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## College Students' Credit Knowledge

### Introduction

College students have not had mandatory credit education at Iowa State until now, which may prevent students from making sound financial decisions. Anecdotally, while working at Wells Fargo, I witnessed many college students suffering from a significant knowledge gap and getting into financial trouble due to credit misuse.

**Statement of Purpose:** This survey demonstrates the need for credit and financial education to be provided to college aged students and show the importance of continually updating and promoting resources available on campus.

### Methodology

- An online survey sent to Finance 301 students, Honors students and colleagues at Iowa State via social media
- This survey inquires:
  - How comfortable students feel about their credit knowledge
  - If students have received any formal credit education
  - Students' current credit scores and borrowing habits

### Results

This survey was conducted in the fall semester of 2017.

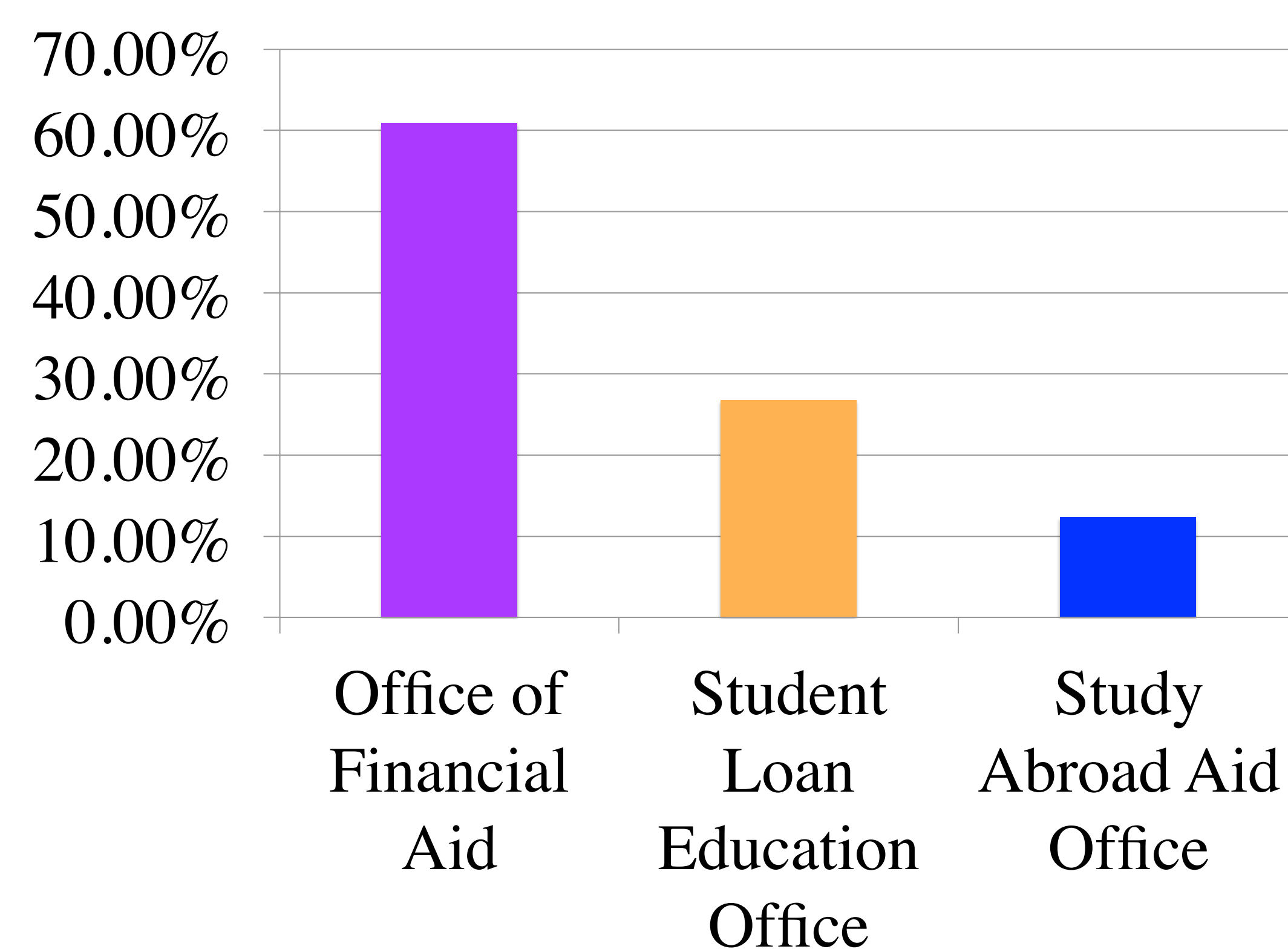
Demographics: 539 Participants

- 26% First Year
- 21% Second Year
- 24% Third Year
- 21% Fourth Year
- 5% Fifth Year or Higher
- 3% Graduated within 1 year

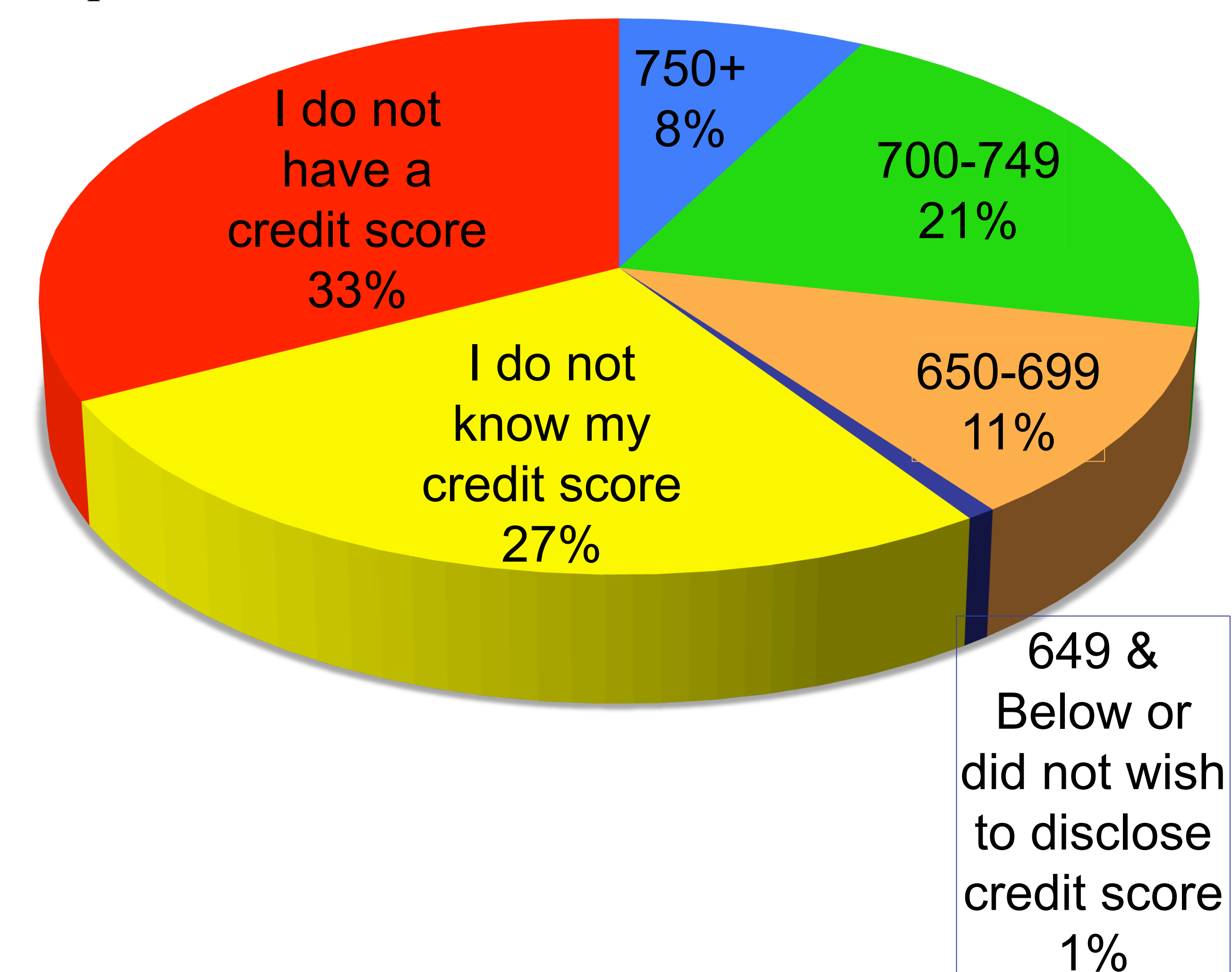
Percentage of students who believe the following factors contribute to calculating credit scores:

Age	34.69%
Ethnicity	7.24%
Marital Status	35.25%
Gender	9.28%
New Credit	69.02%
Types of Credit Used	85.34%
Length of Credit History	93.32%
Amounts Owed	97.40%
Payment History	97.96%

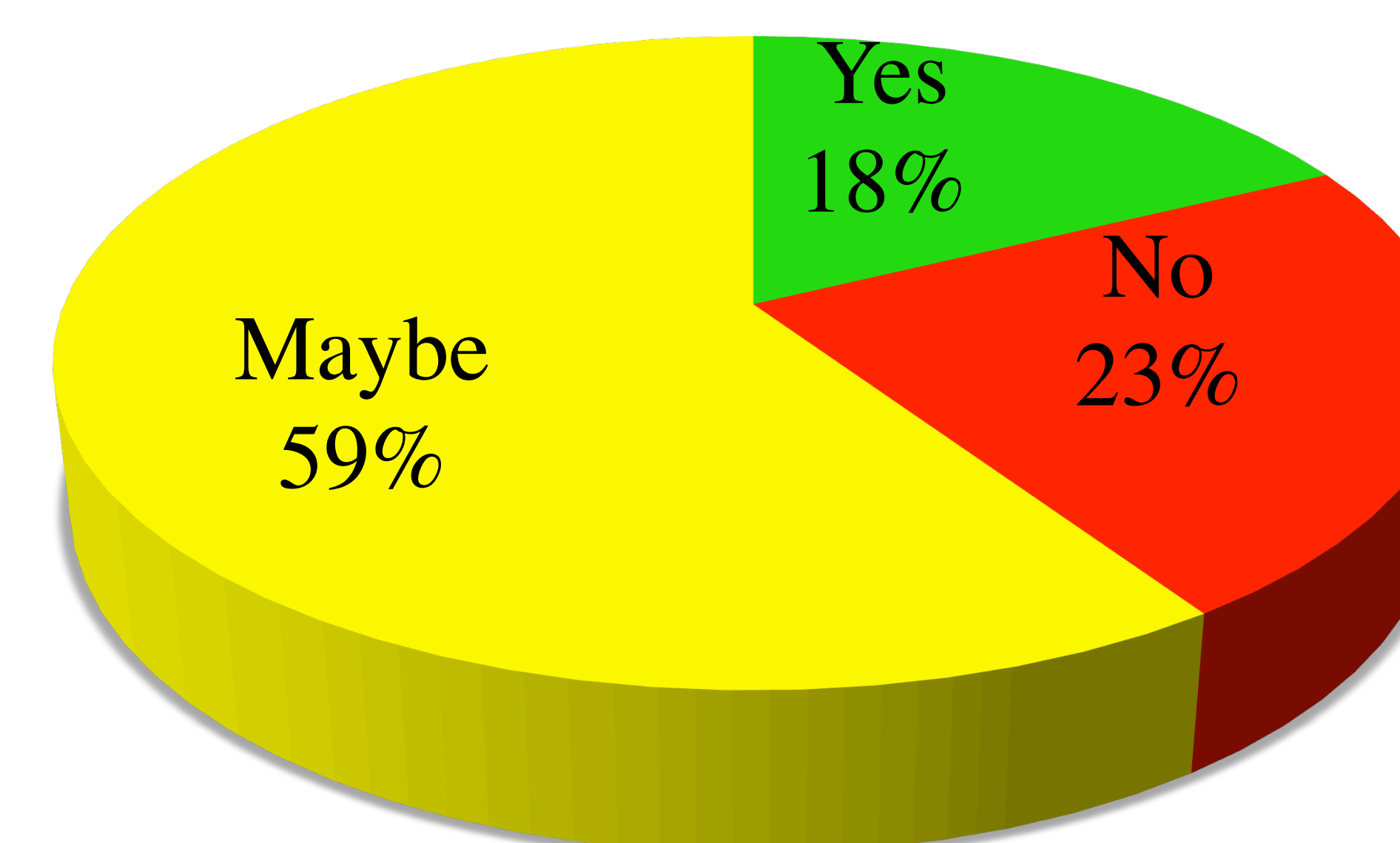
Percentage of students who have used the following resources available on campus:



Proportion of students' credit scores:



Of those students who indicated they were unaware of personal finance courses offered on campus, here are the percentages of students who would enroll in a personal finance course:



Percentage of students who could use help with:

Improving Credit Score	39.70%
Budgeting	51.58%
Understanding Credit Report	62.89%
Paying Off Debt	24.49%

### Discussion/Conclusions

There are five main factors that contribute to credit scores: payment history, amounts owed, length of credit history, new credit and types of credit used. Over 30% of students believe that age and marital status are factors that contribute. While correlated to higher or lower scores, these two factors are not taken into account when credit scores are created.

27% of students do not know their credit scores. As soon as one turns 18, it is wise to begin educating them about the potential loss due to identity theft. Resources on campus are underutilized, and more promotion of necessary offices could benefit students.

There were 300 students (56%) who were unaware that personal finance courses were offered on campus. Of those 300, 77% indicated they would consider taking personal finance courses. Increased promotion of these courses as electives by advisors could increase the level of credit knowledge students have.

Lastly, many students need help understanding their credit report and budgeting, which a financial literacy course at Iowa State could easily provide.