Agenda

Background

How College Students Pay for Purchases

Financial Habits and Awareness of College Students
• Conscious of Credit Reports and Positive Credit Behavior
• Perception of Money Management Skills
• Foundational Gaps in Credit Knowledge
• Money Management Education

Discussion How Can We Help Students Engage & Prepare for Credit

Conclusion
Research Methodology

Background

• Online interviews conducted by Ipsos in December 2015
• 793 in school students
• Enrolled Between the ages of 18-24 years old
• Sample reflects a cross-section of key demographic variables

Survey Focus

• To learn more about how students are managing their finances
• To understand credit-related knowledge gaps and financial literacy needs

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
Insights

• Majority of American college students are handling their finances responsibly
• Their general attitudes are sensible
• Students are taking advantage of a wide array of methods
• While positive behaviors are apparent, they mask an underlying knowledge gap
• Students are eager for more information and resources to understand and improve their credit management

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
HOW COLLEGE STUDENTS PAY FOR PURCHASES
The Vast Majority of College Students Carry Cash and Debit Cards; a Smaller Majority Use Mobile Pay and Credit Cards

Payment Methods Used

- Cash: 86%
- Debit card: 85%
- Mobile payment: 77%
- Credit card: 56%
- ATM card: 17%
- Personal checks: 14%
- Prepaid debit card: 15%
- Secured credit card: 6%
- SNAP or other assistance program: 3%

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
PayPal is the Most Commonly Used Mobile Payment Method

<table>
<thead>
<tr>
<th>Mobile Payment Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>PayPal</td>
<td>58%</td>
</tr>
<tr>
<td>Apple Pay</td>
<td>18%</td>
</tr>
<tr>
<td>Google Wallet</td>
<td>16%</td>
</tr>
<tr>
<td>Venmo</td>
<td>11%</td>
</tr>
<tr>
<td>Android Pay</td>
<td>8%</td>
</tr>
<tr>
<td>Samsung Pay</td>
<td>6%</td>
</tr>
<tr>
<td>Square</td>
<td>6%</td>
</tr>
<tr>
<td>Dwolla</td>
<td>2%</td>
</tr>
<tr>
<td>Bitcoin or other cryptocurrency</td>
<td>2%</td>
</tr>
<tr>
<td>CurrentC</td>
<td>1%</td>
</tr>
<tr>
<td>LevelUp</td>
<td>1%</td>
</tr>
<tr>
<td>Moven</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
Under 21 Year-olds are Significantly Less Likely to Have a Credit Card

Primary Methods of Payment, by Age

- Ages 18-20: 88% Cash, 84% Debit Card, 72% Mobile Payment, 43% Credit Card
- Ages 21-22: 82% Cash, 84% Debit Card, 80% Mobile Payment, 63% Credit Card
- Ages 23-24: 87% Cash, 87% Debit Card, 81% Mobile Payment, 71% Credit Card

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
Debit Cards are Used Most Often for Almost Every Type of Purchase Measured

Payment Method for Purchase Type

- **Vacation**
  - Mobile: 7%
  - Credit: 15%
  - Debit: 30%
  - Cash: 33%

- **In-home entertainment**
  - Mobile: 6%
  - Credit: 15%
  - Debit: 21%
  - Cash: 35%

- **Out-of-home entertainment**
  - Mobile: 13%
  - Credit: 28%
  - Debit: 28%
  - Cash: 45%

- **Dining out**
  - Mobile: 8%
  - Credit: 26%
  - Debit: 28%
  - Cash: 48%

- **Online, >$20**
  - Mobile: 6%
  - Credit: 31%
  - Debit: 33%
  - Cash: 49%

- **Online, ≤$20**
  - Mobile: 7%
  - Credit: 27%
  - Debit: 32%
  - Cash: 53%

- **In-store, >$20**
  - Mobile: 11%
  - Credit: 31%
  - Debit: 31%
  - Cash: 56%

- **In-store, ≤$20**
  - Mobile: 10%
  - Credit: 18%
  - Debit: 41%
  - Cash: 63%

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
Spending Money

• Today’s college students are not shying away from credit cards
  • 56% have at least one in their wallet
    • Use Regularly, usually for bigger purchases and vacations
    • On Average they carry 3 cards in their wallet

• While carrying credit cards & debit cards, cash is king
  • 85% use debit cards for most other purchases and payments
  • 86% carry cash typically for in-store purchases of $20 or less
  • 77% use a mobile payment method
    • Ages 18-20 do so for ease of use
    • Ages 21-24 do so for security

• 68% of students report having some type of outstanding debt
  • 52% report having student loans
  • 23% Credit card debt
  • 13% auto loan

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
FINANCIAL HABITS AND AWARENESS AMONG COLLEGE STUDENTS
Half of College Students Have Viewed Their Credit Report

Credit Report Awareness, by Credit Experience

<table>
<thead>
<tr>
<th>Total</th>
<th>49%</th>
<th>18%</th>
<th>16%</th>
<th>17%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No credit cards</td>
<td>27%</td>
<td>15%</td>
<td>23%</td>
<td>36%</td>
</tr>
<tr>
<td>Has credit card</td>
<td>66%</td>
<td>20%</td>
<td>10%</td>
<td>3%</td>
</tr>
<tr>
<td>No loans</td>
<td>33%</td>
<td>16%</td>
<td>20%</td>
<td>31%</td>
</tr>
<tr>
<td>Has loans</td>
<td>56%</td>
<td>19%</td>
<td>14%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Ever Viewed Own Credit Report

- Yes, have viewed
- Not viewed, but know I have one
- Not viewed, not sure I have one
- Not viewed, I don't have one

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
Most Students Have Adopted Some Positive Financial Management Behaviors

- Pay bills on time: 77%
- Never spend more money than I have: 60%
- Track my spending so I know where my money is going: 56%
- Save some amount from my earnings every month: 55%
- Never overdraft so I don’t incur fees: 36%
- Pay off higher interest rate debt first: 28%
- Have an emergency fund: 24%
- Invest my savings to earn higher rates: 16%

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
College Students are Confident in Their Money Management Skills

Self-Rated Money Management Skills

- Excellent: 24%
- Good: 41%
- Average: 29%
- Not very good: 5%
- Poor: 1%

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
## Applicability of Specific Actions on Credit is Less Understood than the General Concept of “Good Credit”

<table>
<thead>
<tr>
<th>Perception of Credit Behaviors as Positive, Negative, or Neutral</th>
<th>Positive</th>
<th>Neutral</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paying your bills on time</td>
<td>93%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Having no credit cards</td>
<td>17%</td>
<td>58%</td>
<td>25%</td>
</tr>
<tr>
<td>Opening multiple credit cards or other loan accounts around the same time</td>
<td>16%</td>
<td>21%</td>
<td>64%</td>
</tr>
<tr>
<td>Keeping a high balance on your credit card</td>
<td>24%</td>
<td>14%</td>
<td>62%</td>
</tr>
<tr>
<td>Keeping a low balance on your credit card</td>
<td>63%</td>
<td>18%</td>
<td>19%</td>
</tr>
<tr>
<td>Using as much of your credit limit as possible</td>
<td>15%</td>
<td>25%</td>
<td>61%</td>
</tr>
</tbody>
</table>

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
Lack of Knowledge About Credit Basics is Evident in Responses to Three “How Credit Works” Questions

Q: Interest accumulation: Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

a. More than $102. (75%)

b. Exactly $102.

c. Less than $102.

d. Not sure.

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
Q: Effect of payment behavior on credit cost: Assuming the following individuals have the same credit card with the same interest rate, which will pay the most in interest on their credit card purchases over time?

a. Joe, who makes the minimum payment on his credit card bill every month.

b. Jane, who pays the balance on her credit card in full every month.

c. Joyce, who sometimes pays the minimum, sometimes pays less than the minimum, and missed one payment on her credit card bill. (48%)

d. All of them will pay the same amount in interest over time.

e. Not sure.

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
Only 3 in 5 Understand That the Length of Repayment Affects Total Loan Costs

Q: Impact of repayment term on cost of credit question: Imagine that there are two options when it comes to paying back a loan and both come with the same interest rate. Provided you have the needed funds, which option would you select to minimize your total costs over the life of the loan (i.e. all of your payments combined until the loan is completely paid off)?

- a. Option 1 allows you to take 10 years to pay back the loan. (59%)
- b. Option 2 allows you to take 20 years to pay back the loan.
- c. Both options have the same out-of-pocket cost over the life of the loan.
- d. Not sure.

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
Fewer than One-third of Students Answered Three of Three Questions Correctly

Credit Knowledge, by Perceived Money Management Skills

- Total: 31% 33% 23% 13%
- Not good/poor: 38% 29% 25% 8%
- Average: 32% 36% 18% 14%
- Good: 33% 33% 22% 12%
- Excellent: 23% 33% 30% 13%

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
Parents are the Primary Resource for Teaching Students About Money Management

Financial Management Education Resources

- Parent(s) or guardian(s): 71%
- Family members: 29%
- Researched online: 23%
- In a high school class: 22%
- Friends: 20%
- Financial advisor: 14%
- In a college course: 12%
- Online services through bank: 9%
- Spouse/partner: 6%
- Community programs: 5%
- Other: 1%
- None: 5%

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
More than 4 in 5 College Students Express Interest in Learning More About Specific Aspects of Managing Money

Preferred Financial Management Information

- Saving strategies: 37%
- Budgeting: 32%
- Paying for college options: 32%
- Student loan repayment options: 30%
- Investment strategies: 29%
- Credit reports and credit scores: 28%
- Retirement/future financial planning: 25%
- Debt reduction strategies: 23%
- Financial aid resources: 21%
- Benefits and pitfalls of using credit: 20%
- None: 17%

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
Conclusion

• Today’s college students demonstrate a careful approach to managing money, and have a cautious attitude toward debt.

• While students have a general awareness of the importance of good credit, the survey reveals they need to learn more about the details of how credit and money actually work.

• More than four out of five college students are interested in learning more about a variety of topics associated with managing their money.
  • a perceived gap in knowledge?
  • a desire to be more financially successful?

• Financial management educational opportunities are warranted for college students.

Source: Majoring in Money: How American College Students Manage Their Finances March 2016, Sallie Mae and Ipsos
Questions?
Encouraging Responsible Borrowing
Sallie Mae has helped more than 34 million Americans pay for college since 1972. We encourage students and families to supplement their savings by exploring grants, scholarships, and federal and state student loans, and to consider the anticipated monthly payments on their total student loan debt and their expected future earnings before considering a private education loan.

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