

Consumer Credit is Confusing, Data Finds College Students Confused

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Financial literacy is "the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being." (2008-The President's Advisory Council on Financial Literacy)



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(SALEM, Ore.) - A new survey was administered to test the knowledge of students on consumer credit in March. The results were not promising.

The survey was sent out to Bay Area college campuses; the colleges were a mix of private and public schools that offered 2 year or 4 year degrees. About [668 participants answered questions](#) about consumer credit, building credit, and credit scores.

As mentioned earlier, the results are not promising.

From the start, students were asked to produce a definition of a credit score. 59.3% of the respondents were not able to define a credit score.

When asked which was preferable, a high or low credit score, about 20% a low credit score was better. In addition to these questions, 95.5% of the sample did not know the range of possible credit scores, and 45.5% could not say what factors determined a credit score.

Already the survey is revealing a stunning lack of knowledge when it comes to consumer credit.

It was not too much of a shock at that point when 42.5% believed student loan debt did not factor into a credit score.

Out of 668 students, 65.1% had a credit card opened in their name which is alarming considering the lack of knowledge on credit scores. Out of those who had a credit card, 72.1% did not know their credit scores.

On top of little knowledge of credit scores, a decent portion of college students had credit cards, so it was not much of a shock at this point when students did not know their standing with credit.

After unveiling the number of card holders, a decent portion (42.4%) did not know a single way to improve a credit score. On top of that, 43.9% did not even know any ways to negatively impact a credit score.

The result reveal that a significant lack of knowledge on credit cards and how they affect credit scores. And these answers came from credit card holders.

The next set of questions tested the students' knowledge of credit inquiries (or commonly known as credit pulls). Another astonishing result, about 69.8% had no clue what a credit pull was.

When delving a little deeper, the survey revealed that 86.4% did not know the difference between a hard credit pull and a soft credit pull. These are basic procedures (one of which can actually lower a credit score), and they provide important information for the card holders.

The results reveal a total lack of knowledge when it comes to consumer credit and credit scores. These gaps in information translate to other subjects such as student loan debt. The lack of information is initially surprising, but in reality, consumer credit is a horribly neglected subject in schools.

[Only 17 out of 50 states](#) have a required high school class in personal finance. In hindsight, it really is no shock that college students know very little about consumer credit.

