

Report from the 2009 Student Debt Tour

JANET COWELL, *State Treasurer of North Carolina*



From August 25-28, 2009, I met with a total of 53 students from Wake Technical and Alamance Community Colleges, Fayetteville State University, and High Point University to discuss credit card use among students. During the tour, I was able to meet with students, engage with university leaders, and identify obstacles to financing a college education. The tour was presented in conjunction with Generation Engage, a non-partisan, non-profit organization that empowers young adults with the access and resources they need to become active, engaged participants in their communities.

Based on these conversations and state and national studies on student debt, I present the following observations and recommendations to help North Carolina's students manage their debt.

Janet Cowell

OBSERVATIONS

Observation	Feedback from NC Students	Data from State/National Studies
<p>1 Students are opening bank accounts and getting credit cards when they start working in high school or start post-secondary education.</p>	<p>Several participants in the Student Debt Tour reported getting their first credit card as early as age 16, after getting their first job. The majority of those who used cards got them through department store purchases, particularly at shopping malls, and through direct mail solicitation.</p> <p>"I got my first card when I got my first job at 17. I went to a department store and signed up to get a 20% discount on clothes," said a Fayetteville State student.</p>	<p>Sallie Mae¹:</p> <ul style="list-style-type: none"> • 39% of undergraduate students arrive on college campuses with credit cards already in-hand. • 43% of college students obtain cards during their first year of school. • 23% of first-year students in 2008 who had credit cards carry four or more cards.
<p>2 Most students have not had financial education in high school or college.</p>	<p>None of the participants in the Student Debt Tour reported having any financial education in high school. "You should not be allowed to leave high school without completing a class on financial matters," said one Wake Technical Community College Student.</p> <p>High Point University students were required to go through a life skills seminar that taught basic financial management, and students reported that the class was valuable to their financial education.</p>	<p>Sallie Mae¹:</p> <ul style="list-style-type: none"> • 84% of students said they needed education to increase financial literacy. • 40% of students wished they had credit education programs as first-year students . • Of those interested in learning more about financial management, debt management seemed to be top-of-mind. • Two-thirds wanted information about student loan repayment. • 50% of students wanted information on debt reduction strategies.

Observation	Feedback from NC Students	Data from State/National Studies
<p>3 Students are using credit cards for both consumer expenses and to finance direct education expenses.</p>	<p>“Costs are more expensive than ever. Tuition went up per credit hour, I was required to spend \$1,000 on new books, and I have to put gas in my car. I don’t have a choice but to use my credit card for some things,” said one student from Wake Tech Community College.</p> <p>Students mentioned using credit cards for purchases at department stores such as Sears, Best Buy, and Victoria’s Secret.</p>	<p>Sallie Mae¹:</p> <ul style="list-style-type: none"> • 92% of students who have credit cards used their cards to pay for some type of college expense. • Many college students seem to use credit cards to live beyond their means — not just for convenience — and more than three-quarters incurred finance charges by carrying a balance. <p>Federal Reserve Survey of Consumer Finances²:</p> <ul style="list-style-type: none"> • 45% of those under age 34 reported using credit cards to pay for basic living expenses, such as rent, mortgage payments, groceries, and utilities.
<p>4 Community college students have had more difficulty with debt management.</p>	<p>One student at Wake Technical Community College “learned [about debt] the hard way” after getting his first credit card in them mail when he started school and subsequently spending heavily. He became wiser about credit card use and repaid his debt completely, but a job loss led him to turn to credit cards for daily expenses.</p> <p>He was one of several community college students who had increasing difficulty with finances due to economic changes. Several community college students also shared that they had recently declared personal bankruptcy, although no four-year college students had similar experiences.</p>	<p>NC Community College System³:</p> <ul style="list-style-type: none"> • Over two-thirds of community college students work while attending college and have to juggle family responsibilities with their educations. <p>U.S. Department of Education⁴:</p> <ul style="list-style-type: none"> • Minority students have the highest rate of default on federal loans. African-American students default at a rate of 49%, and Latinos default at a rate of 18%, compared to a 9% national average.
<p>5 Many students lack an understanding of their overall debt burden and the consequences of accruing debt.</p>	<p>A High Point University student said, “I get stacks of paperwork, but I don’t fully understand what it all means for the long-term. I signed on the dotted line and just recently realized that I have \$12,000 in student debt. I’m not sure what the monthly payments will look like. ”</p> <p>“I’m having a hard time getting jobs,” said a financial accounting student at Alamance Community College, “because they do credit checks before you can work at banks and other financial institutions.”</p>	<p>UNC Center for Community Capital⁵:</p> <ul style="list-style-type: none"> • 64% of students graduate with student loan debt, and of these students 39% graduate with unmanageable debt. • 55% of African American student loan borrowers graduate with unmanageable debt. • 58% of Hispanic student loan borrowers graduate with unmanageable debt. • On average 25-to-34 year olds spend nearly 25 cents out of each dollar on debt payments; primarily student loans, car loans, and credit cards.

Observation	Feedback from NC Students	Data from State/National Studies
<p>6 Students lack an understanding of impending new federal laws that will change students' access to credit cards.</p>	<p>None of the 53 students participating in the Student Debt Tour had heard of the recently-passed Credit Card Act of 2009, which significantly changes student access to credit cards.</p>	<p>Senate Bill 414 (111th Congress), sponsored by Sen. Chris Dodd of Connecticut⁶:</p> <ul style="list-style-type: none"> • Requires 18-21 year olds to demonstrate adequate income, have a co-signer, or complete a financial literacy course to get a credit card. • Limits students from being issued certain affinity cards, branded cards that are co-issued by a bank and an organization whose logo appears on the card. • Allows consumers aged 18-21 to opt-out of being included in any pre-approved list.

RECOMMENDATIONS

Recommendation	Details	State and National Resources
<p>1 High schools and colleges should enhance financial literacy programs for students ages 16-19.</p>	<p>North Carolina General Statute passed in 2005 requires that public high schools provide instruction in personal financial literacy for all students.⁷ The State Department of Public Instruction includes financial literacy in curricula, but funding for these efforts has been cut drastically. Financial literacy efforts should be enhanced specifically for high school seniors before they go to college or enter the workforce through theme weeks and other special programs.⁸</p>	<p>High schools and colleges should contact the North Carolina Council on Economic Education (www.nccee.org), which provides free professional development and teacher training to teachers and administrators and low-cost student participatory programs.</p> <p>The most successful program the NCCEE offers is the Stock Market Game, which allows students to invest a \$100,000 fantasy trading portfolio. Students who played The Stock Market Game scored significantly higher on financial literacy tests than their peers who did not play.⁹</p>
<p>2 Colleges and universities should provide debt and credit card education programs during new student orientations.</p>	<p>Financial education should begin once students arrive on college campuses, and institutions should include education on credit basics as part of new student orientation programs. Providing education at the beginning of their college careers will equip students with the knowledge to make more informed decisions and help curb debt problems.</p> <p>Said a Fayetteville State University student, "I wish we had this information as I came into college. I wouldn't have gone into debt if I had known."</p>	<p>Colleges should use the "CashCourse" program sponsored by the National Endowment for Financial Education (www.cashcourse.org). "CashCourse" is a free resource for colleges and universities to provide financial education to students through a fully-customizable website to match the campus' existing web presence. "CashCourse" also provides free lesson plans and materials to participating institutions.</p>

Recommendation	Details	State and National Resources
<p>3 Campuses should amend policies to restrict companies' access to students.</p>	<p>Many participants in the Student Debt Tour reported that credit cards were easily accessible through their schools. Another Fayetteville State student said, "Before the current administration, card companies would line up on campus to give students free subs in exchange for credit cards."</p> <p>They shared stories of signing up for credit cards through free food and merchandise promotions. Some even reported signing up for credit cards to support fundraisers for their student organizations, fraternities, and sororities.</p>	<p>At least 24 states, including North Carolina, have introduced legislation to contain credit card marketing on campus.¹⁰ So far, Arkansas, Louisiana, New York, and West Virginia have passed legislation.¹¹</p> <p>Officials at the NC Community College System and the UNC General Administration were unaware of system-wide policies that governed on-campus credit card solicitation. The Treasurer's office welcomes a conversation with policy leaders from both systems, independent colleges, and legislators to discuss potential policy changes.</p>
<p>4 North Carolina's community colleges should sponsor special programs to help students with debt.</p>	<p>As mentioned in the observations, more students are entering community colleges than ever before to take advantage of workforce-training programs or lower cost of education. These students are using credit cards to cover daily expenses after job losses, and many expressed significant trouble finding financial advice.</p> <p>Community college students in North Carolina should provide special workshops and programs for students to understand financial management basics. Specific programs could include workshops, information fairs, and seminars on financial education.</p>	<p>Colleges should use the "CashCourse" program sponsored by the National Endowment for Financial Education (www.cashcourse.org). "CashCourse" is a free resource for colleges and universities to provide financial education to students through a fully-customizable website to match the campus' existing web presence. "CashCourse" also provides free lesson plans and materials to participating institutions.</p>
<p>5 Colleges and universities should enhance entrance and exit counseling for students taking loans.</p>	<p>Student Debt Tour participants reported overcrowding in financial aid offices, impersonal approaches, and a non-holistic approach to education.</p> <p>Parents are also struggling with debt. Separate from this project, a parent called the Treasurer's Office because she needed help managing a \$100,000 student loan she took for her daughter to go to private school, although the mother was only making a \$30,000 yearly income.</p> <p>Potential programs include yearly check-ins with student loan counselors and special communications to parents.</p>	<p>Colleges, students, and parents may contact the College Foundation of North Carolina at 1-866-866-CFNC for more information on resources to help students with credit cards and paying for college.</p>

Recommendation	Details	State and National Resources
<p>6 Colleges and universities should provide information about new credit card laws.</p>	<p>Educational institutions should provide information on the new legislation to students and parents through their websites, emails, and newsletters.</p>	<p>The North Carolina Department of State Treasurer will issue a special press release aimed at North Carolina colleges and universities to detail the new credit card legislation, most of which takes effect in February 2010. The federal legislation will change students' ability to get credit cards and also allow students to remove themselves from opt-in lists for pre-approvals.</p>

APPENDIX 1: RESOURCES CITED ON STUDENT DEBT

¹Sallie Mae, [National Study of Usage Rates and Trends, April 2009](#). The study surveyed a total of 1,200 students between the ages of 18 and 24 enrolled as undergraduate students in the spring of 2008 at public and private four-year colleges and universities.

²The Federal Reserve Board, [2004 Survey of Consumer Finances](#). The study was based on 4,522 interviews with families across the United States.

³North Carolina Community College System enrollment statistics.

⁴U.S. Department of Education National Center for Education Statistics, [Baccalaureate and Beyond Longitudinal Study](#). The study provides cross-sectional information concerning education and work experiences after completion of bachelor degrees for 11,000 students.

⁵UNC Center for Community Capital, [Student Debt and the Racial Wealth Gap: Money, Markets and the Next Generation of Investors](#). UNC is evaluating interventions made by Reality Education and Assets Partnership (REAP) Projects at interventions historically black colleges and universities (HBCUs) to determine the impact on students' financial knowledge and behaviors and the participating institutions' abilities to prepare students to manage loans and retain more students through graduation.

⁶Information on federal legislation taken from the [Congressional bill summary](#) of the Credit Card Act of 2009.

⁷[S.B. 622 \(2005\)](#) requires that public schools teach personal financial literacy in high schools.

⁸N.C. Department of Public Instruction, [Presentation on Personal Financial Literacy Curriculum Requirements](#).

⁹FINRA Investor Education Foundation, [The Stock Market Game Study: A Brief Report](#). A 2009 study of mathematics and investor knowledge test scores of 555 classrooms across the U.S. comparing students participating in the Stock Market Game to students who had not.

¹⁰U.S. General Accounting Office, [Consumer Finance: College Students and Credit Cards](#). Structured interviews of about 100 officials at 12 universities and colleges around the country, including student deans, bursars, comptrollers, financial aid officials, student union directors, alumni association officials, credit union officials, and student government representatives.

¹¹Demos, [Generation Debt: Student Loans, Credit Cards, and Their Consequences](#). A 2007 policy brief on student debt nationally and state-level policy to help students with credit cards.

APPENDIX 2: RESOURCES FOR INSTITUTIONS, STUDENTS, AND PARENTS

National Endowment for Financial Education

5299 DTC Blvd., Suite 1300
Greenwood Village, CO 80111
(303) 224-3536
Fax: (303) 220-0838
CashCourse@nefe.org

NEFE provides free financial education programs for colleges and high schools to teach students about personal finance. Specific programs include “CashCourse,” a free resource for colleges and universities to provide financial education to students and Smart About Money, a consumer-driven website that provides information on financial management.

North Carolina Council on Economic Education

3825 Barrett Drive, Suite 103
Raleigh, NC 27609
(919)791-1995
Fax: (919)791-1996
info@nccee.org

NCCEE provides free professional development and training through workshops, seminars and university-based courses for teachers state-wide. The Council also sponsor state-wide competitions that foster interest in economics and financial literacy as well as enhance the learning experience, and they work with the NC Department of Public Instruction to distribute standards-based curricula.

College Foundation of North Carolina

P.O. Box 41966
Raleigh, NC 27629-1966
888-234-6400
Fax: 919-821-3139
programinformation@CFNC.org

CFNC is a nonprofit partnership between Pathways of North Carolina, College Foundation, Inc., and the North Carolina State Education Assistance Authority. These organizations help students to prepare successfully for college and to find the best financial aid alternatives. CFNC provides free advice to students and parents on student loans, credit cards, and paying for college in general.

FOR MORE INFORMATION

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