantaged college students are at risk for payment relapse.

For many college graduates the prospect of beginning a career in debt is not only a serious concern but also a reality. The extent of debt that students are carrying upon graduation has become a crucial predictor of their career choices and salary expectations (Davies and Lea, 1995). What types of consequences do young adults face upon graduation, leaving with not only their degrees but also student loan and credit debts?

Literature has shown that anxiety is more common among young adults, in part due to economic hardship experienced in young adulthood (Mirowsky & Ross, 1999; Drentea, 2000).

The early adult years of the life cycle are a challenging time in which most men and women have many job and family responsibilities and economic transitions (Drentea, 2000; Pearlin & Skaff, 1996). Young adults typically have not reached their full earning potential, which further aggravates financial stress.

Additionally, financial stressors often affect workplace performance. (Kim, Sorhaindo, & Garman, 2006). Garman et. al (1996) concluded that 15% of workers in the United States are experiencing reduced work productivity affected by their financial stress. Studies have shown the financial distress is also a predictor of work place absenteeism (Jacobson, 1996; Kim & Garman, 2006). Financial distress has also been documented in literature as a predictor of pay level satisfaction, and organizational commitment both of which influence absenteeism (Kim & Garman, 2006).

In addition to absences from work, employees under financial distress often report to their jobs but are unable to carry out duties (Cox, Stanley, & Kessler, 1996; Kim and Garman, 2006), or spend time working on personal finances (Kim, 2000). This literature reflects a behavioral pattern for young adults whom experienced difficulty focusing on academics in college because of financial distress. In the face of the same financial strain they endured in college, these students could experience similar distraction and distress at work as they try to channel efforts into workplace productivity.

Moreover, the demands of life especially during the early years of transition from college to post graduation and family development could heighten financial strains as expenses become both more costly and unpredictable. Financial instability and unexpected expenses worsens the ability of an individual to eradicate financial pressures (Wells, 2007). For young adults the early years of career building and family formation can be trying.

An attempt to control solicitation of college students from credit card companies has not been successful. In an attempt to legislate ethical behavior of credit card companies the Consumer Federation of America released a three-year study highlighting the hazards for college students falling behind on credit card payments. The organization and others attempted to use the study to lobby Congress for legislation that would limit card issuer's ability to extend credit to students under 21 years old. However, Legislative efforts failed to pass, therefore, credit card issuers are legally allowed to solicit and issue cards to college students, even those younger than 21 years old (Bianco and Bosco, 2002). In response to these groups, credit card companies are now offering pseudo "financial education" programs along with credit applications. Solicitation still continues unabated. Furthermore, it is not realistic or the responsibility of credit card companies to financially educate consumers whose financial obliviousness grossly fattens their profit margins.

While financial literacy is key to ensuring proper credit management, it is undecided where the responsibility or burden for financial education rests for college students and other consumers. Whose responsibility is it to teach financial literacy? Arguably, parents have a huge role in positioning children for such healthy financial decision-making regarding credit. Unfortunately, not all parents are financially literate. Many parents expose their children to unhealthy financial practices or do not teach their children fiscal responsibility. Financial literacy for college students is often learned through trial and error.

Moreover, what role should colleges and universities take to address the financial literacy of their students? While many colleges offer personal finance courses as an elective should such courses be mandated as a requirement? Such efforts, might equip colleges and universities with solutions to address the growing problem of college student credit card debt. Financial literacy

for college students is vital for the transition into adulthood. While some colleges have banned credit card marketers from their campuses (Lazarony, 1999;Wells 2007) and others have the reduced access of credit card marketers to campuses (Rugen, 2004;) such efforts are largely ineffective to address student credit debt. These efforts do not educate college students about debt management. These actions might protect some students from applying for credit cards, but they do not provide a means for students to become financially literate. Educators, parents, and financial service professionals need to prepare students for the financial decisions they will have to make.

Limitations

When research is exploratory as in this study, there are limitations and opportunities for future research. This research has limitations and opportunities in the areas of survey development, sample selection, and generalizability. In the area of survey development, exploring additional questions in the questionnaire may have provided deeper insight into credit card utilization for college students. During the face-to-face interviews three areas continued to reappear as persistent reasons for student's credit card debt. Unfortunately, because they were not asked in the questionnaire, this study was unable to ascertain the impact possible for the broader sample population. These questions were:

1. What is the limit on your credit card? While the questionnaire did ask students how much money they owed, knowing the credit available would have been useful to determine how much money lower income and higher income student typically get approved for, and who is actually closer to reaching or "maxing out" the limit available on the credit card.

2. Do you have siblings? Do you have siblings currently in college? During the interviews many students indicated that they relied on credit cards heavily because their parents were also supporting siblings either at home or who were also in college. The need for financial independence was heightened by the unavailability of parental funds being expended to support other siblings. For some college students in this sample, securing credit cards or working more hours was a means to supply funds needed for college expenses, and reduce monetary neediness from parents.
3. Do you have a car, here at school? During interviews many students reported using credit cards to satisfy debts incurred from parking violations and having their cars towed. The ability to explore car ownership as a dependent variable in a linear regression model with credit card debt, and how much money do you owe might have been an insightful method to gauge spending habits of college students and credit card debt.

The second limitation is the sensitivity of this topic. Owing money, being in debt, and not having means of repayment are sensitive areas to disclose personal information about to another. Ultimately this may cause embarrassment that tampers with the ability of a respondent to report truthfully. Some participants fail to report accurately about sensitive experiences, particularly if experiences are current or recent (Catania, 1999; Desimone and LeFloch 2004).

Finally, the use of a convenience sample while highly useful and effective for this topic resulted in an uneven distribution of students based on classifications of race, class standing, and family income. The bias of convenience samples has been documented in literature as an issue, specifically with college student populations (Lynn 2008; Dillman 2003; Neuman 2006; Biemer

and Lyberg 2003). While this study will use a convenience sample, the results are somewhat more generalizable for the following reasons:

1. The subject matter is relevant to the sample.
2. The sample demographically matches desired characteristics.
3. Face-to-face interviews with students helped explore in greater detail debt, and well-being outcomes providing greater detail about the issue.

The information gathered from interviews offers valuable insight into the problem through the lenses of student experiences. The information gathered may or may not be generalizable to the entire population, but it offers an excellent starting point for future research considerations. Two of the major critiques of convenience sampling has been one that results are difficult to generalize because the questions being asked are ill suited for the sample creating a bias. For example, asking freshmen students questions about retirement options may be ill suited for a population that has just begun schooling. While accessibility to freshmen students may not be difficult obtain, asking this group about retirement may render data of questionable quality. For this study literature does confirm that college students are over solicited for credit offers and are likely to have 3-4 credit cards (Wells 2007; Hayhoe, Hayhoe 1999; Turner, Bruin 2000; Rugen 2004; Lyons 2004; Roberts and Jones 2001; Allen, Edwards, and leach 2007). This finding suggests that the issue of credit card debt for college students is widespread and highly relevant. This study asked a sample of college students' questions about an issue that literature confirms is highly relevant for them.

Second, a critique of convenience sampling has been because the sample is gathered based on the convenience of the researcher the sample demographically may not match desired characteristics. For example, gathering grade point average information for high school students

who are currently serving detention for low grades. This would be a convenient sample, but results would be difficult to generalize. This study uses a sample that is easily accessible, but the questionnaire is designed to filter respondents to meet the characteristics desired to study (college students who have credit card debt).

In conclusion, an extension of this research would be a longitudinal study to determine what struggles did college students report experiencing regarding their debt immediately following graduation? What might they have done differently regarding credit choices and consumption behavior? Research should focus on newly graduated students 1 – 5 years out of undergraduate programs.

Going to college is often perceived as a way to increase economic rewards in the job market. The current trends of student loan borrowing and credit card dependence suggests that attending college is expensive and often difficult to navigate financially. Research is slightly silent regarding what has prompted the soaring costs of college education and what can be done to combat expenses to ensure that attending college is financially equitable for college students. Perhaps the rising expenses and relative benefits of college has fueled the indecision of some young people about attending college. Future research should examine this. A greater of understanding of this could create the rewarding experience college is expected to be, and produce the societal benefits of having well educated individuals within our communities.

Future Research

Financial literacy has been identified as the solution to the problem of credit card abuse on campuses (Roberts and Jones, 2001; Norvilitis, Szablicki, and Wilson 2003). However, little research has been done to test this relationship. Longitudinal studies that examine money attitudes and consumption behaviors after intervention (i.e. financial literacy) are needed.

Additionally, perceived financial well-being appears to be related to psychological well-being, a more internal locus of control, and lower levels of dysfunctional impulsivity (Norvilitis et al, 2003). For college students future research should explore self-reports of perceived financial well being.

Finally, longstanding concerns for colleges and universities nation wide are retention rates. Grade point averages, mental health and financial concerns have been documented in literature as determinants that cause students to terminate enrollment and affect college retention rates (Hill, 2002; Graham, 2006; Caldwell, 2010). This study has shown that credit card debt affects both grade point averages and well-being. Examining retention rates were beyond the scope of this dissertation, however the correlations that credit card debt has with both well-being and grade point average merit consideration regarding college student retention rates for future research efforts.

APPENDIX

Appendix: Survey Instruments

Consent Statement for Face-to-Face Interviews

Dear Student:

Thank you for agreeing to participate in this face- to -face interview. I am conducting a research study. The purpose of this research is to examine the attitudes and behaviors among college students regarding credit. In this face- to- face interview I will ask you questions about credit cards, debt, mental health and academic performance. The average time to complete the interview is about an hour. Participation is voluntary, you may choose not to participate at all, and you may refuse to answer certain questions, or discontinue participation at any time without consequence. As a way to thank you for your participation, you will receive \$25.00 cash. You will receive payment even if you choose not to answer every question, or you decide to terminate the interview.

There are no serious risks involved in this survey. However, you may feel distress as you answer questions related to credit card debt and small risk of breach of confidentiality if any details of debt are disclosed outside of research. You will not directly benefit from your participation. However, your participation in this study may contribute to the understanding of how college students acquire credit card debt, and subsequent impacts on mental health and academic performance.

All records will be kept for a minimum of three years following the closure of this study. Files will be kept under lock and key, in a locked file cabinet. The Institutional Review Board as well as the researchers listed on this consent form are the only individuals who will have access to records obtained in this study. Your confidentiality will be protected to the maximum extent allowable by law.

If you have concerns or questions about this study, such as scientific issues, how to do any part of it, or to report an injury, please contact the researcher at:

Temple Smith
P.O. Box 1432
East Lansing, MI 48826
Telephone: 517 214-2852
Email: smithtem@msu.edu

You may also contact my advisor at:

Dr. Clifford Broman
Department of Sociology at Michigan State University
Office: (517) 355-1761
Email: broman@msu.edu

If you have questions or concerns about your role and rights as a research participant, would like to obtain information or offer input, or would like to register a complaint about this study, you may contact, anonymously if you wish, the Michigan State University's Human Research Protection Program at 517-355-2180, Fax 517-432-4503, or e-mail irb@msu.edu or regular mail at 202 Olds Hall, MSU, East Lansing, MI 48824.

Confidentiality will be protected to the maximum allowable extent under law. If you agree to participate please sign below and I will give you a copy for your records.

I voluntarily agree to participate in this study

Signature: _____ Date: _____

Face to Face Interview Questions

1. How old were you when you first applied for your credit card?
2. Why did you apply/ what made this offer appealing?
3. Growing up what did you learn about credit cards, managing money?
4. Where did you learn this?
5. When did you first realize your credit card debt was a problem?
6. What events made you realize this?
7. How did you respond? (what did you do?)
8. Does anyone know about your debt? (who?)
9. Have you sought help or thought about seeking help?
10. How do you feel about owing the money you owe?
11. Are people you know, (or people around you) experiencing similar problems?
12. What causes you to spend money beyond what you intended ?
13. How often does this happen?
14. Do you buy things that cannot be returned?
15. How has credit card debt affected your grades?

Consent Statement for questionnaire

Dear Student:

Thank you for taking the time to read this letter. I am conducting a research study. The purpose of this research is to examine the attitudes and behaviors among college students regarding credit. What you have before you is a survey about college students and debt that we ask you to complete. The survey should take you about 20 minutes to complete. After you have completed the survey, I will collect it. There are no serious risks involved in this survey. However, you may feel distress as you answer questions related to credit card debt and how you feel about debt. You will not directly benefit from your participation. However, your participation in this study may contribute to the understanding of how college students acquire credit card debt, and subsequent impacts on mental health and academic performance.

You may be wondering how we selected you to participate in the study. I elected to come into classrooms on campus, and simply ask for your participation. If you choose to participate, remember: *All responses are completely confidential, and your participation in the study is completely voluntary.* You may choose not to participate at all, and you may refuse to answer certain questions, or discontinue participation at any time without consequence. Choosing not to participate will not affect your grade in this course. Your confidentiality will be protected to the maximum extent allowable by law. All records will be kept for a minimum of three years following the closure of this study. Files will be kept under lock and key, in a locked file cabinet. The Institutional Review Board as well as the researchers listed on this consent form are the only individuals who will have access to records obtained in this study.

A small subset of students will be contacted and asked to participate in a face to face interview discussing personal financial behaviors. If you are contacted you will receive more information regarding the interview at that time, further participation after learning about the interview, will be totally voluntary. However, if you are selected and choose to participate you will receive \$25.00 in cash. If you have questions or concerns about your role and rights as a research participant, would like to obtain information or offer input, or would like to register a complaint about this study, you may contact, anonymously if you wish, the Michigan State University's Human Research Protection Program at 517-355-2180, Fax 517-432-4503, or e-mail irb@msu.edu or regular mail at 202 Olds Hall, MSU, East Lansing, MI 48824.

If you have concerns or questions about this study, such as scientific issues, or to report an injury, please contact the researcher at:

Temple Smith
P.O. Box 1432
East Lansing, MI 48826
Telephone: 517 214-2852
Email: smithtem@msu.edu

You may also contact my advisor at:

Dr. Clifford Broman
Department of Sociology at Michigan State University
Office: (517) 355-1761
Email: broman@msu.edu
IRB#09-722

You indicate your voluntary agreement to participate in this study by completing and returning this questionnaire.

Thank you so much for taking the time to complete this survey.

This survey will ask you questions about credit cards, debt and mental health. Please circle the appropriate answer choice to each question.

SECTION A

1. Do you own a credit card?

Yes No

2. How many credit cards do you have (do not include debit card(s))?

0 1 2 3 4 5 6 more than 6

3. How old were you when you obtained your first credit card?

16 17 18 19 20 21 over 21

4. How much money do you owe on your credit card(s)?

\$500 \$1,500-\$2,500 \$3,000 - \$6000 over \$6,000

SECTION B

1. I pay my credit cards off every month.

Yes No

2. I have difficulty paying the minimum balance.

Yes No

3. I know the APR on my card(s)

Yes No

4. In the past I have negotiated with creditors about a lower APR for my card(s)

Yes No

5. I am aware of the debt collection practices for my card(s)

Yes No

6. I know what factors influence my credit score.

Yes No

7. I am familiar with the provisions of the Fair Credit Reporting Act.

Yes No

8. I know how to obtain a copy of my credit report.

Yes No

9. In the last 6 months I have obtained a copy of my credit report.

Yes No

10. I know how to read a credit report.

Yes No

11. If I wanted to learn more about handling money I would ask my parents.

Yes No

12. I have taken a personal finance course here at MSU.

Yes No

13. Managing credit cards is a problem for me.

Yes No

SECTION C

1. I worry about being able to pay my credit card bills.

Never Hardly Ever Some of the time Most of the time Always

2. I spend a lot of time thinking about my credit card bills.

Never Hardly Ever Some of the time Most of the time Always

3. I get down when I think about the money I owe.

Never Hardly Ever Some of the time Most of the time Always

4. I have cried about owing credit card bills.

Never Hardly Ever Some of the time Most of the time Always

5. Creditors call me because I am past due on my account(s)

Never Hardly Ever Some of the time Most of the time Always

6. A phone call from a creditor ruins my day.

Never Hardly Ever Some of the time Most of the time Always

7. When creditors call I do not answer.

Never Hardly Ever Some of the time Most of the time Always

8. Creditors call my cell phone.

Never Hardly Ever Some of the time Most of the time Always

9. It is hard to make arrangements with creditors

Never Hardly Ever Some of the time Most of the time Always

10. I feel overwhelmed by my debt

Never Hardly Ever Some of the time Most of the time Always

***** For the following questions please answer yes or no.

11. I have considered getting another job to help me pay debt.

Yes No

12. I am embarrassed about the money I owe on credit cards.

Yes No

13. I have talked to someone about my debt.

Yes No

14. Regardless of my debt I still treat myself to things.

Yes No

15. I have trouble enjoying myself because of debt.

Yes No

16. I regret applying for credit cards

Yes No

17. When I get upset about my credit card debt, I consider drinking.

Yes No

SECTION D

1. My friends encourage me to apply for credit cards

Almost Never Once in a while Sometimes Frequently Almost Always

2. I am attempted to apply for credit cards in the mall

Almost Never Once in a while Sometimes Frequently Almost Always

3. I usually throw away credit card offers I get in the mail

Almost Never Once in a while Sometimes Frequently Almost Always

4. I see posters for credit cards up around campus

Almost Never Once in a while Sometimes Frequently Almost Always

5. I charge treats for myself on my credit card

Almost Never Once in a while Sometimes Frequently Almost Always

6. I use my credit card to reward myself for hard work

Almost Never Once in a while Sometimes Frequently Almost Always

7. I use my credit card to put gas in my car

Almost Never Once in a while Sometimes Frequently Almost Always

8. I use my credit card to buy groceries

Almost Never Once in a while Sometimes Frequently Almost Always

9. I use my credit card to buy books

Almost Never Once in a while Sometimes Frequently Almost Always

10. I use my credit card to eat at restaurants

Almost Never Once in a while Sometimes Frequently Almost Always

11. I take cash advances on my credit card when I run out of money

Almost Never Once in a while Sometimes Frequently Almost Always

12. I mostly use my credit card to buy clothes

Almost Never Once in a while Sometimes Frequently Almost Always

13. I would not have money to cover my expenses without my credit card.

Almost Never Once in a while Sometimes Frequently Almost Always

14. I use my credit card to buy alcohol

Almost Never Once in a while Sometimes Frequently Almost Always

15. I use my credit card to buy cigarettes

Almost Never Once in a while Sometimes Frequently Almost Always

16. I use my credit card(s) to treat friends to dinner

Almost Never Once in a while Sometimes Frequently Almost Always

SECTION E

1. I have missed class because I was making calls to get my bills in order

Almost Never Once in a while Sometimes Frequently Almost Always

2. I have been late to class paying bills

Almost Never Once in a while Sometimes Frequently Almost Always

3. A phone call from a creditor upset me so much, I stayed home from class

Almost Never Once in a while Sometimes Frequently Almost Always

4. I have trouble concentrating because of my debt

Almost Never Once in a while Sometimes Frequently Almost Always

5. I feel like my GPA would be better if I didn't have credit card bills to pay

Almost Never Once in a while Sometimes Frequently Almost Always

6. I find that working so much limits me from studying like I could

Almost Never Once in a while Sometimes Frequently Almost Always

7. I have sought professional help about my bills

Almost Never Once in a while Sometimes Frequently Almost Always

8. I have had to drop a class because I was working too much

Almost Never Once in a while Sometimes Frequently Almost Always

9. I work to pay down my credit card bills

Almost Never Once in a while Sometimes Frequently Almost Always

10. Overall, I feel I would be a better student if I did not owe on my credit card

Almost Never Once in a while Sometimes Frequently Almost Always

SECTION F

1. What is your current Class standing?

Freshmen Sophomore Junior Senior

2. How do you describe yourself?

1. Native American
2. Black or African American
3. Mexican American or Chicano
4. Puerto Rican or Latin American
5. Oriental or Asian American
6. White or Caucasian
7. Other (please specify _____)

3. What is your current grade point average?

1. Below 1.0
2. 1.0 to 1.9
3. 2.0 to 2.9
4. 3.0 to 3.5
5. 3.6 or above

.What was your grade point average during high school?

1. Below 1.0
2. 1.0 to 1.9
3. 2.0 to 2.9
4. 3.0 to 3.5
5. 3.6 or above

4. What is the highest level of schooling completed by your father? (circle one)

Grade School	High School	College	Graduate School
1 2 3 4 5 6 7 8	9 10 11 12	13 14 15 16	17 18 19 20 21 22

5. What is the highest level of schooling completed by your mother? (circle one)

Grade School	High School	College	Graduate School
1 2 3 4 5 6 7 8	9 10 11 12	13 14 15 16	17 18 19 20 21 22

6. What was your family's total annual income while you were in high school? (Please circle one)

- | | |
|-------------------------|-------------------------|
| 1. Under \$10,000 | 6. \$50,000 to \$59,999 |
| 2. \$10,000 to \$19,999 | 7. \$60,000 to \$69,999 |
| 3. \$20,000 to \$29,999 | 8. \$70,000 to \$79,999 |
| 4. \$30,000 to \$39,999 | 9. \$80,000 to \$89,999 |
| 5. \$40,000 to \$49,999 | 10. \$90,000 and above |

7. What is *YOUR* current total monthly income (from working, if you are employed)? (Please circle one)

- | | |
|-------------------|-----------------------|
| 1. Under \$100 | 5. \$700 to \$899 |
| 2. \$100 to \$299 | 6. \$900 to \$1,199 |
| 3. \$300 to \$499 | 7. \$1,200 to \$1,499 |
| 4. \$500 to \$699 | 8. \$1,500 or more |

8. Are you a full time student?

Yes No

9. Have you ever received an academic honor, award, scholarship because of outstanding G.P.A and/or test scores?

Yes No

10. What kind of place best describes where you currently live?

For my research study, I would like to follow up with a face-to-face interview for a small number of you. If you would be willing, please put your contact info here:

Name _____

Phone _____ Email _____

Thank you for taking the time to complete this survey. We appreciate your input!

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