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CONSUMER CREDIT KNOWLEDGE AND CREDIT USE
IN A SELECTED GROUP OF MARRIED STUDENT
HOUSEHOLDS AT UTAH STATE UNIVERSITY

by

Kay Daun P. Edwards

A thesis submitted in partial fulfillment
of the requirements for the degree

of

MASTER OF SCIENCE

in

Household Economics and Management

182
Ed
C.R.

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Kay Daun P. Edwards

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INTRODUCTION

Statement of the Problem

Consumer credit has become an area of major importance in the financial planning of most, if not all, families in the United States. In absolute amounts, total consumer credit extended had increased more than 11 times, from \$5,665 million to \$63,164 million, since the end of World War II to 1962; and total instalment credit had increased more than 19 times. During the same period disposable personal income had grown only about $2\frac{1}{2}$ times (15).

In 1960, total consumer credit outstanding, as a percentage of disposable personal income, reached a record high of 16 percent; and that part comprising instalment debt reached a new high of 12 percent of disposable income. Standard and Poor's Industry Surveys indicate these ratios are expected to be maintained and to become an acceptable norm (4).

The willingness of consumers to incur this tremendous increase in personal debt has been influenced by several factors. Consumer attitudes toward borrowing have been affected by the increased availability of instalment credit, increased security of incomes, favorable income prospects, and benefits derived from instalment credit use, such as greater flexibility in timing expenditures and an alternative to spending liquid assets. Increased personal debt has also been a product of interaction between more favorable consumer attitudes toward borrowing and the growth of lending facilities. In addition, debt expansion is a natural accompaniment of increased consumer ownership of automobiles and other

expensive durable goods that could not be obtained without the use of instalment buying. The interaction of these developments was described at the 1957 Conference on Consumer Instalment Credit (16, p. 21):

The existence of instalment credit facilities, called forth by the need to finance automobiles and other expensive durable goods, influenced attitudes toward borrowing, and also led to the use of instalment credit for financing other goods and services. In turn, new types of credit facilities have been established. Use of instalment credit has thus become deeply imbedded among the habits and customs of American consumers.

Rapid and continued expansion of the "buy now, pay later" plan for obtaining goods and services has aroused concern among some economists and family finance experts. While credit buying has made possible the attainment of a high level of durable goods consumption, it has emphasized the need for consumer education in this area. Apprehension is growing over lack of public understanding of instalment debt and basic principles underlying its sound use. This concern for the consumer's welfare in credit transactions has extended into Congress and resulted in a proposal by Senator Paul H. Douglas for federal legislation making it mandatory for all sellers of credit to disclose to borrowers, in advance, all charges in actual dollar amounts and simple annual interest rates (1).

Knowledge has generally been assumed to be the key factor influencing effective credit use by the family. Wise credit use requires knowledge of the kinds of credit available, interest and finance costs for use of credit, and the legal regulations governing time payment contracts (14).

The purpose of this investigation was to study inter-relationships which may exist between consumer credit knowledge, credit use, and other selected factors in a group of married student households in the college environment.

The following null hypotheses were formulated:

1. The level of consumer credit knowledge is not related to (a) the amount of consumer credit used, or (b) the rate of interest paid for the use of credit.

2. The level of consumer credit knowledge, the amount of credit used, and the rate of interest paid for credit are unrelated to the following selected factors: (a) age of husband and wife; (b) length of marriage; (c) size of family; (d) educational status of husband and wife; (e) religious background; (f) amount and source of income; and (g) parents' economic status.

Information concerning other areas related to consumer credit knowledge and credit use was also examined.

Definition of Terms

As a basis for this study, the following definitions were accepted:

Consumer credit - credit used to finance the purchase of commodities and services for personal consumption or to refinance debts originally incurred for such purposes. No minimum period of repayment is specified, but credit included is of short or intermediate term. The following types are excluded: credit to Government agencies, nonprofit or charitable organizations, business credit (including production credit to farmers), and real estate mortgage credit (3).

Instalment credit - credit for which contractual provision is made for two or more payments (17).

Non-instalment credit - credit payable in a single lump sum, or with no specified repayment schedule, and also credit with repayments scheduled

at irregular intervals or at regular intervals longer than three months (17).

Knowledge - the definition "any understanding which is found useful by any individual in the resolution of scientific or practical problems encountered" was proposed by R. G. Spitze (13) and is accepted for this study.

REVIEW OF LITERATURE

Much information pertaining to family financial management and consumer credit use has been written in popular literature with mass circulation. However, although a number of research studies have been devoted to family financial planning and practices as a whole, few investigations have been concerned specifically with the area of consumer credit use. Four studies were directly concerned with consumer credit and its use in the United States.

An extensive national study of factors associated with use of consumer credit was reported by Lansing, Maynes, and Kreinin (7) at the 1957 Conference on Consumer Instalment Credit held in Princeton, New Jersey. Results of the study indicated the primary factors which influenced the probability of an individual spending unit owing instalment debt were:

1. Liquid asset holdings. The larger the liquid assets of a unit, the less likely it is to owe.
2. Income. The proportion of spending units who owe instalment debt is highest in middle-income groups, those with incomes of \$4,000 to \$7,500. Also, people with steady incomes are less likely to owe instalment debt than persons whose incomes fluctuate.
3. Stage in family life cycle. Use of instalment debt is most frequent in the expanding stage of the life cycle when people are married and have young children.

Other findings of the study indicated that: farmers are less likely to use instalment credit than members of other occupational groups;

spending units in the West are more likely to owe instalment debt than units in other geographical areas of the United States; and spending units with a mortgage are more likely to owe instalment debt than units without a mortgage.

A report concerning the financing of new car purchases during 1954-55 comprised Part IV of the Conference proceedings (17). This report indicated the average monthly payment on new car instalment contracts, as represented by the median, was about \$72.00. The median rate of monthly payment to disposable income was 15 percent. On most new car contracts, effective annual finance rates were between 9 and 13 percent; the median was 11 percent.

In 1958 Kobrack (6) studied the history and development of consumer instalment credit in the United States and concluded that income has been a main factor influencing credit use. Frequency of users was highest in the middle-income groups, but the amount of debt tended to rise consistently with income. Another factor which appeared to be related to instalment credit use was age of the family head or spending unit. Young married persons were more frequent users of instalment credit than persons in other stages of the family life cycle. Family size was also related to credit use; families with children more frequently used instalment credit than families who had no children. Residence and occupation were other factors definitely related to credit use. Some factors which showed a tendency to affect consumer credit use were: employment of the wife--evidence indicated a greater use of credit if the wife and husband were both employed--the number of earners in the family, race, and home ownership.

A study closely related to the present investigation was reported by Spitze (12) in 1961. Spitze investigated consumer credit knowledge of a selected group of women and the relationship of such knowledge to attitudes, use of credit, interest rates paid, and selected characteristics of the women. These conclusions were given:

1. Women make or participate in many decisions regarding credit use.
2. Women's knowledge about consumer credit is rather meager.
3. Women with higher educational levels have greater knowledge of credit.
4. Women with greater credit knowledge pay lower rates for credit.
5. The amount of credit used is influenced by attitudes toward credit.
6. Women with little credit knowledge hold extreme attitudes.
7. Women want to learn more about credit.
8. Half of the women studied did not know where to get additional credit information.
9. Preferred ways for obtaining additional credit information, for those women who do have possible sources in mind, are newspaper articles and television.

Several studies concerned with general family financial management practices have contributed additional information about consumer credit use.

In a 1954 study of married graduate students, Gressman (5) reported that an important financial goal of these families was liquidation of loans on property and automobiles.

Wells (18), in a 1958 study of young families, found there was a progression from relatively small debts for short periods of time, owed to few agencies, during the first year of marriage; to the assuming of larger debts, owed to more numerous sources, as the length of marriage increased. Young families tended to refrain from expenditure when money was not available. However, optimism of these families toward their ability to manage their finances and toward the economy in general was indicated by their acceptance of credit use for purchasing.

MacNab (8) reported in 1960 that television and washing machines were the items of furniture and equipment most frequently purchased with credit by beginning families, although credit was used less frequently than other means for obtaining all items. For items other than furniture and equipment, credit was used most frequently for automobile purchase and repairs. The credit source most frequently used by these families was banks, with "family" a poor second.

A 1961 investigation by Mann (9) to determine how married graduate students at The Ohio State University met their family and educational expenses indicated that loans used by students formed only 0.98 percent of total expenditure for the whole group. Only 5 of the 28 students had borrowed money to meet part of their education and family expenses.

Crow (2) reported in 1961 that, of 65 families in which the wife was between 30 and 50 years of age, three-quarters expressed negative feelings toward credit; but two-thirds stated some debts were unavoidable or necessary. Sixty percent of these families indicated a negative feeling toward large debt. More than three-quarters stated instalment credit should be used only for purchases involving large amounts of money or for durable goods.

In a 1962 study of married undergraduate students, Molaison (10) found these couples preferred to pay cash for purchases, although more than half of the interviewees were using instalment buying to a minor degree. Forty percent of the couples had purchased no items of furniture and equipment during the past year, either for cash or credit; but those couples who did buy furniture and equipment paid cash more often than they used instalment buying. Couples with children made fewer purchases and paid cash more often than couples without children. The items most frequently being purchased with credit were television and refrigerators, Hi Fi phonographs, cars, and washing machines, in that order. Instalment buying was less prevalent among these couples than among young married couples as a whole.

Molaison concluded that young people would profit from more experience and instruction in handling money prior to marriage; and recommended that colleges and universities help by changing curricula to include required courses in personal and family finance.

A review, entitled "Money and Marriage: A guide to better economics values, relationships, and practices for the beginning family," prepared by Rowland (11, p. 3-5) in 1956 concurred with Molaison's conclusion:

Not only are most young people unaware that economic adjustments must be made during the early years of marriage, but most of them are unprepared to handle family finances adequately. Little has been done to prepare them to avoid or solve difficulties likely to arise in the use of money.

The young people who take advantage of higher education may receive instruction in international finance, money and banking, credit and exchange, and other general financial studies, yet they may lack the simplest fundamentals of personal and family economics.

In other words, as far as economic matters are concerned, many individuals are allowed to grow up largely dependent upon their natural mental endowment, influenced by the "hit-or-miss" example of their parents and guided by such educations as are acquired through trial and error. . . . Not knowing about instalment buying and borrowing can cost young people money they cannot afford to waste.

METHODS AND PROCEDURES

The Sample

For purposes of statistical inference, a probability sample was selected by simple random sampling technique from the married male student population listed in the Blue Book and Student Directory published during the 1963 Fall Quarter at Utah State University. Selection was based solely on the student status of the husband. Foreign student households were not included.

The 818 student households meeting the above criteria were listed in alphabetical order. By selecting every eighth name, a sample comprising 15 percent of the population, or 126 households, was obtained.

A letter explaining the purpose of the study and asking the couple to participate in an interview was mailed to the selected sample during the first week of December, 1963. Eighty replies to the letter were received, 69 couples agreeing to be interviewed and 11 indicating they did not wish to participate. A second contact by telephone was made with those couples who failed to answer the letter, and thirteen agreed to be interviewed. Five of the couples who originally agreed to participate left school before an interview could be arranged. The final sample consisted of 77 households, representing 9.4 percent of the married male student population at Utah State University.

The Study Instruments

Three instruments were used in this study: a consumer credit knowledge test, a credit-use questionnaire, and a personal data questionnaire.

1. The knowledge test used to measure the consumer credit knowledge of the husband and wife was constructed and validated by Spitze (12) for her study of consumer credit knowledge of a selected group of women. The test consists of 24 multiple-answer statements concerning various aspects of consumer credit use. The questions on the knowledge test were grouped into four general categories, testing ability to:

- (a) Compute interest and rates - questions 10, 11, 12, 16, 17, and 20.
- (b) Recognize varying rates charged by credit sources - questions 4, 6, 9, and 22.
- (c) Comprehend some practices (other than rates charged) of credit sources - questions 1, 2, 3, 5, 8, 13, 15, 18, 19, 21, 23, and 24.
- (d) Understand some of the relations of government policy to consumer credit - questions 7 and 14.

This test was adapted for use in the present investigation with only minor changes necessary to meet existing circumstances.

The knowledge test was given separately to the husband and to the wife in each household. They were not allowed to discuss the test or to use reference materials.

2. The credit-use questionnaire was used to determine the purposes for which credit had been used, the sources from which credit was obtained, and the amounts involved in each credit transaction. The questionnaire was filled out by the interviewer as each couple was personally interviewed. The interviewees reported any credit transaction on which they had either completed payment, been making payment, or started making payment from Fall Quarter, 1962, through Fall Quarter, 1963.

3. The personal data questionnaire was completed by the husband and wife together in the presence of the interviewer. Ages, education, income, and additional descriptive information about the family and their credit experience was obtained. The husband and wife were encouraged to discuss the questionnaire and to ask questions or make comments necessary for clarification.

The Interview

Interviews were scheduled during December, 1963, and January and February, 1964. Arrangements were made by telephone or letter for the interviewer to visit each couple in their home at a prearranged time. The husband and wife were interviewed together whenever possible. However, in three cases circumstances prevented a joint interview, and special arrangements were made to secure the necessary information from both partners. It did not appear that the differing circumstances of these three interviews would cause sufficient bias in the study results to warrant their omission.

The interviews ranged from 30 to 45 minutes each. The knowledge test was given first; secondly the couple was questioned on their use of consumer credit; and finally, the personal data questionnaire was administered. No difficulty was encountered in obtaining the required information; all questions were answered. Before the interview was terminated, time was allowed for discussing any questions the couple may have had.

Analysis of Data

Credit use score

The credit use score for each household was computed by giving the couple 1 point for each time they had used credit, and an additional point

for each \$500 of credit or fraction thereof in excess of the \$500 base amount. The scores were so weighted for comparison purposes.

Interest rate score

The rate score for each household was simply an average of the interest rates paid for the credit they had used, weighted according to the amount of the loan as in the credit use score.

Knowledge score

Knowledge scores for the husband and the wife were computed separately on the basis of the number of items each answered correctly. The combined knowledge score was computed by combining the items answered correctly by either one or both of the marriage partners.

RESULTS AND DISCUSSION

Knowledge, Credit Use, and Interest RateScores of Interviewees

The need for more knowledge about consumer credit seemed generally accepted by the couples interviewed for this study. The husbands appeared quite confident of their knowledge in this area, but many of the wives seemed embarrassed and excused themselves by saying their husbands took care of credit matters. A number of the wives expressed a need for more credit knowledge in the event they might some day be forced to take the initiative because of the husband's absence from the home.

The couples were very interested in the test and many wanted to know the correct answers and how well they had scored. Several couples inquired as to the availability of University classes presenting material concerning consumer credit. These couples were referred to the Family Finance course in the College of Family Life and the Personal Finance course in the College of Business and Social Sciences.

The distribution of knowledge test scores for husbands and wives and their combined score are presented in Table 1. Knowledge scores for the husbands ranged from 4 to 21, with a mean of 13.10 and a standard deviation of 3.36. For wives the knowledge scores ranged from 2 to 18, the mean was 8.61, and the standard deviation was 3.41. The range of combined knowledge scores was 8 to 22, with a mean of 15.68 and a standard deviation of 3.04. A comparison of the husbands' scores and the combined scores indicates that, although the wife's knowledge is somewhat less than that of the husband, her knowledge does supplement his.

Distribution of credit use scores for the married student households is shown in Table 2. Credit use scores ranged from 0 to 20, with a mean of 2.18. Thirty-one households, or 40 percent, had used no consumer credit in the period covered by the study. When these couples were excluded, the scores ranged from 1 to 20 and the mean was 3.65.

Interest rate scores for these households are given in Table 3. Rate scores ranged from 0 to 37.0 percent, with a mean score of 9.92 percent and a median of 8.50 percent. When only those couples using credit are considered, the scores ranged from 5.5 to 37.0 percent, the mean was 16.94 percent, the median was 14.83 percent, and the mode was 14.5 percent.

To determine those couples with a high, medium, or low level of credit knowledge and high, medium, or low credit use and interest rate scores, the scores for the individual households were divided into three groups; the lowest one-third or 26 couples, the medium one-third or 26 couples, and the high one-third or 25 couples.

Knowledge scores for husband and wife, the combined knowledge score, the credit use score, and the interest rate score for the 77 households are listed individually in Table 4.

Analysis of Knowledge Test

Table 5 shows the number of husbands and wives who selected the correct answer, the number who answered the question incorrectly, and the number of "I don't know" responses, which were also included as incorrect answers, for the credit knowledge test.

For every question, the number of husbands selecting the right answer was higher than the number of wives. Only three-eighths, or 9 of the

Table 1. Scores of a selected group of married student households on consumer credit knowledge test, 1964*

Knowledge score	Number of husbands	Number of wives	Number of households
2		1-low	
3		2	
4	1-low	5	
5		6	
6		9	
7	1	11-medium	
8	3	7	1-low
9	3	5	1
10	7	9-high	1
11	14-medium	6	3
12	8	6	5
13	8	5	9
14	7	1	7-medium
15	6-high	1	12
16	8	1	5
17	3	1	10-high
18		1	9
19	5		7
20	2		1
21	1		5
22			1
Total	77	77	77

*Possible score, 24. Low, medium, and high knowledge level indicated for each group of scores.

Table 2. Credit use scores for a selected group of married student households at Utah State University, 1964

Credit use score	Number of households
0-low	31
1-medium	13
2	5
3-high	9
4	5
5	5
6	5
7	1
8	2
20	1
Total	77

Table 3. Interest rates paid for consumer credit by a selected group of married student households at Utah State University, 1964

Rate score (in %)	Number of households
0 -low	31
5- 8-medium	8
9-12	7
13-16-high	12
17-20	8
21-24	1
25-28	4
29-32	3
33-36	1
37-40	2
Total	77

questions, were missed by more than half the husbands; but almost four-fifths, or 19 test questions, were missed by more than half the wives. There was no question answered "I don't know" by more than half of the husbands, while 5 questions were answered "I don't know" by more than half of the wives.

Wives were much more prone than their husbands to indicate they didn't know the answer. Several husbands commented they "hated to admit they didn't know."

The question missed most frequently by both husbands and wives was question 17, which asked the true annual interest rate when a 6 percent discount rate is quoted. The second most often missed question, for both husbands and wives, was number 5, which also pertained to the "discount" interest rate charged by banks.

The question answered correctly most often, by both husbands and wives, was question 1 concerning instalment credit practices when payments are not met. The second question most often answered correctly,

Table 4. Comparison of knowledge scores, credit use score, and interest rate score for 77 married student households

Couple	Knowledge scores			Credit use score	Interest rate score
	Husband	Wife	Combined		
1	15	18	21	8	14.3
2	21	8	22	0	0.0
3	16	8	17	20	14.1
4	15	6	15	0	0.0
5	12	6	15	4	24.6
6	11	7	13	0	0.0
7	9	9	12	2	25.3
8	16	10	18	6	6.0
9	15	10	17	0	0.0
10	11	3	12	1	18.7
11	14	13	19	5	5.5
12	19	15	19	6	7.9
13	11	6	13	0	0.0
14	9	11	15	0	0.0
15	20	12	21	4	18.3
16	8	13	15	3	19.7
17	10	3	11	6	19.5
18	16	9	18	0	0.0
19	15	7	16	0	0.0
20	13	10	17	5	16.3
21	14	9	17	0	0.0
22	15	16	19	3	17.7
23	8	12	17	3	22.3
24	19	8	21	0	0.0
25	12	7	14	5	28.8
26	10	13	15	0	0.0
27	11	11	15	0	0.0
28	13	5	13	1	9.0
29	13	10	16	5	8.8
30	14	10	16	3	9.7
31	13	6	15	0	0.0
32	15	8	18	1	14.0
33	17	12	18	7	12.7
34	14	10	16	1	13.0
35	10	6	13	0	0.0
36	14	8	16	6	11.8
37	13	2	13	5	16.5
38	12	12	15	1	37.0
39	14	11	18	1	15.0
40	13	17	21	8	6.1
41	19	9	19	0	0.0
42	11	7	13	0	0.0
43	9	5	11	4	8.3
44	11	7	12	0	0.0
45	7	5	9	3	8.0
46	17	13	19	4	10.0
47	11	9	13	0	0.0
48	10	7	13	0	0.0

Table 4. Continued

Couple	Knowledge scores			Credit use score	Interest rate score
	Husband	Wife	Combined		
49	16	8	19	1	30.6
50	12	7	14	6	12.5
51	4	5	8	0	0.0
52	11	12	15	2	15.0
53	20	11	21	0	0.0
54	11	7	13	3	29.3
55	11	10	14	1	16.0
56	12	5	15	0	0.0
57	19	5	19	2	11.0
58	12	13	17	0	0.0
59	8	4	10	1	27.0
60	16	6	17	1	6.0
61	11	7	14	0	0.0
62	10	7	14	0	0.0
63	16	8	18	2	15.0
64	13	4	17	1	37.0
65	16	10	18	3	32.8
66	10	4	11	0	0.0
67	13	4	14	4	27.0
68	14	4	17	0	0.0
69	12	10	15	0	0.0
70	10	6	12	0	0.0
71	11	6	12	1	6.0
72	11	12	15	1	9.0
73	17	7	18	3	14.0
74	16	11	18	2	19.0
75	11	6	14	0	0.0
76	12	11	17	0	0.0
77	19	14	20	3	18.0

Table 5. Questions answered correctly and incorrectly by husbands and wives in a selected group of married student households

Question	Number answering the question					
	Right		Wrong		I don't know	
	H	W	H	W	H	W
1	75	66	2	11	1	3
2	39	31	38	46	17	27
3	26	12	51	65	17	15
4	73	59	4	18	0	12
5	16	4	61	73	28	39
6	43	38	34	39	8	15
7	39	20	38	57	35	56
8	38	34	39	43	0	2
9	57	32	20	45	13	33
10	20	5	57	72	6	23
11	43	21	34	56	4	8
12	59	45	18	32	5	12
13	26	20	51	57	24	27
14	30	19	47	58	17	41
15	39	20	38	57	11	18
16	50	16	27	61	7	26
17	15	2	62	75	23	43
18	60	46	17	31	9	19
19	42	34	35	43	11	15
20	64	48	13	29	0	13
21	29	27	48	50	19	27
22	43	15	34	62	12	20
23	52	35	25	42	4	16
24	35	12	42	65	24	51

again by both husbands and wives, was 4, which involved a comparison of dealers and banks as credit sources.

Both husbands and wives answered "I don't know" most often on question 7 which had to do with government activity in the area of consumer credit.

The questions on the credit knowledge test were grouped into four general categories. Category four, to test understanding of some relations of government policy to consumer credit, was most difficult for both husbands and wives. Category two, which tested ability to recognize varying rates charged by credit sources, was easiest for the husbands and

one, testing ability to compute interest rates, was the easiest category for the wives.

A three-way independence X^2 analysis¹ was made to determine if a relationship existed between sex and answering the questions in the four categories right or wrong. The respective X^2_1 values of 57.741, 34.650, 39.419, and 11.086 were significant at the .001 level, indicating a close relationship between sex and selection of the correct or incorrect answer. In all four areas, males had a significantly higher level of credit knowledge than females.

When the same X^2 analysis was applied to sex, the individual question, and a right or wrong answer, only in category three, which tested ability to comprehend some practices of credit sources, was the X^2_3 value of 8.929 significant to the .05 level. The questions in categories one, two, and four were independent, and getting one right answer did not mean the other questions in that category would be answered correctly. In category three, if the husband answered one question correctly he tended to answer all correctly; whereas if the wife answered one question incorrectly she tended to answer all the questions incorrectly.

Hypothesis 1: Relationship Between Consumer Credit
Knowledge, Credit Use, and Interest Rates
Paid for Credit

The first hypothesis to be tested stated that the level of consumer credit knowledge is not related to (a) the amount of consumer credit used, or (b) the rate of interest paid for the use of credit.

¹See appendix.

²Subscript numbers indicate degrees of freedom.

The principal statistical tests used in analyzing the data were the F-test for analysis of variance between sample means and the X^2 test of significance.

The F-test for analysis of variance between high, medium, and low levels of credit knowledge and the amount of credit used and interest rates paid for credit showed no significant difference.

However, when the X^2 test for significance was used, relationships were established between level of credit knowledge and the amount of credit used and interest rates paid. The X^2 values of 15.33 for knowledge and credit use and 16.12 for knowledge and interest rates paid were significant at the .001 level. The relationships were in the direction of households with higher levels of credit knowledge using more credit, and paying significantly lower interest rates. This substantiates the previous findings of Spitze (12) who reported women with low knowledge scores paid significantly higher rates of interest. While the results of Spitze's study did not yield a significant relationship, they indicated a trend in the direction of those possessing higher knowledge being greater credit users. Apparently those persons who have more credit knowledge are less wary of using it and have greater confidence in their ability to handle debt.

The results of the two-way independence X^2 analyses were accepted, and hypotheses 1(a) and 1(b) that credit knowledge is not related to the amount of consumer credit used or the rate of interest paid for the use of credit were rejected at the .001 level of significance.

Hypothesis 2: Relationship of Consumer Credit Knowledge,
Credit Use, and Interest Rates Paid to Selected Factors

The second hypothesis to be tested stated that the level of consumer credit knowledge, the amount of credit used, and the rate of interest paid for credit are unrelated to the following selected factors: (a) age of husband and wife; (b) length of marriage; (c) size of family; (d) educational status of husband and wife; (e) religious background; (f) amount and source of income; and (g) parents' economic status.

Table 6 shows age distribution for husbands and wives in the selected group of married student households.

Table 6. Age distribution for husbands and wives in married student households at Utah State University, 1964

Years of age	Number of husbands	Number of wives
Under 20	1	5
20 - 24	38	49
25 - 29	23	14
30 - 34	9	4
35 - 39	2	2
40 or more	4	3

Ages for husbands ranged from 19 to 47, and for wives from 18 to 47. The average age for husbands was 26.34 and the median was 23.93. For wives the average age was 24.31 and the median 22.42. Almost four-fifths, or 79 percent, of the husbands and slightly more than four-fifths, or 81.8 percent, of the wives were in the 20-30 age group. Five

percent of the husbands and 3.9 percent of the wives were forty years or older. In contrast, 6.5 percent of the wives and only 1.3 percent of the husbands were under 20 years of age.

There was no significant relationship between the husband's age and level of credit knowledge, and between age and credit use and interest rate paid. However, a χ^2_4 value of 10.1807 was significant at the .05 level for the wife's level of credit knowledge and age. Knowledge increased significantly as the wife's age increased. Spitze (12) reported a trend for younger women to have higher credit knowledge. This discrepancy with the present study may be attributed to the somewhat older age group Spitze used and the more limited population studied in this investigation.

Hypothesis 2(a), which stated the level of credit knowledge, amount of credit used, and the rate of interest paid for credit are not related to age of husband and wife, was rejected at the .05 level for credit knowledge and age of the wife, but was accepted for all other relationships.

The number of years these student households had been formed is shown in Table 7.

These couples were predominantly in the expanding stage of the family life cycle. Seventy percent of those interviewed reported the length of their marriage as 4 years or less, while only 10.4 percent had been married 11 years or longer. The median number of years married was 1.68.

A χ^2_6 value of 19.347, significant at the .01 level, indicated a definite relationship between the husband's credit knowledge and the length of time married. The husband's credit knowledge increased as the

length of the marriage increased. A significant X^2_6 value of 12.878 at the .05 level supported a relationship between interest rates paid and the length of the marriage. Interest rates paid for the use of credit increased with the length of the marriage.

Table 7. Distribution showing length of marriage for married student households

Number of years married	Number of couples
2 or less	41
3 - 4	13
5 - 6	7
7 - 8	5
9 - 10	3
11 or more	8

Spitze (12) reported no relationship between the level of credit knowledge and the length of time women have been married. It would appear to the writer that the existence of such a relationship for men is probably an indication of the more active role they assume in handling credit transactions, and may more correctly reflect increased experience with credit use.

Hypothesis 2(b) that credit knowledge, amount of credit used, and interest rates paid for credit are not related to length of marriage was rejected for length of marriage and husband's credit knowledge and for interest rates paid. The hypothesis was accepted for the remaining relationships tested.

The number of children in these student households ranged from 0 to 7. The average number of children for each household was 1.18. Table 8 indicates the distribution of family size as determined by number of children in the family.

Table 8. Distribution showing the number of children in married student households

Number of children	Number of households
None	34
One	23
Two	7
Three	6
Four	2
Five	3
More than 5	2

Forty percent of the couples interviewed had no children. For those couples who had children, the largest number, or 53.9 percent, had one child. Seven couples, or 16.3 percent of the couples who had children, had four children or more.

Statistical analysis showed no significant relationship between credit knowledge and family size. However, a comparison of family size with credit use and interest rates paid produced respective χ^2 values of 15.997, significant at the .05 level, and 18.281, significant at the .01 level. Both the amount of credit used and the interest rates paid for credit increased as the size of the family increased. Perhaps, as the

need for using credit becomes greater, the interest rate paid for the use of credit assumes secondary importance. Kobrack (6) also reported increased use of credit by families with children in relation to the amount used by families who had no children.

Hypothesis 2(c) that level of credit knowledge, amount of credit used, and interest rates paid for credit are not related to family size was accepted for family size and level of credit knowledge, but was rejected for credit use and the interest rates paid for credit.

Two aspects of education were used to test hypothesis 2(d), the amount of formal education and, for those couples who had college experience, the major college in which they were enrolled.

Educational status for the husbands was based upon current class rank. Table 9 shows the distribution of husbands according to class rank. A majority of the husbands were juniors and seniors; 59.9 percent were ranked in these two groups.

Table 9. Educational status of husband

Class rank	Number of husbands
Freshman	3
Sophomore	9
Junior	22
Senior	24
Master's candidate	13
Doctoral candidate	4
Graduate not working on degree	2

Educational status for the wives was determined by the last grade of formal education completed. One-third, or 33.8 percent, of the wives had completed their high school education, while 18.2 percent had graduated from college. A very small minority, or 3.9 percent, reported they had not finished high school. The educational status of the wives is indicated in Table 10.

Table 10. Educational status of wife

Last grade completed	Number of wives
High School:	
10th or less	0
11th	3
12th	26
College:	
Freshman	15
Sophomore	13
Junior	6
Senior	14

Distribution showing major college for the husbands and for the wives with college education is shown in Table 11. Enrollment was highest in Business and Social Sciences and in Education for both husbands and wives. More than one-fifth, or 22.1 percent, of the husbands and more than one-fourth, or 27.1 percent, of the wives were in Education; while one-fifth, or 20.8 percent, of the husbands and more than one-fourth, or 27.1 percent, of the wives were in Business and Social Sciences. Engineering and Science were reported by 16.9 percent and 15.6 percent of the husbands, respectively. There were no husbands enrolled in the College of Family Life. However, 22.9 percent of the wives were

Table 11. Distribution showing major college enrollment for husbands and for wives with college education

Major college	Number of husbands	Number of wives
Agriculture	5	1
Business and Social Sciences	16	13
Education	17	13
Engineering	13	0
Forest, Range and Wildlife Management	7	0
Family Life	0	11
Humanities and Arts	7	6
Science	12	4

enrolled in Family Life and none was enrolled in Engineering and in Forest, Range, and Wildlife Management.

For statistical analysis, the educational status of the husbands was compared on a graduate and undergraduate basis; and the educational status of the wives was compared by dividing them into high school, some college, and college graduate.

There was no significant relationship between husband's educational status or major college and level of credit knowledge. For the wife, a X^2 value of 14.340, $df=4$,¹ for educational status and 23.166, $df=12$, for major college were significant at the .01 and .05 levels, respectively. The relationships were in the direction of higher educational levels scoring significantly higher on the knowledge test; and wives enrolled in Business and Social Sciences and Family Life having signifi-

¹df = degrees of freedom.

cantly higher levels of credit knowledge. Women majoring in Education tended to have a low level of credit knowledge.

These same factors tested with credit use and interest rates paid indicated no significant relationship between husband's major college and credit use, wife's educational status or major college and credit use, and both husband's and wife's educational status or major college and interest rates paid for credit. However, a X^2_2 value of 20.155 for the husband's educational status and credit use was significant at the .001 level and showed a distinct relationship between high credit use and higher educational status. This relationship, perhaps, is due largely to the higher number of children in families of graduate students and the greater tendency for home ownership among these students.

Hypothesis 2(d), which stated credit knowledge, amount of credit used, and interest rates paid for credit are not related to educational status, was rejected for the wife's credit knowledge as related to educational status and major college, and for credit use and the husband's educational status. For all other relationships tested, the hypothesis was accepted.

Table 12 shows the distribution of husbands and wives according to their religious background.

Slightly more than three-fourths, or 76.6 percent, of the husbands and 85.7 percent of the wives reported their religious background as Latter-day Saint. The small numbers in the other groups made hypothesis 2(e) that credit knowledge, amount of credit used, and interest rates paid for credit are not related to religious background, impossible to test.

Amount of income is usually considered to have definite relationship to the amount of credit used. Kobrack (6) also found some evidence

Table 12. Religious background of husband and wife

Religion	Number of husbands	Number of wives
Catholic	2	1
Protestant	13	10
Jewish	0	0
Latter-day Saint	59	66
Other	3	0

that credit use increased with the wife's employment outside the home. This study attempted to determine if such relationships also exist in the married college community at Utah State University.

Table 13 shows the distribution of annual disposable personal income, or "take home" pay, for this group of married students. The

Table 13. Amount of annual disposable personal income reported by married student households at Utah State University

Disposable income	Number of households
Under \$1,000	4
\$1,000 - \$1,999	10
\$2,000 - \$2,999	17
\$3,000 - \$3,999	12
\$4,000 - \$4,999	14
Over \$5,000	20

median income for the group was \$3,581.75. About one-fourth, or 25.9 percent, reported their income as over \$5,000. Only 18.6 percent reported incomes under \$2,000 a year.

Statistical analysis indicated no relationship between income and credit use, interest rates paid for credit, or the husband's level of credit knowledge. A χ^2_8 value of 15.775 for income and the wife's level of credit knowledge was significant at the .05 level. This relationship indicated the wife's level of credit knowledge was higher in families with higher income.

Table 14 shows the source of income contributed to the household by husband and wife.

Table 14. Sources of income reported by married student households

Source	Number of husbands	Number of wives
Not employed	1	23
Full-time employment	16	32
Full-time summer employment	11	9
Part-time employment	48	16
Scholarship, fellowship or assistantship	15	0
Relatives	10	7
Other*	10	0

*Other includes: tuition paid by employer 1; farming 3; G.I. Bill 2; V.A. dependent benefit 1; rental unit 1; National Defense Loan 1; and investments 1.

Full-time employment during the entire year was reported by 41.5 percent of the wives and half this amount, or 20.8 percent, of the

husbands. Part-time employment during the year was reported by 62.3 percent of the husbands and only 20.8 percent of the wives. The husband's relatives contributed slightly more often than did the wife's, but relatives were not an important source of income for these households. There were 29.9 percent of the wives who had made no monetary contribution to the family's income, while only 1.3 percent of the husbands had made no monetary contribution to family income.

Statistical analysis revealed significant relationship between the use of credit and the employment of wives for these families. The χ^2_2 value of 13.854 was significant at the .001 level. Credit was used more often when the wife was not employed. This finding contradicts Kobrack's (6) findings which indicated a tendency for credit use to increase when the wife was employed outside the home. The discrepancy may be caused by the specialized situation in which student households exist, where the wife's employment provides the family's basic income, rather than merely supplementing it.

Hypothesis 2(f) that level of credit knowledge, amount of credit used, and interest rates paid for credit are not related to amount and source of income was rejected for amount of income and the wife's knowledge and for credit use and the employment of the wife outside the home. All other relationships were accepted.

Young couples have been accused of wanting to begin marriage at the same level of living they enjoyed in their parents' home before marriage. Since most couples do not have incomes equivalent to those of their parents, an effort to achieve this level of living would necessitate the use of consumer credit. An attempt was made to test this theory in the current investigation. Table 15 shows the distribution of estimated

amount of parental income for both husbands and wives at the time of their marriage.

Table 15. Estimated amount of annual income for parents of husband and wife at the time couple was married

Amount of annual income	Husband's parents	Wife's parents
Under \$3,000	7	8
\$3,000 - \$4,999	14	18
\$5,000 - \$7,499	26	20
\$7,500 - \$9,999	13	14
\$10,000 - \$14,999	4	9
\$15,000 - \$19,999	5	1
\$20,000 or more	2	3
Don't know	6	4

The median income reported for the husband's parents was \$6,681.69, and for the wife's was \$6,561.50. Eleven husbands and 13 wives reported their parents' income as over \$10,000 a year, 14.3 percent and 16.9 percent, respectively. One-third, or 33.8 percent, of the wives and 28.6 percent of the husbands reported their parents' income as under \$5,000. Statistical analysis indicated no significant relationships with parents' income, and hypothesis 2(g) that credit knowledge, amount of credit used, and interest rates paid for credit are not related to parents' economic status was accepted.

Other Relationships Analyzed

Several questions related to the consumer credit experiences of these married student households revealed information pertinent to this study, but not included in the hypotheses.

When credit used by the couples was classified as instalment or non-instalment, 67.7 percent of their credit transactions were instalment credit and 32.3 percent were of a non-instalment nature. This distribution is shown in Table 16.

Table 16. Use of instalment and non-instalment credit by married student households at Utah State University

Kind of credit used	Number of credit transactions	Number of households
Instalment credit	67	37
Non-instalment credit	32	18

This group of married students used credit of the non-instalment type somewhat more frequently than the national average of 25 percent. This may be accounted for by fluctuating incomes peculiar to college students; they are primarily dependent on earnings from full-time summer employment and part-time employment during the school year.

Table 17 indicates sources used for credit by these households and purposes for which they borrowed. Banks were the source used most often, with 36.4 percent reporting they had used this source during the preceding year. More than one-fourth, or 27.3 percent, had used the dealer as a credit source. The source used least by these students was their life insurance; only 1 couple, or 1.3 percent of those interviewed,

Table 17. Sources of credit and purposes for which credit was used

Source of credit	Purpose					Number of households	
	Automobile New	Automobile Used	Cash	Tuition	Household durables		Other*
Life insurance			1				1
Bank	7	9	17	3	8	4	28
Small loan or finance co.		1	5	1			5
Dealer	4	4			12	7	21
Relatives	1	2	2		1		6
Credit Union	1	2	3				6
U.S.U.				4			3
Total number of loans	13	18	28	8	21	11	

*Other includes: encyclopedias 2; piano 2; flute 1; house trailer 1; furnace 1; furniture repair 1; cookware 1; sewing machine 1; eye glasses 1.

had used this source. This lends support to the generally accepted premise that people are reluctant to use their life insurance policy to meet other financial needs.

Credit was used most often for the purchase of automobiles. The purchase of automobiles accounted for 31.3 percent of the total transactions during the preceding year; used cars being purchased slightly more often than new, 18.2 percent and 13.1 percent, respectively. Cash for undefined purposes and the purchase of household durable goods were reported by 28.3 percent and 21.2 percent as reasons for borrowing. The kinds of household durables purchased, in order of their importance, were television and furniture, washer, refrigerator and stereo or Hi Fi, and clothes dryer. No ranges were purchased during the period covered. Distribution of household durables purchased is shown in Table 18.

Table 18. Distribution showing the items purchased for credit by married student households in the preceding year

Item purchased on credit	Number of credit transactions
Automobile	31
New	13
Used	18
Furniture	5
Television	5
Washing machine	4
Refrigerator	3
Stereo or Hi Fi	3
Clothes dryer	1
Range	0

MacNab (8) and Molaison (10) also reported television as the item of durable goods purchased most frequently with credit. However, they both reported the purchase of automobiles was much less frequent than is indicated in the present study. This difference might be attributed to the location of the particular school and its effect on accessibility to other modes of transportation.

Only 9.1 percent of the loans were to pay tuition, and banks and the University were used with the same frequency as the credit source. The data indicates tuition expense is anticipated and provision for meeting it is made from the family's regular base income.

When these couples were asked what credit source they would consider if the need for a loan should arise, banks were the source most often indicated, with 79.9 percent of the couples listing this source. The second most frequently selected source was relatives, with 32 couples, or 40.2 percent, indicating they would consider this source. No couples reported pawnshop as a source considered. Few couples were familiar with pawnshops, and none had had previous experience with one. The least frequently selected source after pawnshop was small loan or finance company, indicated by only 6.5 percent of the couples. Table 19 shows the distribution of credit sources considered by these students.

When the couples were asked which of these same sources they considered most likely to grant a loan to them, banks were again most frequently listed. The number of couples indicating banks as most likely to grant a loan, 70.1 percent, was somewhat smaller than the number who indicated they would consider banks. The number of couples listing relatives, 41.6 percent, was slightly higher than those indicating they would consider relatives. Distribution showing the sources considered

Table 19. Credit sources married student households would consider before applying for a loan

Credit source	Number of households
Bank	61
Relatives	31
Life insurance	23
Dealer	11
Credit union	7
Small loan or finance co.	5
None	1
Pawnshop	0

most likely to grant loans to married students appears in Table 20.

Table 20. Credit sources considered most likely to grant a loan to married student households

Credit source	Number of households
Bank	54
Relatives	32
Life insurance	19
Small loan or finance co.	10
Dealer	8
Credit union	7
Pawnshop	4
None	1

Married students, generally, have little knowledge of basic loan policies followed by various loan sources. Those sources from which they could almost certainly obtain a loan: permanent life insurance, pawnshops, and to an extent dealers and small loan companies; were indicated by relatively few couples. But banks, which have perhaps the most strict requirements of the listed sources, were selected by almost three-fourths of the interviewees. Of particular interest is the report on life insurance. Twenty-three indicated they would consider their life insurance as a loan source, but only 19 expected to receive a loan. Only one couple had actually used this source during the past year. Few couples were aware that their life insurance policies had cash values; and even fewer realized insurance companies are obligated to grant the loan.

Table 21 shows interest rates the student households expect to pay for credit obtained from the same sources.

The "time-honored 6%" for banks was strongly supported by the couples interviewed. Fifty-two couples, or 67.5 percent, indicated they expected to pay between 1 and 6 percent for a bank loan. All sources, except life insurance and credit unions, were attributed with interest rates below rates actually charged by these sources. Rates for pawnshops and tuition notes at the University were most often reported not known. Since these loans were relatively unknown and seldom, if ever, used, this is understandable.

A large number of married students, or 58.4 percent, did not expect to pay any interest for loans obtained from relatives. For those who did expect to pay some interest, anticipated rates ranged from 1 to 6 percent.

Table 21. Interest rates expected to be paid by married students for credit obtained from selected sources*

Source	0	1-6	7-12	13-18	19-24	25-30	31-36	Over 36	Don't know
Bank	0	52	29	1	0	0	0	1	2
Dealer	0	12	36	8	6	0	2	0	20
Life insurance	1	40	12	0	0	1	0	0	28
Small loan or finance co.	0	8	27	8	14	6	7	0	18
Credit union	0	37	13	1	1	0	0	0	29
Pawnshop	2	6	9	3	6	4	3	5	41
Relatives	45	22	1	0	0	0	0	0	12
U.S.U. tuition note	4	34	3	2	0	0	0	0	35

*When more than one rate was indicated for a source, e.g. 6 or 8%, both figures are recorded in the data.

A comparison of rates these students expect to pay for credit, rates actually paid for the credit they had used, and the rates actually charged, reveals their over-all lack of knowledge of credit charges.

The couples were asked to check items in a list of durable goods that had been purchased since their marriage and to indicate who had made the decision (1) to purchase the item, and (2) how the purchase should be financed. Tables 22 and 23 show the distributions for this information.

In order of their importance, the items of durable goods purchased most often by these couples during their marriage were: automobile; furniture; television; washer; refrigerator, range, stereo or Hi Fi; and clothes dryer. Slightly more than three-fourths, or 76.6 percent,

Table 22. Distribution showing who decided that durable goods items should be purchased

Durable goods	Decision made by		
	Husband	Wife	Both
Automobile	13	3	43
Washer	2	2	29
Clothes dryer	3	2	11
Refrigerator	2	2	25
Range	2	3	18
Furniture	3	6	39
Television	4	4	33
Stereo or Hi Fi	9	2	11

Note: 2 households reported they had purchased none of the items listed.

Table 23. Distribution showing who decided whether durable goods purchase would be obtained by cash or credit

Durable goods	Decision made by		
	Husband	Wife	Both
Automobile	12	4	43
Washer	3		30
Clothes dryer	4		12
Refrigerator	4		25
Range	3	2	18
Furniture	7	2	39
Television	7	2	32
Stereo or Hi Fi	8	3	11

had purchased an automobile, 62.4 percent had purchased furniture, and 53.2 percent purchased a television. The item purchased least often was

clothes dryer; only 20.8 percent of the couples reported they had purchased this item.

The decision to purchase these items and the decision for financing the purchase was most often made by the couple together. For those decisions made by one or the other the husband more often than the wife made the decision concerning the purchase of an automobile, clothes dryer, and stereo or Hi Fi. The wife decided more often than the husband about the purchase of a range and furniture. The husband made decisions for financing the purchase more often than the wife for all items.

Table 24 indicates who made the decision concerning which source to use when credit was selected as the means for financing durable goods purchases. Those couples who had not used credit were asked to indicate which person they expected to make that decision.

Table 24. Selection of credit source for financing durable goods purchased on credit

Decision made by	Number of households
Husband	33*
Wife	2*
Both	43

*One couple reported that husband made decision for one experience; wife made the decision for their second experience.

More than half the couples indicated that the couple made the decision together. When the decision was not made by the couple together, the husband made the decision more frequently than did the wife.

These results reveal a close relationship between credit knowledge and decision-making in the area of consumer credit use. Husbands, who have a higher level of credit knowledge, usually take the initiative in making decisions about credit.

As indicated in Table 25, credit use was not a serious problem in the majority of these marriages. None of the couples reported they never agreed about credit matters, and 93.5 percent indicated they usually or always agreed.

Table 25. Agreement on matters concerned with consumer credit use as reported by married student households

Agreement experience	Number of households
Always	35
Usually	37
Sometimes	5
Never	0

Since credit use is a form of dissaving, it was considered desirable to determine the role that saving plays in married student households. Table 26 shows the number of households who reported a savings account and/or credit union membership.

Table 27 indicates the distribution of these households according to the highest savings account balance reported for the preceding year.

Almost three-fourths, or 72.7 percent, of these households had a savings account, and 10.4 percent were members of a credit union. There were more than one-fourth, or 27.3 percent, of the couples who had no

Table 26. Married student households reporting savings accounts and/or credit union membership

	Number of households	
	Yes	No
Savings account	56	21
Credit union membership	8	69

Table 27. Highest savings account balance in 1963 reported by married student households

Amount of highest balance	Number of households
No savings	21
Under \$100	3
\$100 - \$299	10
\$300 - \$499	11
\$500 - \$699	8
\$700 - \$999	1
Over \$1,000	23

savings; and slightly more, or 29.9 percent, who had a balance in excess of \$1,000. The median balance for the entire group was \$339.91. If those persons who had no savings account were excluded, the median balance was \$610.94.

Several of the couples with savings accounts commented during the interview that their savings account had almost taken on the characteristics of a checking account. Savings accounts for this group were relatively unstable. In some cases the high balances reported reflect the common student practice of banking the major portion of summer

earnings from full-time employment to meet regular living and school expenses encountered during the academic year.

Permanent life insurance policies which accumulate cash or loan values are the least expensive loan source available to most people. However, many policyholders are not aware of this source, and many more are not aware that life insurance companies cannot refuse to grant a loan request equal to the current cash value of the policy.

Some writers in the area of personal finance have indicated that people dislike using insurance policies for any purpose other than the intended protection and forced savings aspects. Borrowing against the cash value of the policy is not generally viewed with favor, particularly for purposes not of an emergency nature. However, the low interest rates and guaranteed extension of credit do make this source potentially important to policyholders. The group of married student households interviewed for this study were asked about their permanent life insurance programs.

Table 28 shows the kinds of permanent life insurance policies owned by these households. As is true on an over-all national basis, whole or ordinary life was by far the most numerous policy, accounting for 48.4 percent of the policies in force. Limited payment policies, which are a modification of the ordinary life policy, accounted for another 26.4 percent. The new combination life-insurance and retirement plan was owned by the fewest number of families. Six families, or 11 percent of the families with some insurance protection, reported they were unaware of the kind of policy they owned. Most of these couples indicated the insurance policies had been purchased and were still maintained by their parents.

Table 28. Kinds of permanent life insurance owned by married student households

Kind of policy	Number of policies	Number of households
Whole or ordinary life	44	29
Limited-pay life	24	20
Family	7	7
Endowment	8	5
Retirement plan	2	2
Don't know	6	6

The amount of insurance in force for these married students ranged from none, reported by 23 households, to \$67,500, reported by one family. Table 29 shows the distribution of permanent life insurance coverage by total amount of life insurance in force. Almost one-third, or 29.8 percent, of these households reported no permanent life insurance in force. The median amount of insurance for those who did have coverage was \$5,833. Most of these couples were aware of the amount of insurance coverage they owned. Only 3 couples reported they were not aware of the face value of their policies.

The distribution of total current cash value for the households with permanent life insurance policies in force is shown in Table 30. One-fourth, or 25.9 percent, of the households reported their insurance had no cash value at the time they were interviewed. Another one-third said they were not aware of the cash value of their insurance policies. For those households whose policies did have some cash value that they were aware of, the amounts ranged from \$37.50 to \$10,500, with a median of \$400.00.

Table 29. Total amount of permanent life insurance coverage owned by married student households

Total amount of life insurance	Number of households
None	23
\$500 - \$2,000	14
\$2,100 - \$5,000	10
\$5,100 - \$10,000	18*
\$10,100 - \$20,000	7
\$20,100 - \$40,000	1
\$40,100 - \$60,000	1
Over \$60,000	1
Don't know	3*

*One household indicated they did not know the face value of one policy, but reported known value of other policies.

Table 30. Total current cash value of permanent life insurance owned by married student households

Total current cash value	Number of households
None	14
\$1 - \$100	4
\$101 - \$500	10
\$501 - \$1,000	1
\$1,001 - \$2,000	6
\$2,001 - \$5,000	0
\$5,001 - \$10,000	0
Over \$10,000	1
Don't know	18

These figures indicate married students do have some fairly substantial reserves in life insurance that can be used for cash loans if the need were great enough to overcome their basic reluctance to use this credit source. Only one household in the group reported having used life insurance as a loan source during the period covered in the study.

SUMMARY AND CONCLUSIONS

Consumer credit knowledge and credit use were studied to determine whether these and other selected factors were related. The population selected was 818 married male students enrolled at Utah State University during Fall Quarter, 1963. A probability sample of 126 student households was chosen by random sampling technique. Personal interviews were arranged with the 77 sample households who agreed to participate. These 77 households comprised 9.4 percent of the married male student population.

Each personal interview averaged 30 to 45 minutes. The three testing instruments used in the interviews were a 24-item consumer credit knowledge test, a credit-use questionnaire, and a personal data questionnaire.

Two null hypotheses were formulated for testing:

1. The level of consumer credit knowledge is not related to (a) the amount of consumer credit used, or (b) the rate of interest paid for the use of credit.
2. The level of consumer credit knowledge, the amount of credit used, and the rate of interest paid for credit are not related to the following selected factors: (a) age of husband and wife; (b) length of marriage; (c) size of family; (d) educational status of husband and wife; (e) religious background; (f) amount and source of income; and (g) parents' economic status.

To analyze the data a knowledge score for husband and wife, a combined knowledge score, a credit use score, and an interest rate score

were computed for each household. The principal statistical test used was the independent X^2 test of significance.

When knowledge test scores were analyzed for differences in credit knowledge between sexes, results established that males had a significantly higher level of credit knowledge than females.

Statistical analysis indicated significant relationships between level of credit knowledge and the amount of credit used or interest rates paid. Married student households with higher levels of credit knowledge used more credit and paid significantly lower interest rates. The first hypothesis was rejected.

When level of credit knowledge, amount of credit used, and interest rates paid for credit were analyzed for relationship to selected factors, several significant relationships were revealed.

For wives, the level of credit knowledge increased with age. For husbands, credit knowledge increased with the length of the marriage. Interest rates paid for credit increased with both the length of the marriage and family size.

Analysis also revealed significant relationship between the wife's level of credit knowledge and her educational status or major college. Wives with higher educational status had higher levels of credit knowledge, and majors in the Colleges of Business and Social Sciences and Family Life had higher levels of credit knowledge than majors in other colleges. Results also indicated credit use increased as husbands gained higher educational status.

Because of the few households reporting religious background other than Latter-day Saint, it was impossible to test for relationship between religious background and consumer credit knowledge and use.

When the amount and source of annual income were analyzed, the results revealed an increase in the wife's level of credit knowledge as the family's income increased, and an increase in credit use for those households in which the wife was not employed outside the home.

No relationship was established between the various credit factors tested and the economic status of interviewees' parents.

Student households interviewed for this study used non-instalment credit slightly more than the average credit user. Banks were the source most often used for credit, followed by dealers. Automobiles accounted for almost one-third of the transactions for which credit had been used, while cash loans and household durable goods were next in importance. Television and furniture were the household durables most often purchased with credit. Use of credit for tuition payment was reported very infrequently.

The credit sources most frequently reported by these households, when asked which sources they would consider for a loan and which would be most likely to grant the loan, were banks and relatives. The interest rates these couples expected to pay various credit sources were generally lower than rates actually charged. In some cases, such as pawnshops, dealers, and small loan or finance companies, the expected rates were much lower than actual rates. The large majority of married student households expected to pay no interest for loans obtained from relatives.

Several conclusions can be drawn from this investigation:

1. Married college students were lacking in consumer credit knowledge.

2. Husbands had higher levels of credit knowledge than their wives.
3. Married student households with greater credit knowledge paid lower interest rates for the use of credit.
4. Married student households with greater credit knowledge used more consumer credit.
5. Graduate student households used credit more frequently than undergraduate households.
6. Married students used credit more frequently when the wife was not employed outside the home.
7. Married students used credit primarily for the purchase of expensive durable goods.
8. Banks were the credit source most frequently used by married students.

Results of this investigation emphasized the lack of knowledge in this area of family finance. Definite relationships were established between credit knowledge and some aspects of credit use, which indicate knowledge is an influencing factor. However, consumer credit use is influenced not only by credit knowledge, but also by attitudes, circumstances, and other major factors. This study has explored some aspects of consumer credit use. Additional research into socio-psychological factors influencing credit use is needed to explore causal relationships which may exist.

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APPENDIX

CHI-SQUARE ANALYSIS

Chi-square is a statistical test for analyzing differences in distribution between sample means. The statistical formulas used for computing a X^2 value are:

$$X^2 = \sum \frac{(O - E)^2}{E}$$

where O = observed frequencies

E = expected frequencies

$$df = (r - 1)(c - 1)$$

where df = degrees of freedom

r = number of rows in the contingency table

c = number of columns in the contingency table

Frequencies are entered in the cells of a contingency table. The computed value is checked for significance with the X^2 distribution table, which indicates probabilities at various degrees of freedom. Significance is based on the probability that a particular deviation occurred by chance.

For analyzing the data in the present study, scores for credit knowledge, credit use, and interest rates paid were grouped as high, medium, or low. Values at the .05 level (probability of 5 in 100 that the deviations occurred by chance) or less were accepted as significant.

452 East 7th North
Logan, Utah
December 2, 1963

Dear

I am a graduate student at Utah State University in the Department of Household Economics and Management. The research problem I have selected is concerned with the use of instalment credit by married student households.

In order to complete this study, it is necessary that I interview a group of married college students regarding their use of credit during the period September, 1962, to the present. By random sampling techniques your name was selected from the married male students listed in the 1963 Blue Book and Student Directory. Your cooperation in participating in an interview will help me greatly in completing requirements for a Master's degree.

The information obtained from the interview will not be identified in any way with your name. Data from all interviews will be compiled and reported collectively. Results of the study will be made available to you at your request.

I would very much appreciate your participation in this research study. Please indicate your willingness to be interviewed by checking the appropriate space at the bottom and returning this letter in the enclosed stamped, self-addressed envelope as soon as possible so it will reach me before December 17, 1963. After receiving notice of your acceptance, I will contact you by telephone to arrange an appointment.

Sincerely yours,

(Mrs.) Kay Daun P. Edwards

I will participate in an interview. Yes No

No. _____

KNOWLEDGE TEST

1. If you are unable to keep up the payments on a TV set you have bought on the instalment plan, the seller will most likely
 - (a) have you arrested for failing to meet the terms of the contract.
 - * (b) pick up the set and keep the payments you have made.
 - (c) pick up the set and return to you the payments you have made.
 - (d) pick up the set and give you a cheaper model which costs no more than the payments you have made.
 - (e) I don't know.

2. Credit unions make loans to
 - (a) anyone.
 - * (b) any member.
 - (c) anyone recommended by a member.
 - (d) any member who has belonged for a year or more.
 - (e) I don't know.

3. Stores with 30-day charge account services
 - (a) add a handling charge to the monthly bill.
 - * (b) price their merchandise to cover the cost of this service.
 - (c) charge for the service only if the monthly bill runs over a certain amount of money.
 - (d) offer discounts to charge account customers.
 - (e) I don't know.

4. If a friend suggested that you borrow from a bank to buy your TV set instead of buying it on instalment from the dealer, you should consider it
 - (a) ridiculous because banks don't lend money for such purposes.
 - (b) poor advice because bank rates are usually higher.
 - * (c) worth considering because bank rates are sometimes lower.
 - (d) unreasonable because so much "red tape" is involved.
 - (e) I don't know.

5. If you are told that a bank charges a certain "discount rate" of interest, you know that
 - (a) the rate is reduced if you repay the loan within 90 days.
 - (b) the rate is lower than that charged by most other banks.
 - (c) the stated rate is higher than the actual rate.
 - * (d) you must pay the total amount of the interest at the time you secure the loan.
 - (e) I don't know.

6. If you finance a purchase through a loan company instead of an instalment retail dealer, your finance charges will probably be
- * (a) more
 - (b) slightly less.
 - (c) much less.
 - (d) about the same.
 - (e) I don't know.
7. The Senate is making investigations regarding a bill concerned with consumer credit which will
- (a) crack down on "high raters" with fines and imprisonment.
 - (b) set a higher legal limit on interest rates.
 - * (c) require "credit labeling" or statements by lenders informing the public of true interest rates.
 - (d) reduce the amount and kinds of credit available to consumers.
 - (e) I don't know.
8. If a cash customer and a 30-day charge account customer buy the same dress at the same store, you could expect
- (a) the cash customer to pay less.
 - (b) the charge customer to pay less.
 - * (c) both to pay the same price.
 - (d) the charge customer to pay a carrying charge at the end of the month.
 - (e) I don't know.
9. Which lender listed below charges the lowest rate for credit
- (a) dealers offering instalment purchases.
 - * (b) credit unions.
 - (c) loan companies.
 - (d) pawnbrokers.
 - (e) I don't know.
10. If you buy a \$300 refrigerator "on time" with a stated 6 per cent carrying charge of \$18 and pay off the \$318 in twelve equal monthly payments with no down payment, you are actually paying an interest rate of
- (a) 6 per cent
 - (b) about 9 per cent
 - * (c) about 12 per cent
 - (d) between 18 and 24 per cent
 - (e) I don't know.

11. If you bought the above refrigerator with a \$25 down payment but still paid \$18 carrying charges and still paid off your debt in equal monthly payments, your interest rate would
- (a) decrease slightly.
 - (b) decrease greatly.
 - * (c) increase.
 - (d) remain the same.
 - (e) I don't know.
12. If you buy a car for \$2650, pay \$150 down, and pay off the rest at \$80 per month for 36 months, you will pay about how much in interest on your car?
- (a) \$250
 - * (b) \$375
 - (c) \$500
 - (d) \$750
 - (e) I don't know
13. If you put a suit in lay-away and make weekly payments for a month or so but cannot finish paying for it, the store
- (a) keeps what you have paid.
 - * (b) returns to you all you have paid except the service charge, if any.
 - (c) keeps half and returns to you half of what you have paid.
 - (d) returns to you all but your down payment.
 - (e) I don't know.
14. The Federal Government
- (a) exercises no control over consumer credit.
 - * (b) exercises certain controls over unfair practices and quantities of consumer credit permitted, according to the state of the national economy.
 - (c) sets a maximum interest rate for consumer credit.
 - (d) determines what interest rate all agencies shall charge for consumer credit.
 - (e) I don't know.
15. In the usual sales contract which you sign when you buy merchandise on the instalment plan, which one of the following items is not included?
- (a) You are not allowed to sell the merchandise until you have made the last payment.
 - * (b) You must state that you will not be making payments on any other merchandise at the same time.
 - (c) You are required to carry fire insurance to protect the merchandise while you are paying for it, or otherwise assume responsibility for damages.
 - (d) If you are late in making a payment, all payments are due immediately.
 - (e) I don't know.

16. What annual, or yearly, interest rate is being charged by the loan company which advertises that "\$50 for 30 days will only cost you \$1?"
- (a) 2 per cent
 - (b) 6 per cent
 - (c) 10 per cent
 - * (d) 24 per cent
 - (e) I don't know
17. Most Logan banks are now charging at least a "6 per cent discount rate, the loan to be repaid in equal monthly payments." This means a true annual interest rate of
- (a) 6 per cent
 - (b) about 6.5 per cent
 - * (c) about 12 per cent
 - (d) about 9 per cent
 - (e) I don't know
18. If an automobile dealer requires or pressures you to finance your purchase at a particular place, it is most likely an indication that
- (a) he has arrangements with a finance company that will save you money.
 - (b) he is a black marketer whom you had better stay away from.
 - (c) he has a friend in the finance business.
 - * (d) he gets a kickback on the finance charges which will probably be higher accordingly.
 - (e) I don't know.
19. In deciding on rates for personal loans, banks consider all but which one of the following?
- * (a) size of loan.
 - (b) collateral offered.
 - (c) age of borrower.
 - (d) credit rating of borrower.
 - (e) I don't know.
20. If you borrow \$200 at a bank and at the end of one year pay the bank \$212, you have paid interest at the annual rate of
- (a) 6 per cent
 - * (b) 12 per cent
 - (c) 4 per cent
 - (d) 24 per cent
 - (e) I don't know

21. In the majority of cases, loan companies allow how much time for paying off their loans?
- (a) over 24 months
 - * (b) 6 to 18 months
 - (c) 90 days
 - (d) 30 days
 - (e) I don't know
22. The least expensive credit a consumer can use is
- (a) instalment purchase from dealers.
 - (b) bank loans.
 - (c) loan from a finance or loan company.
 - * (d) loan on his insurance policy from the insurance company.
 - (e) I don't know.
23. Automobile loans can be obtained at varying rates of interest. Which of the following does not affect this rate?
- (a) type of lending agency.
 - (b) age and condition of car purchased.
 - (c) amount of down payment and length of repayment period.
 - * (d) income of the borrower.
 - (e) I don't know.
24. A loan from a pawnbroker
- * (a) need not ever be repaid if the borrower does not wish to.
 - (b) must be repaid in 30 days.
 - (c) must be repaid in 6 months.
 - (d) is repaid according to verbal agreement between pawnbroker and borrower.
 - (e) I don't know.

CREDIT USE QUESTIONNAIRE

No. _____

PURPOSE	Life Ins.	Comm. Bank	Small Loan	Dealer	Relatives	Credit Union	School	Pawnshop	\$ Amount of Credit	No. of Payment	Amt. of Payment
Automobile:											
New											
Used											
Cash Loan:											
Tuition:											
Household Goods:											
Washer											
Dryer											
Refrigerator											
Range											
Furniture:											
Living Room											
Bedroom											
Dining											
Baby											
T.V.											
Stereo or Hi Fi											
Other: (list)											

No. _____

PERSONAL DATA QUESTIONNAIRE

1. Age: Husband _____ Wife _____

2. Years married:

1 - 2 _____	7 - 8 _____
3 - 4 _____	9 - 10 _____
5 - 6 _____	Over 10 _____

3. Number of children:

None _____	Four _____
One _____	Five _____
Two _____	More than five _____
Three _____	

4. Education of husband:

Freshman _____	Master's _____
Sophomore _____	Doctorate _____
Junior _____	Graduate not _____
Senior _____	working on degree _____

College:

Agriculture _____	Forest, Range and _____
Business and _____	Wildlife Mgt. _____
Social Sciences _____	Family Life _____
Education _____	Humanities and Arts _____
Engineering _____	Science _____

5. Education of wife:

Last grade completed:

10th or less _____	Freshman _____	Master's _____
11th _____	Sophomore _____	Doctorate _____
12th _____	Junior _____	
	Senior _____	

College:

Agriculture _____	Forest, Range and _____
Business and _____	Wildlife Mgt. _____
Social Sciences _____	Family Life _____
Education _____	Humanities and Arts _____
Engineering _____	Science _____

No. _____

6. Religious background:

Husband: Cath. ___ Prot. ___ Jewish ___ LDS ___ Other ___

Wife: Cath. ___ Prot. ___ Jewish ___ LDS ___ Other ___

7. Estimated amount of parents' income at your marriage:

Husband's		Wife's	
Under \$3000 ___	\$10000-\$14999 ___	Under \$3000 ___	\$10000-\$14999 ___
\$3000-\$4999 ___	\$15000-\$19999 ___	\$3000-\$4999 ___	\$15000-\$19999 ___
\$5000-\$7499 ___	Over \$20000 ___	\$5000-\$7499 ___	Over \$20000 ___
\$7500-\$9999 ___		\$7500-\$9999 ___	

8. Total amount of your annual income after tax deductions:

Under \$1000 ___	\$3000 - \$3999 ___
\$1000 - \$1999 ___	\$4000 - \$4999 ___
\$2000 - \$2999 ___	Over \$5000 ___

9. Source of income:

	Husband	Wife		Husband	Wife
Part-time job	___	___	Relatives	___	___
Full-time job	___	___	Other (specify)	___	___
Scholarship	___	___		___	___

10. If you needed an instalment loan, what sources would you consider before applying for a loan?

Commercial bank ___	Small loan company ___
Dealer ___	Credit Union ___
Life Insurance ___	Pawnshop ___
	Relatives ___

11. Where do you think you would most likely be able to get the loan?

Commercial bank ___	Small loan company ___
Dealer ___	Credit Union ___
Life Insurance ___	Pawnshop ___
	Relatives ___

12. What rate of interest would you expect to pay for a loan received from the following sources?

Commercial bank ___	Credit Union ___
Dealer ___	Pawnshop ___
Life Insurance ___	Relatives ___
Small loan company ___	Tuition note at U.S.U. ___

No. _____

13. Who decided whether the following purchases should be made in your family?

	Husband	Wife	Both
Automobile	_____	_____	_____
Washer	_____	_____	_____
Dryer	_____	_____	_____
Refrigerator	_____	_____	_____
Range	_____	_____	_____
Furniture	_____	_____	_____
Television	_____	_____	_____
Stereo or Hi Fi	_____	_____	_____

14. Who decided whether it should be by cash or credit?

	Husband	Wife	Both
Automobile	_____	_____	_____
Washer	_____	_____	_____
Dryer	_____	_____	_____
Refrigerator	_____	_____	_____
Range	_____	_____	_____
Furniture	_____	_____	_____
Television	_____	_____	_____
Stereo or Hi Fi	_____	_____	_____

15. When you purchased on credit, who decided what credit source was to be used?

Husband	_____
Wife	_____
Both	_____

16. Do you agree on matters concerning the use of credit?

Always	_____
Usually	_____
Sometimes	_____
Never	_____

17. Do you have a savings account?

Yes	_____
No	_____

If yes, what was your highest balance during the year?

Under \$100	_____	\$500 - \$699	_____
\$100 - \$299	_____	\$700 - \$999	_____
\$300 - \$499	_____	Over \$1000	_____

No. _____

18. Do either of you belong to a credit union?

Yes _____

No _____

19. List the following information for each permanent life insurance policy you own:

Type of Policy	Face Value	Current Cash Value
----------------	------------	--------------------