

1-1-2017

## Student Loan Debt for Community College Transfer Students and How Debt Information Letters Impact Future Borrowing Decisions

Kenneth Paul McKinney

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Student loan debt for community college transfer students and how debt information  
letters impact future borrowing decisions

By

Kenneth Paul McKinney

A Dissertation  
Submitted to the Faculty of  
Mississippi State University  
in Partial Fulfillment of the Requirements  
for the Degree of Doctor of Philosophy  
in Community College Leadership  
in the Department of Educational Leadership

Mississippi State, Mississippi

December 2017

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2017

Student loan debt for community college transfer students and how debt information  
letters impact future borrowing decisions

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Pages in Study 70

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There has been a proliferation of student loan debt over the past decade. The indebtedness that students incur while attending college reduces their discretionary income once they enter repayment after graduation. For graduates, there is an opportunity cost along with personal and professional life decisions being made based on this debt. For example, some students are choosing to enter the workforce after obtaining their undergraduate degree instead of pursuing a graduate degree.

The purpose of this study was to examine the decisions that currently enrolled undergraduate students are making about obtaining student loans based on information supplied to them about their current indebtedness. This study utilized a quantitative, cross sectional research design that looked at students who were given a letter that detailed their current outstanding loan debt. The study then reviewed what decisions the student made about securing future federal subsidized and unsubsidized student loan amounts, and if they decided to decrease their borrowing amounts. A paired sample t-test was used to determine if there was a statistical difference between what students borrowed.

The results of this study concluded that students borrowed less as a percentage of their total available loan funds after receiving the informational debt letter. Furthermore, this study showed the importance of educating students about their current level of indebtedness before they secure future student loans.

## DEDICATION

I would like to dedicate this to my wife Dana. For 20 years she has been my greatest champion. Without her love and support this great advantage would have never taken place. Thanks for all your encouragement and positive affirmations. I would also like to thank my two sons, Truitt and Bailey. They are the main reason why I decided to pursue my PhD.

## TABLE OF CONTENTS

DEDICATION .....	ii
LIST OF TABLES .....	v
CHAPTER	
I. INTRODUCTION .....	1
Statement of Problem .....	8
Purpose of the Study .....	9
Research Question .....	9
Definition of Terms .....	10
Overview of the Method .....	12
Delimitations of the Study .....	13
Significance of the Study .....	14
II. REVIEW OF LITERATURE .....	15
Introduction .....	15
Student Loan Debt and Graduation .....	16
Race and Income Efforts on Student Loan Debt .....	19
Factors Leading to Higher Student Loan Debt .....	20
Community College Student Loan Debt .....	23
Student Loan Debt and Default Rates .....	25
Students' Understanding of Student Loan Debt .....	27
Student Loan Debt, The Next Financial Crisis .....	29
Summary .....	30
III. METHOD .....	32
Research Design .....	32
Research Questions .....	33
Research Site .....	34
Participants .....	34
Instrumentation and Data Collection Procedures .....	35
Procedures for Data Analysis .....	38
Summary .....	39



IV.	RESULTS .....	40
	Examination of Research Question 1 .....	41
	Examination of Research Question 2 .....	45
	Examination of Research Question 3 .....	47
	Chapter Summary .....	47
V.	SUMMARY, CONCLUSION, AND RECOMMENDATIONS.....	49
	Summary of Findings and Conclusions.....	51
	Limitations.....	57
	Implications for Practitioners .....	57
	Recommendations for Future Research.....	59
	Chapter Summary .....	60
	REFERENCES .....	62
	APPENDIX	
A.	INSTITUTIONAL REVIEW BOARD APPROVAL .....	66
B.	SAMPLE DEBT LETTER .....	68

## LIST OF TABLES

1	Annual Limits for Subsidized and Unsubsidized Loans.....	4
2	Aggregate Limits for Subsidized and Unsubsidized Loans.....	6
3	Frequency Distribution Information.....	43
4	Frequency Distribution Information For Financially Needy Students.....	46

## CHAPTER I

### INTRODUCTION

Obtaining a college degree can be one of the single most important factors that contributes to a person's increased future earnings potential. There is a direct correlation between educational attainment and a student's median lifetime earnings potential. Students with high school diplomas will earn \$1.3 million over the course of their lifetime as compared to \$1.5 for an Associate's degree, and \$1.7 million for a Bachelor's degree (Anthony, Ross & Cheah, n.d.). The opportunity for a better way of life financially motivates many people to obtain a college degree. Unfortunately, the reality is that many families are ill prepared and do not have the financial resources to cover the cost of a college degree. For these families, their options are limited, so they turn to the Department of Education, or more specifically to the Title IV federal financial aid program, to assist them in covering the cost of an education.

The total number of undergraduate federal student loan borrowers increased by 25% between 2005-06 and 2015-16 (Baum, Ma, Pender, & Welch, 2016). The Guaranteed Student Loans Program (GSLP) was formally enacted on November 8, 1965 (Wennerdahl & Boyd, 1993). Below are the reasons why the GSLP program was established for students who wanted to attend college (Wennerdahl & Boyd, 1993, p. 5):

1. The amount of education needed by young people is increasing steadily.
2. Educational costs have grown steadily in the past decade, increasing faster than average incomes.
3. The demand for or the expectation of other consumer services has been growing, and these demands compete powerfully for the increase in family earnings and disposable income.
4. There has been an increase in the number of children per family, particularly in the middle-income range.
5. There is a growing necessity for intermittent reeducation of the parents throughout their lifetimes, both from social values and occupational retraining, which may interrupt earnings and reduce savings.

Today, the student loan program includes subsidized, unsubsidized, graduate PLUS student loans and Perkins Loans. All four loan types are offered at any college; this is authorized through the Department of Education to participate in the Federal Title IV program.

The U.S. Department of Education (2016b) outlines the federal regulations that determine the type and maximum loan amount an individual student will qualify for during any given academic award year. The first step in securing a student loan is completing the Free Application for Federal Student Aid (FAFSA). This is the only application authorized by the Department of Education that is used to determine eligibility. A student will complete the FAFSA online, and the results are sent to the colleges that the student selected at the end of the application. One of the most important components of the FAFSA is the Expected Family Contribution (EFC). The EFC is a

calculated number that is based on the information that the individual student provides on the FAFSA. The EFC is then used to determine what type and the amount of loans a student will qualify for during an academic year. The EFC is also used to determine other aid qualifications that are outside the loan program (U.S. Department of Education, 2016a).

The annual student loan amount that someone can qualify for is dependent on several factors. Those factors include the student's year in college, dependency status and unmet need. Below are the annual loan limits that are set by the Department of Education (U.S. Department of Education, 2016b):

Table 1

*Annual Limits for Subsidized and Unsubsidized Loans*

Dependent Undergraduates (excluding students whose parents cannot get a PLUS Loan)			
	Sub Amount	Unsub Amount	Total
First Year	\$3,500	\$2,000	\$5,500
Second Year	\$4,500	\$2,000	\$6,500
Third Year and Beyond	\$5,500	\$2,000	\$7,500

Independent Undergraduates and Dependent Students Whose Parent(s) Cannot Get a PLUS

	Sub Amount	Unsub Amount	Total
First Year	\$3,500	\$6,000	\$9,500
Second Year	\$4,500	\$6,000	\$10,500
Third Year and Beyond	\$5,500	\$7,000	\$12,500

If a student does not have enough unmet need as determined through the federal method, the subsidized loans listed above could be reduced, and the unsubsidized loans, which are non-need based, could be increased. Therefore, the student will receive the same annual amount, but the subsidized and unsubsidized annual amounts could be different. Finally, student loan amounts cannot exceed a college's total cost of attendance minus any other aid that has been awarded to the student (U.S. Department of Education, 2016b).

The Department of Education has also established aggregate limits for all student loan types. Aggregate loan limits are based upon a student's dependency status and year in college. Below are the aggregate loan limits that are set by the Department of Education (U.S. Department of Education, 2016b):

Table 2

*Aggregate Limits for Subsidized and Unsubsidized Loans*

---

Dependent Undergraduates (Excluding students whose parents cannot get a PLUS loan):		
Sub Amount	Unsub Amount	Total
\$23,000	\$8,000	\$31,000

  

Independent Undergraduates and Dependent Students (Parent cannot get a PLUS loan)		
Sub Amount	Unsub Amount	Total
\$23,000	\$34,500	\$57,500

  

Graduate and Professional Students (Total amount also includes all undergraduate loans)		
Sub Amount	Unsub Amount	Total
\$0.00	\$138,000	\$138,000

---

If a student reaches his or her aggregate loan limit, he or she becomes ineligible for any future loan awards. The aggregate loan limits are set by the Department of Education. A student can regain loan eligibility after reaching the aggregate limit by paying down the debt (U.S. Department of Education, 2016b).

Student loans are an investment in a person's future, and there are several benefits to securing a federal loan as compared to other public sector loans. By far, the greatest benefit to a federal student loan is the accessibility. A student does not have to meet a



certain credit score or provide proof of current income to secure the loan. As long as the students are not currently in default or have not exceeded their maximum lifetime eligibility on a student loan, they are entitled to participate in the program. An additional benefit to receiving a federal student loan is the generous repayment options offered to students once they graduate. Students are placed in a standard 10-year repayment once they graduate. However, if they consolidate their repayment time period, it is extended up to 30 years. Furthermore, the Department of Education offers several different repayment options including income contingent and graduated repayment that are based on a person's annual income (McGurran & Bykiel, 2017). They also allow students to participate in a graduated repayment plan. All of these options are designed to help students be successful in the repayment of their loans. The Department of Education understands that students today are carrying large amounts of student loan debt, and therefore, the department is trying to ease the burden of repayment that students are facing.

Today, student loan debt has reached a staggering \$1.2 trillion (Edwards, Altman, Miller, & Thompson, 2015). Nationally, 68% of college seniors who graduated from a public or private nonprofit college had student loan debt (Cochrane & Cheng, 2015). Furthermore, as tuition cost continues to rise at double digit rates, the reliance on student loans to help fund educational cost will also continue to increase. Between 2006-07 and 2016-17, published in-state tuition and fees at public 4-year institutions has increased at an average rate of 3.5% per year beyond inflation (Ma, Baum, Pender, & Welch, 2016). The 10-year average tuition cost for students attending a public 2-year college in the

southeast has increased by \$1,130. When adjusted for inflation, it represents a 44% increase between 2006-07 and 2016-17 (Ma et al., 2016).

Students attending college in Mississippi have not remained immune from large student loan debt. Students who graduated in 2015 from a Mississippi public or non-profit college had an average debt of \$29,942 (Cochrane & Cheng, 2015). This amount is only slightly below the national average of \$30,100 for the same year. For the state of Mississippi, 62% of those who graduated had student loan debt.

### **Statement of Problem**

Discouraging or helping to reduce excessive student loan borrowing should be part of any college. Several colleges across the country are taking proactive steps trying to help their students to make smart financial decisions and hopefully borrow less. For example, Santa Rosa Junior College in California conducts workshops on getting student loans and requires their students to complete borrowing plan worksheets (Burdman, 2012). The worksheets help students see the full picture and get an idea of what they might owe after they graduate.

The problem of this study was the extent to which students are incurring loan debt each academic year and not making informed decisions about future federal subsidized and unsubsidized student loan debt based on the total amount they currently owe. Furthermore, students need to understand the benefits of a debt letter (Appendix B) that measures their level of student loans, which can indicate to them excessive borrowing practices.

## **Purpose of the Study**

The purpose of the study was to explore the decisions students make about incurring future federal subsidized and unsubsidized student loans based on the information they received in their annual student loan debt letter. The student loan debt letter was created by the institution and mailed out to students. The debt(s) listed on the letter included all federal, all institutional, and any alternative or state of Mississippi loans incurred while attending the 4-year university. The loan amounts used in the debt letter were the balances as of the end of the spring 2016 term. The debt letters were mailed out during the summer of 2016 so that students would have the information before the 2016-17 disbursement date. This allowed students to make changes to their loan amounts based on the information they had received in the debt letter.

## **Research Question**

The growing student loan debt for all borrowers has become a concern for the community college system. The following research questions were used to examine the effects of undergraduate students being presented with a debt letter outlining their current total outstanding debt on future borrowing.

1. For all undergraduate students who received a debt letter during the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in the fall 2016 as compared to the spring 2016?
  - a. For community college transfer students who received a debt letter in the summer of 2016, did they borrow less, as a percentage of their total

- available loan funds (federal subsidized and unsubsidized loans), in the fall 2016 as compared to the spring 2016?
- b. For native students who received a debt letter in the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in fall 2016 as compared to the spring 2016?
2. For all undergraduate students who were financially needy (Federal Pell Grant recipients in both 2015-16 and 2016-17) and received a debt letter in summer 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in fall 2016 as compared to spring 2016?
3. Did the actual total disbursed funds (federal subsidized and unsubsidized loans) for all undergraduate students at the institution being studied who received the debt letter in summer 2016 decrease in fall 2016 after the letter was sent out as compared to spring 2016?

### **Definition of Terms**

1. Debt letter is a detailed report mailed to students by the institution used in this study during the summer of 2016 listing their alternative, federal, institutional and state loan debt that was known by the institution at that time. This was the first time ever a debt letter was sent to students attending this institution. The debt letter used a standard repayment term of 10 years and an average interest rate of 6.8% to calculate the estimated monthly payment amount.

2. EFC is a number that determines students' eligibility for federal student aid. The EFC formulas use the financial information students provided on the FAFSA to calculate the EFC. Financial aid administrators subtract the EFC from students' cost of attendance to determine the students unmet need (U.S. Department of Education, 2016a).
3. FAFSA is the only form students must fill out to apply for Title IV aid. The FAFSA collects financial aid and other information used to calculate the EFC and to determine a student's eligibility through computer matching with other agencies (U.S. Department of Education, 2016b).
4. Federal Pell Grant is an entitlement program offered through the Department of Education's Title IV federal aid program. The qualification for a Federal Pell Grant is determined through the results of the FAFSA. For a 2016-17 full-time student with an EFC between 0 and 5,234, that student will qualify for a Federal Pell Grant. The maximum amount of Federal Pell Grant for a full-time enrolled student for 2016-17 is \$5,815 (U.S. Department of Education, 2016b).
5. Federal work study is a campus based program offered through the Department of Education's Title IV federal aid program. Students earn the award on an hourly basis through job placement that is either on or off campus. For 2014-15, the program served about 700,000 students across the country with a budget of just over \$1 billion in federal and institutional funds (Kenefick, 2015).

6. Title IV federal financial aid of the Higher Education Act is the source of all federal aid programs that include student loans, federal grants, and federal work-study. Between the award years 2000-01 to 2010-11, the total federal aid disbursed through the Title IV federal aid program jumped from \$64 billion to an estimated \$169 billion, a 10-year increase of 164% (National Student Aid Profile, 2012).

### **Overview of the Method**

The undergraduate students selected for this study were those who received a debt letter during the summer of 2016. There were 10,212 in the total student population (graduate and undergraduate) who received the debt letter. Of the total population, 5,662 were part of the final statistical analysis. They were enrolled in at least one credit hour during the spring term of 2016 and had current student loan debt. The independent variable was those students who received the debt letter, while the dependent variable was the loan amounts that were accepted for the 2016-17 award year. The study focused on what financial decisions were made concerning student debt for the new award year (2016-17) as compared to the prior award year (2015-16). Furthermore, the population was broken down into those who were community college transfer students and those who were not. The study used data collected from a software system called Banner which is used at the institutional in the study, a 4-year land grant institution within the Southeast part of the United States. The Banner software system was used to determine who received the letters and the loan amounts originated for those students during 2015-16 award year as compared to the 2016-17 award year.

This study used descriptive statistics to analyze and determine what effect the debt letter had on the students' decisions about securing future federal subsidized and unsubsidized student loans. A paired t-test was used for research question one when determining if the students borrowed less as a percentage of the maximum loan amount allowed after receiving the debt letter in the summer 2016. For research question two, a paired t-test was used to determine if financially students borrowed less as a percentage of the maximum loan amount after receiving the letter. For the final research question, a paired t-test was used to determine if total disbursed funds decreased after students received the debt letter.

### **Delimitations of the Study**

There were two delimitations within the study. The study was conducted using only those students who attended a 4-year land grant institution during the spring 2016 semester. The main reason for this is that the population that was selected to receive the debt letter was those who were enrolled during the spring 2016 term. It was assumed that most of them would return for the fall 2016 term and would greatly benefit from having a single document outlining their current student loan debt.

A second delimitation is the exclusion of some student loan debts from the letter. The letter did not include any information on the Parent PLUS loans. If there was a situation where the student had loans for him or herself (subsidized and/or unsubsidized) and a Parent PLUS loan for one of his/her children, the PLUS loan was not included. Furthermore, if an individual student had alternative loans or institutional loans that were awarded by another college, the letter did not incorporate those amounts into the total.

Those type of loans are not reported to the National Student Loan Database (NSLDS), and therefore, the amounts were not available to include in the debt letters.

### **Significance of the Study**

Student loan debt is increasing at an alarming rate. Total borrowing of subsidized and unsubsidized loans increased by 26% between 2005-06 and 2015-16 (Baum et al., 2016). The study analyzed the relationship between students having current information on their student loan debts and what decisions they made about future federal subsidized and unsubsidized student loan debts. Securing student loan debt is a simple process if borrowers follow the rules. Younger adults attending college do not fully understand their current financial obligations as they apply for additional student debt.

The significance of this study is that it indicates if helping students to know about their current debt levels had a positive impact on their decision to secure smaller federal subsidized and unsubsidized student loans in the future. Financial aid staff members have struggled for years to get students to understand the reality of all their debt while the students continue to borrow even greater amounts seemingly without regards to their current student loan obligations. Unfortunately, many students are only looking at student loan debt they are approving at that moment. They do not think about what they currently owe. Furthermore, when they are told that repayment does not begin until after graduation, which for many is two, three, or four years away, they get a false sense of security. From an 18-year old student's perspective, four years from now is a lifetime away. Therefore, many disregard the concept of excessive student loan debt.



## CHAPTER II

### REVIEW OF LITERATURE

#### **Introduction**

Over the past decade, there has been a proliferation of student loan borrowers and accumulated debt. This increased financial burden has taken on a new meaning for college students (current and former). Although many professionals within the industry understand the need for student loans so that individuals can have access to higher education, most are still trying to determine the long term effects of a nation that has a collective \$1.2 trillion in student loan debt (Edwards et al., 2015).

The Family Federal Education Loan (FFEL) program is divided into the following three types of student loans (U.S. Department of Education, 2010a):

- **Subsidized Student Loans:** Loans made to undergraduate students, which include no payments and no interest accruing while the student is enrolled with at least six credit hours.
- **Unsubsidized Student Loans:** Loans made to undergraduate and graduate students that include no payments while the student is enrolled in at least six credit hours. Interest on the loan begins to accrue after the final disbursement.
- **Graduate Student Loans:** Loans made to graduate students that are credit based. Interest on the loan begins to accrue after the final disbursement.

The graduating class of 2015 had the highest average student loan debt in the history of the federal loan program. The average debt for students who graduated from public and private nonprofit colleges in 2015 was \$30,100 (Cochrane & Cheng, 2015). This represents a 4% increase over the 2014 graduating class who had an average debt of \$28,950 (Cochrane & Reed, 2014).

Student loan debt, much like past due taxes, is a form of debt that a person cannot walk away from. This debt is not dischargeable in bankruptcy. For those who default on their loans, the Department of Education has the authority to garnish wages and seize federal tax refunds through an offset program at the Department of Internal Revenue Service (Student Financial Aid Ombudsman Serving Students, 2000). The only way for debtors to have their loans forgiven is by death, permanent disability or if the institution where the loans were incurred is found in non-compliance with federal regulations as they apply for the Title IV program. For many students, student loan payments become a fact of life once they exit college. Standard repayment can be extended for up to 30 years on some loans, based on the amount owed.

This literature review will bring together and discuss the costs, financial aid, graduation, college attendance and other issues that are associated with incurring student loan debt. Furthermore, the review will detail the complexities and negativities associated with student loan debt.

### **Student Loan Debt and Graduation**

Kim, Chatterjee, and Kim (2012) researched debt among young adults between the ages of 18 and 25. The study found that students from higher income families who received financial support from them were at a greater risk of having student loan debt.

These families were able to subsidize some of the students' educational costs but not all of them. Therefore, some of these higher income families had to rely on student loans to fill the gap in their educational cost. The study revealed that students having a job while enrolled in college might decrease the student loan amounts. The Department of Education authorizes a federal work-study program that is administered at the college level. The program offers students the ability to work on campus while they are attending classes. The program was designed, in part, to help offset the cost or need for student loans; unfortunately, it is a need-based program, and not all students qualify to participate in the program.

Not only are higher income families at a greater risk of greater student loan debt, but middle income families are also seeing larger debt amounts. Students coming from families with an annual income of \$50,000 had a total student loan debt of \$44,000 after four years at a public college (Baylor, 2014). As a comparison, students from lower income families with an annual income of \$25,000 had a total student loan debt of only \$40,000 (Baylor, 2014). The larger debt for middle income families can be contributed to the lack of Federal Pell Grant eligibility for these students. Federal Pell Grants help reduce the overall cost of an education, but they are a need-based grant, and family income is a large deterring factor in the qualifying methodology (Ifill, 2016). For many higher and middle income families, their annual income excludes them from the Federal Pell Grant Program. Subsequently, their student loan debt increases in the absence of a Federal Pell Grant.

Baum et al. (2016) reported that students and parents borrowed \$106.8 billion in student loans for 2015-16, down from a peak of \$124.2 billion (in 2015 dollars) in 2010-

11. Furthermore, 8.6 million students borrowed either a subsidized loan or unsubsidized loan (or both) during the 2015-16 year.

Zhan (2014) looked at student loan debt to determine if there was a relationship between debt amounts and graduation. Within the study, about 43% of the sample had student loans with a median loan debt of \$5,000. The analysis determined that having student loans helped increase the probability of graduating by providing some necessary resources. However, the analysis also determined that incurring larger loan amounts (greater than \$10,000) had a diminishing positive impact on graduation rates. One possible cause of the diminishing return could be that some students are reaching their maximum lifetime loan eligibility before they have completed their coursework.

Therefore, many of the students with high loan amounts end up withdrawing from college before graduating because they have exhausted their loan resources. An undergraduate dependent student is allowed to borrow a maximum of \$31,000 in student loans, while an undergraduate independent student is allowed to borrow up to \$57,500 (U.S. Department of Education, 2016b). Students who take out student loans generally look at only the current award year amounts. They do not take the time to review their total student loan debt or budget the allowable maximum loan eligibility they have remaining over their college career. These students can find themselves without degrees and no other federal aid in the form of loans that are available to them to facilitate the completion of their degrees.

After graduation, students go into the repayment phase of their student loans. This is when they start incurring the cost of interest (subsidized and unsubsidized loans) and fees (for late payments) as they work to retire their student loans. Chapman and

Lounkaew (2015) examined the repayment burden that is placed on graduates. The study's most important concept is that the cost of the repayment burden is a result of the loan size, interest rates, and expected income. The results showed that borrowers who end up in the lower part of the graduate income distribution face the greatest repayment difficulties. The formula used to figure the repayment burden was the loan repayment divided by income over a period of time. Therefore, a lower income would drive up the repayment burden. Furthermore, the study determined that there was not much difference between the repayment burden of subsidized loans as compared the unsubsidized loans.

### **Race and Income Efforts on Student Loan Debt**

In 2004, minority students constituted 36.5% of all community college enrollments nationwide, up from 20% in 1976 (Cohen & Brawer, 2008). Furthermore, Cohen and Brawer (2008) also reported that students from low-income families are considerably more likely to attend a community college.

Racial differences can have an impact on student loan debt amounts. For example, Jackson and Reynolds (2013) conducted a study in which they found that 58% of the African American students in the sample had student loans as compared to 48% of the white students. Furthermore, only 10% of the African American students had graduated with no student loan debt as compared to 31% of the white students. The study also found that the cost to African American students was that they incurred higher debt and had a higher default rate. This could possibly be due to the fact that some of the African American students many come from families with limited resources. One issue that the study did not discuss was that many African American students are first generation students. Therefore, they do not have any experience navigating through the process of

applying for other types of aid that would offset the need for student loans and thereby reduce their cost.

In a study by Houle (2014), the question was asked of how parents' incomes were linked to their children's loan debt cost. Of those in the sample, 40% reported student loan debt. The mean student loan debt was \$22,540. The study also concluded that African American students had 51% more debt than did the white students. Furthermore, students from middle-income families had a higher risk for debt than those from low and high-income families. The family income and debt amounts reported in the study were not surprising. Most low-income families qualify for the Federal Pell Grant that helps offset the educational cost whereas upper income families generally do not even apply for loans. That leaves the middle-income families that do not qualify for federal grants and do not have the same financial resources as the upper income families. As a result, middle-income families rely heavily on student loans to subsidize what small savings (if any at all) they might have. These families accumulate higher levels of debt so that their students can gain access to higher education.

### **Factors Leading to Higher Student Loan Debt**

Over many years, state cuts to higher education funding have been severe and almost universal (Oliff, Palacios, Johnson, & Leachman, 2013). State budgets are being cut in response to lower tax revenue and state investments in other projects that exclude higher education. To make up for state appropriation losses, colleges are shifting more of the financial burden of paying for college to the students and their families. Webster (2014) found that the resident community college tuition for a 4-year period ending in 2013-14 increased by a staggering 36.8% nationally. Nationally there has been a trend in

29 of the 50 states to decrease state appropriations to colleges between 2008 and 2012 (Baylor, 2014). More specifically, within the state of Mississippi, the total student borrowing between 2008 and 2012 at public institutions increased by 41.2% or \$181 million (Baylor, 2014). When state appropriations are reduced, colleges are forced to take action to make up the difference. That action could include campus budget cuts, reduced student support, relying more on private donations, and increased tuition rates. Some colleges develop a plan that incorporates all these action items to help offset the state cuts. However, increased tuition rates are always part of any plan to help offset state appropriations.

Unfortunately, Federal Pell Grants have not been able to keep up with the rising tuition rates across the country. For the 4-year period ending 2013-14, the maximum Federal Pell Grant eligibility only increased by 3%, going from \$5,500 in 2010-11 to \$5,645 in 2013-14 (U.S. Department of Education , 2010b). The 2012-2013 Federal Pell Grant Program End-of-Year Report (2013) indicated that the Department of Education paid out Federal Pell Grants to 8.9 million students. Within that year, students received on average \$3,579 in Federal Pell Grants (The 2012-2013 Federal Pell Grant Program End-of-Year Report, 2013). Federal Pell Grant eligible students, who are defined as the “neediest” by the Department of Education, find themselves short of funding once their Federal Pell Grant is applied towards their expenses. For many students, the only alternative is student loans.

At the opposite end of the spectrum are higher income families that are not Pell Grant eligible. In a study by England-Siegerdt (2010) it determined that students who

were older, financially independent of their parents, or have higher family incomes were more likely to borrow student loans.

Easy access is another reason why some student loan debt is increasing at an alarming rate. Federal student loans are not based on credit scores, current debt to income ratios or ability to repay. If students meet all the requirements for a student loan, the college must award the loan if the student makes a request. On a case-by-case basis, a financial aid office can refuse to award a loan to a student. The reason must be documented and a written copy provided to the student (U.S. Department of Education, 2016b). Most young college students do not consider the long-term consequences of indebtedness. At the time they accept the loan(s), some students only see them as a gateway to securing a path to higher education. Most students do not take the time to consider the long-term effects of their borrowing decisions.

Many students select colleges based on academics, location, college name recognition, and access to a participate major. Unfortunately, some students, and by extension, their families, are not placing the cost of the education as one of their highest priorities when selecting a college. Only after the student incurs large amounts of debt does the importance of cost become a factor. Baylor and Murray (2014) surveyed 27,686 people with different levels of student loan debt. The study determined that educational cost was a more important factor now that they had student loan debt as compared to when they were selecting their colleges. The study found that, of all the respondents, 24.6% indicated that cost was one of their top five most important attributes when they were selecting a college. That percentage increased to 60.3% after they completed college and had incurred student loan debt.



Baylor and Murray (2014) delved deeper into the decision-making process and determined that those students who thought cost was not a large contributing factor when selecting a college ended up with the highest average debt. For example, of those students in the survey who had accumulated \$200,000 or more in student loan debt, only 17% of them listed cost as an important factor when selecting their college. At the opposite end of the spectrum, 31% of those who only borrowed up to \$5,000 said cost was an important factor when selecting their colleges (Baylor & Murray, 2014).

Students and their families need to fully understand the financial cost of enrolling in and attending college before making any final decisions. It is critically important to intervene at the enrollment point so that students know the impact of taking out loans (Baylor & Murray, 2014). Community colleges need to be more proactive in their attempt to interact with students and help them understand the concept of student loans. The interaction should include student loan workshops, integrated financial literacy programs that are part of the curriculum for first-year student success courses, and an overview of student loans during new student orientation events (McKinney, Gross & BurrIDGE, 2014).

### **Community College Student Loan Debt**

Students attending community college can sometimes be the most vulnerable to the effects of debt cost because they generally come from lower income families. Cohen and Brawer (2008) reported that students from low-income families are considerably more likely to attend a community college. These students take out student loans and overall will earn less than their counterparts who receive a bachelor's degree. Julian (2012) determined that someone with an associate degree will earn \$1.8 million over the

course of a career, whereas a bachelor's degree recipient will earn \$2.4 million over the course of a career.

Income can be an important factor in determining who secures student loans and on their long term success. McKinney and Burrridge (2014) found that the community college students from the two lowest income groups borrowed 64.9% of the total loans reported in their study. The study also determined that about 25% of those students who receive student loans never completed their program. Therefore, those who borrowed student loans had significantly higher odds than non-borrowers of eventually dropping out (McKinney & Burrridge, 2014). A top recommendation from the study was to encourage financial aid offices to engage with the students as freshmen and offer financial counseling from the beginning of their educational experiences. Early interaction with students about debt is the key to helping them make the proper financial decisions. In some cases, the appropriate decision might be to take out student loans, but to do so in moderation after careful consideration and guidance from a financial counselor at the community college.

Community college students are less likely to borrow student loans as compared to students at other undergraduate institutions. On average, 16.7% of all public community college students secure some type of federal student loans as compared to 40.1% of all other undergraduates (Juszkiewicz, 2014). However, community college students are also more likely to need help from remedial educational programs, come from lower income families, and are more likely to be first-generation students. All of these factors can contribute to students taking on larger student loan debts as a percentage

of the total educational cost as compared to their 4-year counterparts even though a smaller percentage of them are taking out loans.

In a study by Starobin, Hagedorn, Purnamasari, & Chen (2013) they examined the financial literacy among transfer and non-transfer students. Their results indicated that transfer students showed a significantly lower financial well-being score than non-transfer students. Furthermore, the Starobin et al. (2013) found that the financial, social learning opportunity (parental influence) was statistically significant in predicting students' financial well-being. For many community college students, they lack the understanding of how student loans work and the long-term costs and benefits of securing student loans while they are enrolled (McKinney, Roberts, & Shefman, 2013).

Baum et al. (2016) explored the median student loan repayment amounts from all institutional types. The report found that 2013-14 public community college graduates entered repayment with a median debt of \$11,650. Over a 10-year period from 2003-04 to 2013-14, the median debt of borrowers entering repayment increased by \$4,640 or 66% for public community college graduates (Baum et al., 2016).

### **Student Loan Debt and Default Rates**

Among federal student loan borrowers who entered repayment in 2011-12, 24% of those who left college without a degree or certificate defaulted on their loans within two years. That is compared with 9% of those who completed their degree or certificate during the same time period (Baum et al., 2016). The default rates were even higher among community college students. In 2011-12, 29% of the community college students who withdrew defaulted on their loans, and 17% who did complete their degree defaulted (Baum et al., 2016).

Student default rates decrease as the amount borrowed increases. One reason for this is that as students accumulate more debt, they progress toward and eventually receive a degree. For example, students who owed less than \$5,000 had a default rate of 35% (Baum et al., 2016). However, students who owed more than \$40,000 had a default rate of only 4% (Baum et al., 2016).

Each college that participates in the Department of Education Title IV federal financial aid program has a default rate that is published each year. The default rate is a calculation of the colleges' students who entered repayment over a 1-year period, then subsequently defaulted on them during that same year and the next two years. On September 26, 2016, the Department of Education released its official default rate for the fiscal year 2013. The official national cohort student loan default rate for fiscal year 2013 was 11.3% for all colleges, and the public community college default rate was 13% for fiscal year 2013 (U.S. Department of Education, 2016c). U.S. Department of Education (2016c) reported that 593,182 students were in default on their student loans for fiscal year 2013. Furthermore, the report indicated that 176,206 public community college students were in default for the same time period.

There are serious consequences for students who default on their student loans. Students become ineligible for any further Title IV federal financial aid including grants, loans, and work study. The Department of Education can garnish their wages and seize federal tax refund checks, and the default can negatively impact credit scores (U.S. Department of Education, 2016b). Finally, student loans cannot be put into bankruptcy; they are a commitment that the student is responsible for until the loans are fully retired.

## **Students' Understanding of Student Loan Debt**

Andruska, Hogarth, Fletcher, Forbes, and Wohlgemuth (2014) conducted a study at Iowa State University during the fall 2010 semester. The study centered around the concept of current students' understanding of their student loan debt. The study received 801 valid responses, and the results indicated that about 13% of students reported they did not borrow a student loan when in fact they did. Also, the report found that more than 37% underestimated the amount of student loan debt they owed, and nearly 9% underestimated their debt by more than \$10,000. Freshman had a 64% chance of accurately knowing how much they owed compared with 58% of sophomores and 60% of seniors. One reason that freshmen were more accurate in knowing their level of debt could be a result of them (freshmen) only having secured their first loan. As students move up and become upperclassmen, they generally borrow additional loans. Therefore, upperclassmen do not always know the total amount they have borrowed since beginning college.

Andruska et al. (2014) also looked at the correlation between Grade Point Averages (GPA) and students' understanding the amount of debt they owed. The report found that students with GPAs of 3.5 or higher had a 67% chance of knowing how much they owed, whereas students with GPAs between 2.0 and 3.49 had only a 60% chance of knowing what they owed.

According to Andruska et al. (2014), for any student, the implications of not knowing the amount of student loan debt they have accumulated or underestimating that debt could have a long-term negative impact on their financial well being. Students should be fully engaged in all aspects of their student loan debt to insure that future

decisions are made with the most accurate information. As a result of their study, Iowa State University instituted several proactive measures to help students better understand their student loans. First, they built a web-based tool that allows their students to get real time information on their current student loan obligations. Second, they began providing one-on-one in-person student loan entrance and exit counseling to students. Finally, they began requiring students to accept or decline their loan offers each term (Andruska et al., 2014).

Chapman and Lounkaew (2015) discussed early student intervention and its effects on students. If students are counseled early in their college educations about the income potential after graduation, it could have a positive effect on their repayment burden. Students who are counseled about low-paying careers that are associated with certain degrees might make a change in their college majors to reflect better paying jobs after graduation. Also, earlier intervention on students' current outstanding debt could also have a positive impact on their future repayment burden. For example, students who are regularly given updates on their total outstanding debt levels might consider securing fewer student loans in the future.

Burdman (2012) interviewed employees at a dozen community colleges in California looking for best practices for promoting responsible borrowing by their students. Santa Rosa Junior College conducts workshops that are entitled "Workshops for Responsible Borrowing" that cover such things as getting a loan and repayment options. In addition to the workshops, Santa Rosa Junior College students must complete a multi-year borrowing plan worksheet. The worksheet asks the students to list their current total indebtedness and the amount they plan to borrow each year while they are in

college. The worksheet also asks the student to determine what they will borrow once they transfer to a 4-year college. The worksheet is designed to help students think about the total loans they might accumulate over the course of a college program. Mendocino College also requires all borrowers to attend a workshop that lasts 45 minutes. The workshop goes into detail about financial aid and student loan debt. Finally, Antelope Valley College requires students to come into the financial aid office. They want to be able to answer any questions the student might have about borrowing. Therefore, requiring the student to come into their office forces the student to see someone in financial aid.

### **Student Loan Debt, The Next Financial Crisis**

Currently, federal student loans are approved with no thought given to credit scores, debt-to-income ratios or any other financial calculation. Therefore, there should be some consideration given to this massive amount of unsecured debt. As of the third quarter of 2015-16, only 51% of student loan borrowers were in some form of repayment status (Baum et al., 2016). Although student default rates have been low over the past ten years, the average amount of debt borrowers accumulate increases each year. There is an inherent risk associated with making unsecured loans that are not based on credit or the ability of the borrower to make payments. Edwards et al. (2015) reported that student loan debt is reaching \$1.2 trillion. With this much outstanding debt, there is the possibility that if a substantial number of student loan borrowers were to default on their loans, it could have a negative impact on the United States economy.

## Summary

The review of literature in this study clearly shows that student loan debt has increased exponentially. The review also shows that, for many students, the only clear path to higher education is through student loan debt. Some families and their students are not financially prepared to absorb the cost of a college education. By default, and with limited other options, many students turn to student loans to make college access a reality.

Students coming from minority, middle-income families were most at risk of accumulating student loan debt (Houle, 2014). However, with other factors such as limited Federal Pell Grant funding and state budget cuts that have forced colleges to increase tuition at an alarming rate, millions of students have resorted to borrowing student loans. Although the official national cohort student loan default rate for fiscal year 2013 was 11.3% for all colleges (U.S. Department of Education, 2016), that figure can be misleading. The 11.3% only includes students who entered repayment and defaulted during a particular period of time over a 3-year period. The Department of Education does not track the actual number of all borrowers who are currently in default. Furthermore, many borrowers can enter into a forbearance period whereby their loan payments are temporarily suspended, and they are not considered in default. A forbearance can last up to three years, excluding some students from the federal calculation used to determine the national cohort student loan default rate. Given the fact the true default rate is not calculated and there are so many borrowers, the question of a student loan default crisis arises. This fact highlights the need for robust social safety nets



such as income-based repayment and payment deferral for financial hardship, programs which exist but are in need of simplification and improvements (Akers, 2014).

Student loan debt letters are a new concept within the financial aid industry. Therefore, there was no previous research found on the concept of debt letters and how they impact future borrowing decisions. However, the literature review identified the increase burden of student loan debt for those who are attempting to gain access to higher education. Furthermore, the literature review found that for some students, they did not fully understand that they currently have a student loan and in other cases, the students underestimated what they owed (Andruska et al., 2014).

This research study looked at what decisions students made about securing future student loans during the fall of 2016 based on the fact they were given a debt letter during the summer of 2016.

## CHAPTER III

### METHOD

Chapter III discusses the methods and processes used to determine the impact of a debt letter concerning a student's level of student loan debt at the end of the 2015-16 award year mailed in summer 2016 on borrowing decisions. This chapter gives an overview of the design study, research questions, and the process of selecting participants. Furthermore, the chapter details the instrumentation, the data collection procedures, and the analysis of the data. This chapter includes a summary at the end that explains these methods.

#### **Research Design**

This study used a quantitative, cross-sectional research design that examined the extent to which a student made decisions about securing future federal subsidized and unsubsidized student loan debt, while having information on the total amount they currently owe on prior student loans. The independent variables in this study were the two groups of students (i.e., transfer and native) as well as the time before and after the debt letters were received by the students. The dependent variable was the percentage of their total available loan funds (federal subsidized and unsubsidized loans) that students borrowed.

## Research Questions

The following research questions were used to examine the effects of undergraduate students being presented with a debt letter outlining their current total outstanding debt on future borrowing. The following research questions guided the research study:

1. For all undergraduate students who received a debt letter during the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in the fall 2016 as compared to spring 2016?
  - a. For community college transfer students who received a debt letter in the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in the fall 2016 as compared to the spring 2016?
  - b. For native students who received a debt letter in the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in fall 2016 as compared to the spring 2016?
2. For all undergraduate students who were financially needy (Federal Pell Grant recipients in both 2015-16 and 2016-17) and received a debt letter in summer 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans) in fall 2016 as compared to the spring 2016?

3. Did the actual total disbursed funds (federal subsidized and unsubsidized loans) for all undergraduate students at the institution being studied who received the debt letter in summer 2016 decrease in fall 2016 after the letter was sent out as compared to spring 2016?

### **Research Site**

The study was conducted at a 4-year land grant university with more than 21,000 students located in the southeastern part of the United States. The institution is a doctoral degree granting university. As a 4-year land grant university, the focus is on teaching, research, and service. The institution was chosen because it supplied students with a debt letter during the summer of 2016.

### **Participants**

For this study, undergraduate students were selected if they received a debt letter during the summer of 2016. To receive a letter, students had to be enrolled in at least one credit hour during the spring 2016 term. Furthermore, the students had to incur debt and have a balance in one or more of the following: federal loans, state of Mississippi loans, and/or institutional or alternative loans at the end of the spring 2016 term. Students in the population were excluded if they were not enrolled in at least six credit hours (minimum needed to be eligible for a federal loan) during the fall term of 2016, had graduated during the summer term of 2016, or had maxed out on other available aid and, therefore, were unable to secure student loans during the fall term of 2016. The individual student debt levels ranged from a high of \$121,231 to a low of \$525. Any student with a total debt level below \$50 did not receive a letter. The participants in this study represented

29% of the total undergraduate enrollment for 2015-16 award year. Academic performance, loan prepayment status, and loan delinquency status were not factors in selecting the student population. Also, students with forgivable loans, which are generally based on work services after graduation, were included in the population. Finally, students who only had Parent PLUS loans were excluded from the population.

### **Instrumentation and Data Collection Procedures**

Before beginning the collection of data, the researcher secured the proper permission from the Assistant Vice President presiding over the Financial Aid and Admissions Offices at the 4-year land grant institution. Additionally, the proper paperwork was submitted to the Institutional Review Board (IRB) at the institution and permission was obtained before the research began.

The researcher worked with the Financial Literacy Coordinator in the Financial Aid Office to obtain a list of all students who received the debt letter. All the data provided in the list were obtained from the Banner software system with the exception of the interest rate and repayment terms that were used to figure the monthly payment. The interest rate used was an average rate at the time of the letter based on federal, state, and alternative loan rates. The repayment term was set at 10 years, which is the standard repayment term for most federal loans (Choy & Li, 2006). The list included all loans, subdivided by the following categories: federal subsidized and unsubsidized loans, federal Perkins loans, institutional loans, and alternative loans.

Using the Banner software system, the Financial Aid Office at the 4-year land grant institution supplied the researcher with a list of students who received the debt letter and the amount of federal subsidized and unsubsidized loans they secured during the

spring term of the 2015-16 award year and the amount they secured during the fall term of 2016-17 award year. Furthermore, the Financial Aid office also determined the class ranking (freshmen, sophomore, junior, senior) for each student and their unmet need for each term.

To effectively identify students who received the letter and were community college transfers, the researcher worked with the Assistant Admissions Director. The Assistant Admissions Director used the Banner software system to identify all community college transfer students who were enrolled at the 4-year land grant institution during the spring 2016 term. Once the list was received, the researcher matched the participants to identify community college transfer and non-community college transfer students who received the debt letter.

At this point, the researcher took all three lists and matched the students. The researcher utilized Microsoft Excel to construct formulas to effectively combine all three lists into a single master spreadsheet.

The research then determined the maximum loan eligibility (per term basis) for each student based on their class ranking at the beginning of the spring term of 2016 and again at the beginning of the fall term of 2016. Next, the researcher wrote a formula to look at what the student actually borrowed for each term and divided it by what they could have borrowed (maximum loan eligibility) for each term to determine what percentage of their total loan eligibility they used.

Once the three lists were combined into a single master list within Excel, the researcher began reviewing and cleaning up the data. First, the researcher reviewed all students who had borrowed an amount that was greater than their eligibility amount

based on their class ranking. For many of these students, they had borrowed an entire year's worth of loans in one term. The researcher reduced their actual loan disbursements down to the maximum allowable amount for one term.

The researcher looked at all students with a zero or negative loan availability and determined if the maximum loan eligibility needed to be adjusted down because the student had reached their total aid amounts before the loans were awarded. If they were not awarded loans in the fall term of 2016 because they had maxed out on other aid, they were removed from the population.

The researcher also looked at those who did not have any loans disbursed for the fall 2016 term and determined if they were actually enrolled for that term. If they were not enrolled, they were removed from the population. Also, students were removed from the population if they were enrolled in less than 6 hours for either the spring 2016 or fall 2016 term. The reason for this was that students who were enrolled in less than 6 hours were not eligible for subsidized or unsubsidized loans.

Once all the data were analyzed and cleaned up, the researcher had a final list of 5,662 students to be used for the statistical analysis. Of the 5,662 students in the population, 2,897 were transfer students and 2,765 were native students.

Using the Banner software system, the Financial Aid Office at the 4-year land grant institution also supplied the researcher with a listing of students who received Pell Grants during the spring 2016 and fall 2016 terms. The researcher compiled all students who received the Pell Grant during both terms and compared it to the master list of 5,662 students. The researcher then pulled out those who received Pell Grants during both terms.

## **Procedures for Data Analysis**

The purpose of the study was to determine what decision students made about incurring future federal subsidized and unsubsidized student loans based on the information they received in their annual student loan debt letter. Therefore, this study used a paired sample t-test to answer the first and second research questions.

The paired t-test used for the first research question was non-directional. Therefore, the null hypothesis used was: there is no statistically significant difference in borrowing habits before and after students received the debt letter. The alternative hypothesis was: there is a statistically significant difference in borrowing habits before and after students received the debt letter. This same hypothesis was used when addressing parts (a) and (b) of question one.

The analysis of research question one also included a frequency distribution list that examined the distribution of the total population, those who transferred from a community college, and those who were native students. The frequency distribution results were broken down by term (spring 2016 and fall 2016).

The paired t-test used for the second research question was also non-directional. Therefore, the null hypothesis used was: there is no statistically significant difference in borrowing habits before and after students received the debt letter for students who were financially needy. The alternative hypothesis was: there is a statistically significant difference in borrowing habits before and after students received the debt letter for students who were financially needy.

The analysis used for the first and second research questions was done using IBM SPSS Statistics software. To examine the first and second research questions, a paired t-



test was performed that was non-directional. Furthermore, the probability or p-value was set at  $p < 0.05$  for the paired t-test. Therefore, if the first or second research questions' paired t-test had a p-value less than 0.05, the researcher would have rejected the null hypothesis and assumed there was a statistically significant difference. The analysis of the first and second research questions also included a frequency distribution table. The frequency distribution table examined the before and after effects of the total percentage of loan used by each student in the spring term of 2016, as compared to the fall term of 2016.

The third research question examined the effect the debt letters had on the total disbursement of subsidized and unsubsidized loans for undergraduate students who received the debt letter and if the amount decreased during the fall 2016 term as compared to the spring 2016 term. The data were exported from the Banner software system and were sorted and calculated in Excel.

### **Summary**

This chapter discussed the methods and processes that were used to help answer the research questions. The population selection included those undergraduate students who received a debt letter from the land-grant institution during the summer of 2016. All of the students who received the letter had incurred some form of student loan debt in the past. A paired t-test was used during the data analysis to help answer the first and second research questions. A frequency distribution table was also used when analyzing question one. The actual total disbursement amounts per student were pulled from the Banner software system to help answer the third research question.

## CHAPTER IV

### RESULTS

The research study focused on what impact a debt letter had on a student's future borrowing decisions. Specifically, did students attending a 4-year land grant institution alter their borrowing habit for the fall 2016 term once they had specific information concerning what their total student loan debt was, and what their estimated monthly payment would be if they entered repayment? The research study analyzed the impact from several different points of view in an attempt to determine the full effect of the debt letter on those undergraduate students who received it.

The following three research questions were used to guide this study:

1. For all undergraduate students who received a debt letter during the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in fall 2016 as compared to spring 2016?
  - a. For community college transfer students who received a debt letter in the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in the fall 2016 as compared to the spring 2016?
  - b. For native students who received a debt letter in the summer of 2016, did they borrow less, as a percentage of their total available loan funds

(federal subsidized and unsubsidized loans), in fall 2016 as compared to spring 2016?

2. For all undergraduate students who were financially needy (Federal Pell Grant recipients in both 2015-16 and 2016-17) and received a debt letter in summer 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in fall 2016 as compared to spring 2016?
3. Did the actual total disbursed funds (federal subsidized and unsubsidized loans) for all undergraduate students at the institution begin studied who received the debt letter in summer 2016 decrease in fall 2016 after the letter was sent out as compared to spring 2016?

The selection criteria that was used for this study were students at a 4-year land grant institution who received the debt letter and included: (a) undergraduate students; (b) students enrolled during the spring 2016 term and the fall 2016 term; and (c) students who had some form of student loan debt at the end of the spring 2016 term. Using this criteria, the sample size used in this research study was 5,662 students.

### **Examination of Research Question 1**

The first research question of the study was the following: *For all undergraduate students who received a debt letter during the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in the fall 2016 as compared to the spring 2016? For community college transfer students who received a debt letter in the summer of 2016, did they borrow less, as a*

*percentage of their total available loan funds (federal subsidized and unsubsidized loans), in the fall 2016 as compared to the spring 2016? For native students who received a debt letter in the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in fall 2016 as compared to the spring 2016?* Table 3 below is the frequency distribution analysis for the entire population. There were a total of 5,662 students studied, of those 2,897 were community college transfer students and 2,765 were native 4-year university students. The distribution analyzed what each student borrowed, as a percentage (within a range), of their total available funds. This analysis was done for both the spring 2016 term (before the students received their debt letter) and then for the fall 2016 term (after they received their debt letter). Most students borrowed 100% of their total available funds for both terms. However, for each borrowing category with the exception of the last two (borrowed <59% and borrowed nothing), the total amount difference, as a percentage between the two years decreased after they received the debt letter. For example, the total number of students who borrowed 100% during the fall term of 2016 decreased by 456 students or 31% when compared to the spring term of 2016. The total number of students who borrowed less than 59% increased by 334 students or 41%. The category with the largest change was “borrowed nothing.” That category had an increase between the spring 2016 term and the fall 2016 term. During the spring 2016 term, only 61 students that were eligible for loans decided to borrow nothing. During the fall 2016 term, that number increased to 698 students or 1,044%. These students could have borrowed from sources other than federal loans. However, in most cases the loan terms (interest, repayment time, deferment, etc.) would have been at a disadvantage for the student as

compared to federal loans. The frequency distribution analysis showed a downward shift in borrowing habits for the students in this research study.

Table 3

*Frequency Distribution Information*

	All Students	Community College Students	Native 4-Year University Students
Total Students	5,662	2,897	2,765
Spring 2016 Term			
<i>Borrowed 100%</i>	4,423	2,219	2,204
<i>Borrowed 90% - 99%</i>	76	30	46
<i>Borrowed 80% - 89%</i>	311	181	129
<i>Borrowed 70% - 79%</i>	198	130	68
<i>Borrowed 60% - 69%</i>	240	124	116
<i>Borrowed &lt; 59%</i>	353	191	163
<i>Borrowed Nothing</i>	61	22	39
Fall 2016 Term			
<i>Borrowed 100%</i>	3,967	2,029	1,938
<i>Borrowed 90% - 99%</i>	48	30	18
<i>Borrowed 80% - 89%</i>	193	101	92
<i>Borrowed 70% - 79%</i>	191	118	73
<i>Borrowed 60% - 69%</i>	170	82	88
<i>Borrowed &lt; 59%</i>	395	194	201
<i>Borrowed Nothing</i>	698	343	355

A paired sample t-test was performed to determine if there was a statistically significant difference between what all students in the study borrowed as a percentage of their total available loans during the spring term of 2016, as compared to what they borrowed as a percentage of their total available loans during the fall term of 2016. The results of the test were significant,  $t(5,661) = 22.56, p < .005$ . The analysis indicated that there was a statistically significant decrease in the percentage of total available loan funds

used during the fall term of 2016 ( $M = 80.8\%$ ,  $SD = 19.4$ ,  $N = 5,662$ ) as compared to the spring term of 2016 ( $M = 91.7\%$ ,  $SD = 34.7$ ,  $N = 5,662$ ). Furthermore, Cohen's effect size value ( $D = .38$ ) suggest a small to medium difference between the two groups.

For community college transfer students who received a debt letter in the summer of 2016, a paired sample t-test was performed on this selected population to determine if there was a statistically significant difference between what they borrowed as a percentage of their total available loans during the spring term of 2016, as compared to what they borrowed as a percentage of their total available loans during the fall term of 2016. The results of the test were also significant,  $t(2,896) = 15.43$ ,  $p < .005$ . The analysis indicated that there was a statistically significant decrease in the percentage of total available loan funds used during the fall term of 2016 ( $M = 81.3\%$ ,  $SD = 34.2$ ,  $N = 2,897$ ) as compared to the spring term of 2016 ( $M = 91.5\%$ ,  $SD = 18.9$ ,  $N = 2,897$ ). Furthermore, Cohen's effect size value ( $D = .36$ ) suggest a small to medium difference between the two groups.

Finally, for native 4-year university students who received a debt letter in the summer of 2016, a paired sample t-test was performed on this selected population to determine if there was a statistically significant difference between what they borrowed as a percentage of their total available loans during the spring term of 2016, as compared to what they borrowed as a percentage of their total available loans during the fall term of 2016. The results of the test were also significant,  $t(2,764) = 16.46$ ,  $p < .005$ . The analysis indicated that there was a statistically significant decrease in the percentage of total available loan funds used during the fall term of 2016 ( $M = 80.3\%$ ,  $SD = 35.3$ ,  $N = 2,765$ ), as compared to the spring term of 2016 ( $M = 91.8\%$ ,  $SD = 20.0$ ,  $N = 2,765$ ).

Furthermore, Cohen's effect size value ( $D = .40$ ) suggest a small to medium difference between the two groups.

### **Examination of Research Question 2**

The second research question of the study was the following: *For all undergraduate students who were financially needy (Federal Pell Grant recipients in both 2015-16 and 2016-17) and received a debt letter in summer 2016, did they borrow less, as a percentage, of their total available loan funds (federal subsidized and unsubsidized loans), in fall 2016 as compared to spring 2016?* Table 4 below is the frequency distribution analysis for the entire population who were financially needy. There were a total of 2,402 students who were financially needy and received a debt letter in the summer of 2016. Of the total population, 1,194 were community college transfer students and 1,208 were native 4-year university students. Most students borrowed 100% of their available funds for both terms. However, there was a 6.92% decrease in the number of students who borrowed the maximum amount after they received the debt letter. Furthermore, the number of students who borrowed nothing in fall 2016 after receiving the debt letter increased by 1,483% as compared to spring 2016. Just as in the results of question one, these students could have pursued alternative loan funding, but in most cases it would have been at a greater financial cost (interest rates, terms, etc.) when compared to the benefits of federal loans.

Table 4

Frequency Distribution Information For Financially Needy Students

	All Students	Community College Students	Native 4-Year University Students
Total Students	2,402	1,194	1,208
Spring 2016 Term			
<i>Borrowed 100%</i>	1,907	913	994
<i>Borrowed 90% - 99%</i>	46	17	29
<i>Borrowed 80% - 89%</i>	46	25	21
<i>Borrowed 70% - 79%</i>	105	70	35
<i>Borrowed 60% - 69%</i>	121	69	52
<i>Borrowed &lt; 59%</i>	171	98	73
<i>Borrowed Nothing</i>	6	2	4
Fall 2016 Term			
<i>Borrowed 100%</i>	1,776	866	910
<i>Borrowed 90% - 99%</i>	27	15	12
<i>Borrowed 80% - 89%</i>	95	50	45
<i>Borrowed 70% - 79%</i>	111	73	38
<i>Borrowed 60% - 69%</i>	89	46	43
<i>Borrowed &lt; 59%</i>	209	98	111
<i>Borrowed Nothing</i>	95	46	49

During the fall term of 2016 a total of \$5,939,464 in Federal Pell Grants were paid out to students who received the debt letter. That is a decrease of \$44,650 as compared to the spring term Federal Pell Grant disbursements to the same population. A paired samples t-test was performed on all the students who received a Federal Pell Grant during the spring term of 2016 and also during the fall term of 2016. The results of the test were significant,  $t(2,401) = 8.491, p < .005$ . The analysis indicated that there was a statistically significant decrease in the percentage of total available loan funds used during the fall term of 2016 ( $M = 87.5\%$ ,  $SD = 25.8$ ,  $N = 2,402$ ), as compared to the



spring term of 2016 ( $M = 91.8\%$ ,  $SD = 17.7$ ,  $N = 2,402$ ). Furthermore, Cohen's effect size value ( $D = .19$ ) suggest a small difference between the two groups.

### **Examination of Research Question 3**

The third research question of the study was the following: *Did the actual total disbursed funds (federal subsidized and unsubsidized loans) for all undergraduate students at the institution being studied who received the debt letter in summer 2016 decrease in the fall 2016 after the letter was sent out as compared to spring 2016?* For the fall term of 2016, the total disbursed loans for all students who received the debt letter was \$18,952,888; during the spring term of 2016, the same population borrowed \$19,914,401. The decreased loan funds between terms represented a 5% drop in total disbursed loan funds (subsidized and unsubsidized). There was a total of 4,964 students who secured loans during the fall term of 2016 as compared to 5,601 during the spring term of 2016. For the fall term of 2016, the average student loan amount was \$3,818, as compared to \$3,555 for the spring term of 2016. The increased average loan amount was primarily due to the fact that a greater number of students decided not to borrow anything during the spring term of 2016 after receiving the debt letter. Therefore, the average loan debt calculation used a smaller population of students in the fall term of 2016, as compared to the spring term of 2016.

### **Chapter Summary**

This chapter reported the results of statistical analysis for each of the research questions. Based on the results it was determined that students who received the debt letter borrowed less as a percentage of their total available funds in the fall term of 2016

as compared to the spring term of 2016. The total population studied in this research borrowed 10.9% less of their available funds during the fall of 2016 as compared to the spring of 2016. When broken down into native and transfer students, the results were similar with students borrowing less as a percentage of their available funds during the fall of 2016 as compared to the spring of 2016.

## CHAPTER V

### SUMMARY, CONCLUSION, AND RECOMMENDATIONS

This chapter includes the summary, conclusions and recommendations based on the results of this study. This chapter also details the limitations, implications and recommendations based on the same results. Today, total student loan debt has reached \$1.2 trillion (Edwards et al., 2015). The purpose of this study was to determine if providing enrolled students at a 4-year land grant institution with information about their current debt level would have a positive impact on the amount of debt they secured in future terms. This study took a population of students who received a debt letter during the summer term of 2016 and reviewed the percentage of available funds they borrowed during the spring term of 2016 and compared it to the fall term of 2016 after receiving the letter. The students had to be enrolled in both the spring term of 2016 and fall term of 2016 to be included in this study. One of the goals for sending the letter was to allow students to be informed about their current level of debt before they incurred future loans. The thought was that students would review what they currently owe, examine their future needs, and hopefully borrow less as a percentage of their total available funds. Based on the research conducted, students did borrow less as a percentage of their available loan funds after receiving the debt letter. Each debt letter detailed the student's total outstanding loans and was subdivided by the following categories: federal

subsidized and unsubsidized loans, federal Perkins loans, institutional loans, alternative loans and other loans originated at the 4-year land grant institution.

The letter also included an estimate of what the students' monthly repayment would be if they entered repayment based on their loan debt listed in the letter. The repayment term was set at 10 years, which is the standard repayment term for most federal loans (Choy & Li, 2006) with an average interest rate of 6.8%. The following research questions guided the research study:

1. For all undergraduate students who received a debt letter during the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in fall 2016 as compared to spring 2016?
  - a. For community college transfer students who received a debt letter in the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in fall 2016 as compared to spring 2016?
  - b. For native students who received a debt letter in the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in fall 2016 as compared to spring 2016?
2. For all undergraduate students who were financially needy (Federal Pell Grant recipients in both 2015-16 and 2016-17) and received a debt letter in summer 2016, did they borrow less, as a percentage of their total available loan funds

(federal subsidized and unsubsidized loans), in fall 2016 as compared to spring 2016?

3. Did the actual total disbursed funds (federal subsidized and unsubsidized loans) for all undergraduate students at the institution being studied who received the debt letter in summer 2016 decrease in fall 2016 after the letter was sent out as compared to spring 2016?

### **Summary of Findings and Conclusions**

Chapters one through four of this dissertation presented the introduction, review of literature, method of research, and results. Below is a brief summary of each chapter.

Chapter one introduced a brief summary of the federal student loan program and included an overview of the annual loan limits that students can borrow. Chapter one also included a statement of the problem, purpose of the study, research questions, methods, delimitations, and finally, the significance of the study. The research study intended to show the decisions students make about incurring future federal subsidized and unsubsidized student loans based on the information they received in their annual debt letter.

Chapter two included a review of the literature that helped the reader comprehend the issues related to excessive student loan debt. Edwards et al. (2015) reported that student loan debt is reaching \$1.2 trillion. The literature review revealed that the graduating class of 2015 had the highest average student loan debt in history. The average debt for those that graduated from a 4-year public college was \$30,100 (Cochrane & Cheng, 2015). The literature review also demonstrated that some students did not have an accurate concept of how much they owed or even that they had student

loan debt. A study done by Andruska et al. (2014) showed that 13% of the students in the study reported they did not borrow a student loan when in fact they did. Andruska et al. (2014) also indicated that 37% of the population in the study underestimated their debt by more than \$10,000. Nationally, 68% of college seniors who graduated from a public or private nonprofit college had student loan debt (Cochrane & Cheng, 2015). The literature review demonstrated the need to research and determine if a debt letter provided a positive source of information that helped students determine if they needed to borrow less. what There was no literature found on the implications of providing currently enrolled students with a letter detailing what they owed in an attempt to have a positive impact on their future borrowing decisions. However, Burdman (2012) interviewed employees at a dozen community colleges in California including Santa Rosa Junior College looking for best practices for promoting responsible borrowing by their students. Santa Rosa Junior College students were required to complete a multi-year borrowing plan worksheet. The worksheet asks the students to list their current total indebtedness and the amount they plan to borrow each year while they are in college. The worksheet also asks the student to determine what they will borrow once they transfer to a 4-year college. The worksheet is designed to help students think about the total loans they might accumulate over the course of a college program.

Chapter three outlined the methods and processes used to determine the impact of the students' 2016-17 award year borrowing decisions based on information they received in the debt letter. The participants in this study were selected if they received a debt letter during the summer of 2016, were enrolled in at least six credit hours during the fall term of 2016, had not graduated during the summer term of 2016, and had not maxed

out on other available aid which would have excluded them from securing student loans during the fall term of 2016. A non-directional paired t-test and a frequency distribution table was used to help answer research question one. A non-directional paired t-test was also used to help answer research question two. To answer the third research question, disbursement data was exported from the Banner software system and was sorted and calculated in Excel.

Chapter four reported the results of statistical analyses used to examine each of the research questions and help formulate conclusions. Student loan disbursement data was used from the spring term of 2016 (before students received the debt letter), then it was compared to the student loan disbursement data for the fall term of 2016 (after students received the debt letter) to help answer the research questions. The analysis demonstrated that there was a statistically significant decrease in the percentage of total available loan funds used during the fall term of 2016 compared to the spring term of 2016 for both transfer and native students as well as for financially needy students. Below are the findings and conclusions for each of the research questions.

Research Question 1: *For all undergraduate students who received a debt letter during the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in fall 2016 as compared to the spring 2016? For community college transfer students who received a debt letter in the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in the fall 2016 as compared to the spring 2016? For native students who received a debt letter in the summer of 2016, did they borrow less, as a percentage of their total available loan funds (federal subsidized and*

*unsubsidized loans*), in fall 2016 as compared to spring 2016? The research showed for all students who received the debt letter, they borrowed on average less as a percentage of their total available funds during the fall term of 2016 compared to the spring term of 2016. A paired sample t-test was performed to determine if there was a statistically significant difference between what all students in the study borrowed as a percentage of their total available loans before and after they received the debt letter. There was a statistically significant decrease in the percentage of total available loan funds used during the fall term of 2016 compared to the spring term of 2016. This reduction in what students borrowed as a percentage of their available funds is an important factor when considering that the average debt for students who graduated from public and private nonprofit colleges in 2015 was \$30,100 (Cochrane & Cheng, 2015).

Using a paired sample t-test, the research also showed that community college transfer students who received the debt letter showed a statistically significant decrease in the percentage of total available loan funds used during the fall term of 2016 compared to the spring term of 2016. Webster (2014) found that the resident community college tuition for a 4-year period ending in 2013-14 increased by 36.8% nationally. This puts more financial pressure on students to fund their education. For many community college students, they lack the understanding of how student loans work and the long-term costs and benefits of securing student loans while enrolled in college (McKinney et al., 2013). Therefore, debt letters showing what students owe could fundamentally change what resources (other than student loans) students pursue to help cover their educational cost. This could be beneficial to all students including those that are at a higher risk of borrowing. In a study by England-Siegerdt (2010), community college students who were



older, financially independent of their parents, or had higher family incomes were more likely to borrow student loans. This population could certainly benefit from a debt letter and change their thinking of how to fund their education.

Finally, using a paired sample t-test, the research showed that native college students who received the debt letter showed a statistically significant decrease in the percentage of total available loan funds used during the fall term of 2016 as compared to the spring term of 2016.

*Research Question 2: For all undergraduate students who were financially needy (Federal Pell Grant recipients in both 2015-16 and 2016-17) and received a debt letter in summer 2016, did they borrow less as a percentage of their total available loan funds (federal subsidized and unsubsidized loans), in fall 2016 as compared to spring 2016?*

The research showed for those students who received the debt letter and also received a Federal Pell Grant, there was a statistically significant decrease in the percentage of total available loan funds used during the fall term of 2016 compared to the spring term of 2016. Federal Pell Grants help reduce the overall cost of education, but they are a need-based grant, and family income is a large deterring factor in the qualifying methodology (Ifill, 2016). The average Federal Pell Grant disbursed to students who received the debt letter during the fall term of 2016 was \$2,472. During the spring term of 2016 the same population received an average disbursement of \$2,491. The average decrease in Federal Pell Grant disbursement between the two terms did not negatively impact the students' borrowing decision (i.e., increase borrowing) during the fall term of 2016 even though the average Pell Grant was \$19 less than what was received during the spring term of 2016. The 2012-13 Federal Pell Grant Program End-of-Year Report (2013) indicated that

the Department of Education disbursed Federal Pell Grants to 8.9 million students. Federal Pell Grants are a resource that can help offset the educational cost for students. However, Federal Pell Grants have not kept up with the rising tuition rates across the country. For the 4-year period ending in 2013-14, the maximum Federal Pell Grant only increased by 3% (IFAP, 2010).

Research Question 3: *Did the actual total disbursed funds (federal subsidized and unsubsidized loans) for all undergraduate students at the institution being studied who received the debt letter in summer 2016 decrease in fall 2016 after the letter was sent out as compared to spring 2016?* The researcher showed that the total disbursed loans for all students at the institution who received the debt letter was \$18,952,888 during the fall term of 2016. That was 5% less than what was borrowed during the spring term of 2016 which was \$19,914,401. Easy access to student loans is one of the many contributing factors that are leading to an alarming increase in student loan debt. Furthermore, student loans make accessibility to college possible for many students. On average, 16.7% of public community college students and 40.1% of all other undergraduates secure some type of federal student loan (Juszkiewicz, 2014). When compared to 4-year colleges, community college students have a lower level of financial literacy (Starobin et al., 2013). Therefore, community colleges need to be more proactive in their attempt to interact with students and help them understand the concept of student loans. The interaction should include student loan workshops, integrated financial literacy programs as part of the curriculum for first-year student success courses, and an overview of student loans during new student orientation events (McKinney et al., 2014). The research indicated that students were borrowing less as a percentage of their total

available funds after receiving the debt letter. Based on the literature review, there has been little research on the affects of providing students with a debt letter before they made future decisions about securing federal student loans. Therefore, this research provided for the first time encouraging results about students and what decisions they are making based on current knowledge about their total level of indebtedness.

### **Limitations**

One major limiting factor was the short time-line that the amount of loan debt incurred was examined in this research. Students received the loan debt letter during the summer of 2016. The research study examined what student loans those students secured during the fall term of 2016 after receiving the letter compared to the spring term of 2016. This represented only a small snap-shot of time when the students were incurring debt.

The data used in this research project were extracted from the Banner software system. There was the possibility that some data could have been input incorrectly on an individual basis.

### **Implications for Practitioners**

The results of this research study showed that students who received the debt letter borrowed a smaller percentage of their total available loan funds in the semester following the receipt of the letter. These results could have a positive impact on a college's default rate if students are borrowing less money. Each college that participates in the Department of Education Title IV federal financial aid program has a default rate that is published each year. Colleges with high default rates can lose their ability to

participate in the Title IV program. Therefore, it is in the interest of these colleges to help students graduate with the lowest possible loan debt which will help insure the students' success while in repayment.

For students who are considering enrollment in a particular college, a default rate can be seen as an indicator of how successful prior students who attended the college were. For example, a college with a high default rate could be interpreted by future students as the college not properly educating or training them, thereby affecting their ability to secure good jobs, which can ultimately have a negative impact on their student loan repayment. The official national cohort student loan default rate for fiscal year 2013 was 11.3% for all colleges, and the public community college default rate was 13% for fiscal year 2013. Furthermore, the default rate for the 4-year land grant university where this research was conducted was 8.2% for FY2013 (U.S. Department of Education, 2016).

Based on the results of this research study and because the average debt for students who graduated from public and private nonprofit colleges in 2015 was \$30,100 (Cochrane & Cheng, 2015), the researcher recommends that colleges provide their students with a debt letter on an annual basis. According to Andruska et al. (2014), for any student, the implications of not knowing the amount of student loan debt they have accumulated or underestimating that debt could have a long-term negative impact on their financial well-being. Therefore, the researcher recommends that the letter be sent out annually through the mail and also be posted on the college's secure website where the amounts could be updated daily. This will allow students, at anytime, to log into their student account and review in real time, what they owe in student loans. All available

student loan information that the college might have should be included in the debt letter so that students fully understand their current loan indebtedness and help them make better informed decisions about future borrowing.

### **Recommendations for Future Research**

The research and data analysis showed that supplying currently enrolled students with a debt letter had a positive impact on future borrowing decisions. However, further research is needed within this area. Below are recommendations based on the positive results of this research study that should be considered in the future:

1. The research should be expanded to include graduate students. Their borrowing abilities are greater than undergraduate students; therefore, they are more susceptible to larger amounts of loan debt.
2. Include a component in future research that identifies the student's major. Students pursuing degrees with historical low annual income should be researched further to determine the return on investment.
3. Develop an assessment tool for students who received the debt letter and determine their academic outcomes in future years (graduate, drop, still enrolled, etc.) while comparing their total student loan debt to those who never received the debt letter from prior years.
4. Research the students who did not secure any student loans after receiving the debt letter and determine what resources they secured to pay their educational expenses.
5. Conduct surveys to determine what impact the debt letters had on students while emphasizing the following research areas:

- a. Did the letter have an impact on your perceptions of student loan debt?
  - b. Did the letter have a positive or negative impact on your future decisions about securing student loans?
  - c. Was there any effort on your behalf to accelerate your educational endeavors so that your student loan debt would be reduced?
6. Research the loan status (in repayment and current, in repayment and past due, in default, in deferment, etc.) for those students who received the debt letter compared to those who did not receive a letter.
  7. Research what the student who received the debt letter borrowed in future years and if the letter had an impact on their overall debt at graduation.

### **Chapter Summary**

Chapter five provided an overview of the entire research study. It also reviewed all three research questions in greater detail. There were a total of 5,662 students studied, of those 2,897 were community college transfer students and 2,765 were native 4-year university students. The research analysis showed a significant change in borrowing habits for those students who received the debt letter. For example, the total number of students who borrowed 100% during the fall of 2016 decreased by 456 students or 31% when compared to the spring of 2016. Furthermore, students who borrowed nothing in the fall of 2016 increased to 698 students or 1,044% when compared to the spring of 2016. These figures are substantial and represent a fundamental change in student thinking when securing additional student loans based on the results of the research. Students who received the letter borrowed less as a percentage of their total available

funds after receiving the debt letter as compared to before receiving the debt letter. Furthermore, financially needy students borrowed less as a percentage of their total available funds after receiving the debt letter. The number of financially needy students who borrowed nothing in the fall of 2016 increased by 1,483% as compared to the spring of 2016. The final analysis of this research project showed that there was a significant impact on students borrowing decisions after they received a debt letter outlining what they currently owe.

This chapter also detailed the limitations of the study and recommendations for practitioners and for future research.

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APPENDIX A  
INSTITUTIONAL REVIEW BOARD APPROVAL

Monday, July 31, 2017 at 11:21:50 PM Central Daylight Time

**Subject:** Not Human Subjects Research - IRB-17-281, Student Loan debt for community college transfer students and how debt information letters impact future borrowing decisions

**Date:** Monday, May 22, 2017 at 3:54:51 PM Central Daylight Time

**From:** nrs54@msstate.edu

**To:** McKinney, Paul, Armstrong, Clay, Xu, Jianzhong, Fincher, Mark, King, Stephanie

Protocol ID: IRB-17-281

Principal Investigator: Kenneth McKinney

Protocol Title: Student Loan debt for community college transfer students and how debt information letters impact future borrowing decisions

The review of your study referenced above has been completed. While we sincerely appreciate the submission of your study, it was determined that your research does not require HRPP/IRB oversight at this time.

If in the future, if your research changes, or you feel that the intent has changed, please feel free to contact our office to determine if an existing data application should be submitted.

Though your research does not require HRPP/IRB oversight, we strongly encourage you to use best practices in the conduct of your research. These can include but are not limited to: (a) providing information pertaining to the study so that the participant can make an informed decision; (b) giving them your contact information for future reference; (c) explaining their participation is voluntary and they can stop at any time without penalty; (d) and (e) proper recruitment of participants.

The project may proceed without further review from this office.

If you have any questions about this determination, please contact the HRPP.

APPENDIX B  
SAMPLE DEBT LETTER

☐  
☐  
☐  
☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

Jane Doe ☐  
777 South Montgomery Street ☐  
Somewhere, MC 9759 ☐  
☐

Dear Jane: ☐  
☐

This is a personalized summary of your estimated current student loan debt. This information is being provided to you before you take on additional debt for the upcoming academic year. We encourage you to make use of the academic and financial planning resources suggested here to minimize future borrowing while you complete your degree at State University. This is not a bill. You will not enter repayment until after you graduate or fall below half-time status. ☐  
☐

### Estimated of Your Total Education Loans: ☐ \$12,000 ☐

\*See the "Important Information" section on the other side of this letter regarding all loan estimates. ☐

#### Interest Rates ☐

Student loan interest rates vary based on when you borrowed and the loan type. Calculations in this letter are estimated at 6.8%. ☐

#### Estimated Monthly Payment - All Loans ☐

Total Education Loans: ☐	\$12,000 ☐
Standard Repayment Term: ☐	10 years ☐
Assumed Interest Rate: ☐	6.8% ☐
Monthly Payment: ☐ ☐	\$138.10 ☐
Cumulative Payments: ☐	\$16,571.38 ☐
Projected Interest Paid: ☐	\$4,571.38 ☐

#### Loan Types ☐

The estimated total of your education loans includes amounts below, based on State University's records: ☐

Federal Stafford Loans: ☐	\$10,000 ☐
Federal Perkins Loans: ☐	\$2,000 ☐
Private Loans Certified at State: ☐	\$0 ☐
Alternative Loans Certified at State: ☐	\$0 ☐
Other Loans Certified at State: ☐	\$0 ☐
(May include Graduate PLUS) ☐	

#### Academic & Financial Planning Resources ☐

You are invited to make an appointment with our Financial Literacy Coordinator by e-mailing john@state.edu to review your loan debt, talk about future borrowing and discuss repayment options. ☐  
You can also find Budget help on our website at [Bull Budgets](#). ☐

Loans offered for the upcoming academic year are not included in the figures provided in this letter. There is still time for you to reduce future debt by planning your expenses carefully and borrowing only what you really need. Meet with your advisor and set a plan to expedite completing your degree, if possible. ☐

The standard 10-year repayment plan for Federal Stafford Loans is one of many options. To find out about alternatives, visit this site: <https://studentaid.ed.gov/repay-loans/understand/plans>

To calculate payments on loans of all types, or to estimate your monthly obligation for your cumulative debt under various repayment options, visit this website: <http://studentaid.gov/repayment-estimator>

### Important Information about These Loan Estimates

**\*IMPORTANT: Figures provided in this notice are NOT a complete and official record of your student loan debt.** The federal loan data is provided primarily by National Student Loan Data System (NSLDS) through the AFSA results received by State University. Due to timing and processing issues, the federal loan amounts may not be the latest and most accurate amounts. The most accurate information about your Federal Student Loans (excluding Title IV and III Health Profession Loans) is available in the NSLDS [http://www.nsls.ed.gov/nsls\\_SA/](http://www.nsls.ed.gov/nsls_SA/) Log in using your personal information and the SAID you used to sign your AFSA.

The following are not included in these estimates:

- Recent consolidated loans, recently discharged or forgiven loan debt, and recent loan payments
- Graduate PLUS Loans, Federal Health Profession Loans, State or Institutional Loans and Private Loans from other institutions
- Federal Health Profession Loans, Institutional Loans and Private Loans certified at State University before 2004-2005
- Interest that accrues while you are enrolled, which must be paid first or capitalized (added to your debt), has not been projected here
- State Teaching Scholarships and Federal TEACH Grants, which may be converted to loans if scholarship terms and conditions are not met by the recipient
- Education Loans your parent took out on your behalf, and parent loans you may have taken for your children