

Credit Card Usage Among Graduate Students 2003

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Graduate students carry increasingly high credit card balances. They are more likely to carry higher credit card balances than are others in the general population, and are less likely to pay their balances in full each month. On the other hand, those with graduate or professional degrees earn substantially more over their lifetime than others, and are less likely to be unemployed.

Key Findings: Nellie Mae's Third Study Since 1998

- The average credit card debt among graduate students who carry cards is \$7,831 per student, a significant increase of 59% over 1998's average debt of \$4,925.
- Median credit card debt has increased a somewhat less dramatic 32%, from \$2,834 to \$3,730, since 1998.
- Consistent with 1998 and up from 2000, graduate students carry an average of six cards each, and 96% of all graduate students carry credit cards. Correspondingly, 96% of *undergraduates* in their final year also carry credit cards, also with an average of six cards eachⁱ.
- Graduate students accrue more than twice the average balance of final-year undergraduate students: \$7,831 vs. \$3,262ⁱⁱ.
- Forty percent of graduate students with cards have average balances exceeding \$6,000, and 15% of graduate students have credit balances exceeding \$15,000, more than twice as many as in 1998.
- Graduate business students accumulate the most credit card debt, with an average balance of \$11,585.

Graduate Students from Year to Year	1998	2000	2003
Percentage who had credit cards	95%	95%	96%
Average number of credit cards	6	4	6
Average credit card debt	\$4,925	\$4,776	\$7,831
Median credit card debt	\$2,834	\$3,068	\$3,730
Percentage with balances from \$6,000-\$15,000	22%	20%	25%
Percentage with balances exceeding \$15,000	6%	6%	15%

By Age: Older Students Have More Debt

Age is a significant factor for average credit card debt carried by graduate students. From the 25-30 year-old age group to the 31-35 group, there is a 36 percent increase in the average credit card debt balance, but from the 31-35 year-olds to the over-40 year-olds, the average jumps by 56 percent. There is almost a threefold increase in average debt from the graduate students under 25 to those over 40—from \$5,206 to \$15,369.

Just as increasing age corresponds to increasing average debt, there is also a direct correlation between age and high credit card balances (over \$15,000). Six percent of those in the under-25 age group carry balances of more than \$15,000, with an increase to 14 percent among those 25-30. Twenty-five percent of those 36-40 have balances over \$15,000, increasing to 34 percent for those over 40. Interestingly, however, there is no significant variance among age groups for moderately high balances between \$6,000 and \$15,000. Among all age groups, the range is narrow—between 21 and 25 percent.

Graduate Students by Age Group	Under 25	25-30	31-35	36-40	Over 40
Percentage who have credit cards	97%	96%	95%	92%	96%
Average number of credit cards	5	6	6	7	9
Average credit card debt	\$5,206	\$7,182	\$9,824	\$10,316	\$15,369
Median credit card debt	\$2,806	\$3,509	\$4,436	\$4,691	\$6,769
Percentage with balances from \$6,000-\$15,000	25%	26%	25%	21%	22%
Percentage with balances exceeding \$15,000	6%	14%	18%	25%	34%
Total number of students	367	479	165	87	102
Percentage of total population	31%	40%	14%	7%	8%

By Degree: Business Students Have Highest Balances

Graduate business students have significantly higher average balances than those in other disciplines. At \$11,585, their average is 44 percent higher than that of medical students—the next-highest average at \$8,040. They are among the oldest graduate students, and along with medical students, are an average age of 30. It is likely that both their age and their choice of degree influence their higher average balances. MBA and other graduate business programs do not usually offer stipends, assistantships, or other forms of gift financial aid. However, graduate business programs are generally shorter in duration than other professional programs. It is likely that graduate business students are also more often employed while pursuing their degrees, and benefit more often from employer-paid or sponsored education. Business students leave school with less-than-average student loan debt. It is possible that, due to the factors above, they are less likely to take full advantage of student loan programs and may be using credit cards to bridge any financial gaps.

Twenty-three percent of business students have credit card balances exceeding \$15,000. The group with the next-highest percentage is medical students, with 15 percent having balances exceeding \$15,000.

Dental students—although they carry more cards on average—appear to be the most conservative users of credit cards, with \$6,019 in average debt, and 12 percent with balances exceeding \$15,000. The average balance for dental students is only slightly more than half that of MBA students.

Law students, at 27, are the youngest group and younger than the average age of 29. This may reflect the fact that students are more likely to attend law school immediately upon graduation from college than students in other professions. Eighty-nine percent of law students are under 30, and nearly half of them (47%) are under 25.

Graduate Students by Program of Study	Business	Medical	Grad	Law	Dental
Percentage who have credit cards	98%	94%	95%	98%	98%
Average number of credit cards	6	6	6	6	7
Average credit card debt	\$11,585	\$8,040	\$7,410	\$7,325	\$6,019
Median credit card debt	\$4,975	\$2,643	\$3,617	\$4,315	\$2,852
Percentage with balances from \$6,000-\$15,000	24%	24%	24%	27%	26%
Percentage with balances exceeding \$15,000	23%	15%	14%	13%	12%
Average age	30	30	29	27	28
Total number of students	150	150	600	150	150
Percentage of total population	12.5%	12.5%	50%	12.5%	12.5%

By Year in Graduate School: Minimal Impact on Credit Card Habits

A substantial percentage (71%) of students sampled either is in the first year of a multi-year program, or is participating in a single-year program. First-year students are overrepresented in this sample: 50 percent of Nellie Mae's overall graduate student population is in its first year, or is participating in a single-year program. Nevertheless, grade level does not appear to be a significant factor or influence on average balance, number of cards, or high balances.

Graduate Students by Program Year	1st year/single year program	2nd year	3rd year	4th year
Percentage who have credit cards	96%	98%	94%	96%
Average number of credit cards	6	6	6	7
Average credit card debt	\$7,792	\$8,238	\$6,967	\$8,258
Median credit card debt	\$3,405	\$4,927	\$3,561	\$4,314
Percentage with balances from \$6,000-\$15,000	24%	27%	20%	31%
Percentage with balances exceeding \$15,000	14%	17%	18%	13%
Average age	29	28	27	31
Total number of students	856	181	85	78
Percentage of total population	71%	15%	7%	7%

By Location: Students Abroad Use More Credit

Students attending foreign schools have significantly higher average credit card balances than those in the United States. The average balance of \$10,016 for students abroad is 21 percent higher than the next-highest average of \$8,254 for those students in the western U.S. In addition,

50 percent more students studying outside the country have balances exceeding \$15,000 than do the next-highest group: again, those in the western U.S. Generally, fewer sources of funds are available to those studying abroad, and credit cards are easily accepted world wide.

The geographic distribution of this sample is representative of Nellie Mae's general distribution of graduate student loan borrowers by school: most of our graduate students attend schools in the western, southern and northeastern United States, while we have very few students (7%) attending schools in the midwestern region. Students attending graduate school in the southern United States carry the lowest average balance, and the South also has the fewest students carrying balances over \$15,000. Students in the South, the Midwest, and the Northeast all have average balances that are lower than the overall average of \$7,831.

Graduate Students' Location of Schoolⁱⁱ	South	Midwest	Northeast	West	Abroad
Percentage who have credit cards	95%	98%	97%	97%	96%
Average number of credit cards	6	6	6	6	7
Average credit card debt	\$7,383	\$7,429	\$7,745	\$8,254	\$10,016
Median credit card debt	\$3,398	\$3,212	\$3,780	\$4,308	\$3,753
Percentage with balances between \$6,000-\$15,000	25%	18%	25%	26%	14%
Percentage with balances exceeding \$15,000	12%	13%	16%	16%	24%
Total number of students	348	82	347	401	22
Percentage of total population	29%	7%	29%	33%	2%

Graduate Students Borrow More, and They Benefit More

Students pursuing graduate and professional degrees appear to accumulate more debt earlier in their lives than others. Based on our sample, graduate students in school accumulate almost one and a half times more credit card debt than other adults, and carry almost three times as many credit cards. The average American has a balance of \$3,250^{iv} on 2.5^v credit cards.

Graduate students are also less likely to pay off their balances in full each month. Thirty-nine percent^{vi} of the adults surveyed by *CardTrak Online* say they pay credit card balances in full each month, while only eight percent^{vii}

	Graduate Students	Other Adults
Average credit card debt	\$7,831	\$3,250
Average number of credit cards	6	2.5
Percentage who pay in full monthly	8%	39%

of our graduate students who had credit cards carried no balance at the time of our sample. While our sample viewed only a snapshot of activity at a single point in time, and therefore may not provide a full picture of repayment habits, the significant discrepancy suggests that students may be more likely to carry balances than other users.

The high balances accrued by graduate students confirm, at least in part, that students use credit cards to help support them while in school. In fact, in Nellie Mae's recent NASLS Study^{viii}, 27 percent of students surveyed reported using credit cards as part of their education financing. While graduate and professional students experience the burden of higher debt levels, they also enjoy the economic benefits of advanced degrees. Those with professional degrees—medical, dental, and law—can expect lifetime earnings more than twice the amount of those holding

bachelor's degrees^{ix}. Those with other graduate degrees—MBA and master's—earn 20 percent more than those holding baccalaureates and twice as much as high school graduates^x. Unemployment is significantly lower than the national average for those with graduate degrees: in 2001, the national unemployment rate was 4.7 percent, while the rate for those who held graduate degrees was much better at 2.1 percent^{xi}.

Generation X in Graduate School

Sixty-seven percent of our graduate student population is part of the much-analyzed “Generation X,” those born between 1965 and 1978, and who were age 24 to 37 at the time of our sample. According to *Fortune Magazine*, this is the most highly educated generation in history—6.6 percent already have graduate degrees^{xii}, with many in this age group still enrolled and on their way to advanced education. By contrast, 8.9 percent of all Americans have graduate degrees^{xiii}. A Council of Graduate Schools survey^{xiv} reports that from 2000-2001, the most recent year that data is available, graduate school enrollment rose by three percent, a slight increase over the 16-year trend of two percent annual increases.

	Generation X Grad Students	All Generation X
Average credit card debt	\$7,323	\$2,726
Average number of credit cards	6	N/A
Percentage who pay in full monthly	8%	38%

In terms of credit card trends, Generation Xers who are not enrolled in graduate school behave very similarly to the rest of the adult population. At \$2,726^{xv}, their average

credit card debt is equal to 84 percent of the average of all adults, and is dramatically less than the average Generation X graduate student balance of \$7,323. Additionally, unlike Generation X graduate students, 38 percent^{xvi} pay off their bills each month, a percentage very close to the rest of the adult population.

Background and Methodology

This study of graduate students and credit cards is Nellie Mae's third. The first study, conducted in 1998, was prompted by concern over increasing credit card activity among college students—particularly undergraduate students—but also among those seeking graduate or professional degrees. Our second study, conducted in 2000, again addressed both undergraduate and graduate student debt. In April 2002, Nellie Mae released a third study, more comprehensive than the previous reports, focusing only on undergraduate credit card usage.

For our 2003 study, we randomly selected data from the credit reports of 1,200 graduate students in specific disciplines who applied for a credit-based loan with Nellie Mae for the 2002/2003 academic year. Of the 1,200 students, 150 were seeking medical degrees, 150 were seeking law degrees, 150 were MBA candidates, 150 were dental students, and 600 were seeking graduate degrees of all other types. We did not deselect any age group. In each of our three studies, we extracted data directly from the credit bureau reports of the randomly selected students. We did not survey our students nor use any self-reported data. The same methodology was used in our

1998 and 2000 studies, but our population was increased fourfold for 2003. We included 346 students in our sample population in 1998 and 383 students in 2000.

The majority of students sampled (71%) are first- or single-year graduate students. This is not representative of Nellie Mae's overall borrowing population of whom 50 percent are first-year students, 27 percent second year, 17 percent third year, and six percent fourth year. The high concentration of those enrolled in general graduate level programs (50 percent of our sample) contributes to the high incidence of first-year grade levels since many non-professional degree programs can be one year in duration.

The average age of graduate students in our sample is 29 years old, and the median age is 27. Seventy-one percent of the group is 30 years old or younger.

Our population is slightly younger overall than the average U.S. graduate student, who is 32.6 years old. The ages of our law and MBA students sampled are closer to national averages, which are 27.8 years and 31.6 years respectively^{xvii}.

Notes

ⁱ 'Undergraduate Students and Credit Cards', Nellie Mae, April 2002

ⁱⁱ 'Undergraduate Students and Credit Cards', Nellie Mae, April 2002

ⁱⁱⁱ Midwest states: IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, and WI

Northeast states: CT, MA, ME, NH, NJ, NY, PA, RI, and VT

Southern states: AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA, WV, and PR

Western states: AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, and Guam

^{iv} 'Credit Card Debt Jumps 35 Percent' (11/26/02) www.myvesta.org/news/releases/112602PRCreditCardDebt.htm

^v 'Credit Card Debt Jumps 35 Percent' (11/26/02) www.myvesta.org/news/releases/112602PRCreditCardDebt.htm

^{vi} 'Consumer Card Debt' *CardTrak Online*, March, 2003 www.cardweb.com/cardtrak/pastissues/mar03

^{vii} 91 students out of 1156 had zero balances on all cards at the time of our sample

^{viii} National Student Loan Survey, 'College on Credit: How Borrowers Perceive Their Education Debt,'

Baum/O'Malley 2/6/03

^{ix} 'The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings', U.S. Census Bureau, P23-210, July, 2002

^x 'The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings', U.S. Census Bureau, P23-210, July, 2002

^{xi} 'The state of higher education for working adults,' Jerrad Tausz, *Kansas City Star*, 2/10/04

^{xii} 'Generation Wrecked,' Noshua Watson, *Fortune Magazine*, October 14, 2002

^{xiii} 'Population Age 25 and Older with Post-Graduate Degree', Child and Family Policy Center, Cedar Rapids, IA <http://www.cfpciowa.org/pdf/KC03/PostGradpp24to25.pdf>

^{xiv} 'Graduate Enrollment and Degrees, 1986 to 2001', Virtual Center for Research, Council of Graduate Schools, www.cgsnet.org

^{xv} 'Debt woes hex Gen X,' Jeanne Sahadi, 2/18/00, www.money.cnn.com/2000/02/18

^{xvi} 'GenXers Max Out' (8/31/99) *CardTrak Online* www.cardweb.com/cardtrak/news/1999/august/31a.html

^{xvii} 'Percentage distribution of graduate and first-professional students according to gender and age and average age, by selected enrollment and institution characteristics: 1999-2000', NEDRC Table Library, National Center for Education Statistics, www.nces.ed.gov/surveys/npsas