

2001

## **The Open Gates: the Rise of Student Loan Indebtedness and the Social Processes of Borrowing Money in the Pursuit of Higher Education.**

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**THE OPEN GATES: THE RISE OF STUDENT LOAN INDEBTEDNESS AND  
THE SOCIAL PROCESSES OF BORROWING MONEY IN THE PURSUIT  
OF HIGHER EDUCATION**

**A Dissertation**

**Submitted to the Graduate Faculty of the  
Louisiana State University and  
Agricultural and Mechanical College  
in partial fulfillment of the  
requirements for the degree of  
Doctor of Philosophy**

**in**

**The Department of  
Educational Leadership, Research and Counseling**

**by**

**Wendell Wayne Brumfield  
B.A., The University of Southwestern Louisiana, 1980  
M.A., Southeastern Louisiana University, 1986  
December 2001**



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## **ABSTRACT**

The purpose of this study is to examine the perceptions of students at a two-year college about their student loan debt management and the level of indebtedness incurred as a result of utilizing student loans.

A survey was conducted in the Spring 2001 semester at Louisiana State University at Eunice in which a systematic random sample was selected. The 37-question survey instrument used in the study included 15 demographic questions and one-open ended question requesting respondents to provide suggestions that could be used to help other students. In addition, 21 perception statements were asked loan recipients.

This study found that students do not understand their loan debt, payment options, and interest rates on their loans. Over 30 percent of the students in this study used credit cards to pay for college expenses. Students did not receive counseling services related to utilizing student loans, and debt management in particular.

Five factors were identified through the factor analysis as constructs developed from the 21 perception statements. Factor 3, Perceptions of the Loan Process as a Last Resort explained 25.2 percent of the variance in students' understanding of their perceptions of the loan process. There were nine variables which entered into the model. Total student loan debt incurred so far during college; whether or not the student was African American; expected income after graduation to be \$35,000 to \$45,000; expected family income after graduation to be \$65,000 to \$75,000; family income \$35,000 to \$45,000; expected income after graduation to be \$35,000 to \$45,000. Additional variables included: estimate your credit card debt; are you receiving scholarships, and types of financial aid received while at LSUE (Grants).

Focus groups and case study data were consistent in revealing that loan recipients lack basic knowledge about the student loans they were using to pay for college expenses. Focus groups and case study respondents worried about their loan debt, over half did not know the interest rates on their loans, and all agreed that their student loan debt would impact their ability to purchase a home or car after graduating from college.

## **PROLOGUE**

A college student receives a letter from his lender indicating the grace period has now expired and it is time to begin payment on his student loans. He is instructed to visit his lender to arrange for payment as soon as possible. Since his lender is a local bank in his city, he decides to visit the loan department to inquire about the status of his student loan. He walks into the bank, looks around, and sees a teller window with a sign that reads "student loans." He casually walks over to the teller to inquire but before he can say a word, the teller asks if he is ready to start paying his student loans or if he just wants to check the status of his grace period. Looking distraught and confused, the student replies, "I thought the grace period was the time you spent praying for the money to make your payment." This student's response typifies the level of understanding many students have about their student loan indebtedness (<http://www.frankandernest.com> 1999).

## **CHAPTER 1**

### **Introduction**

During the 1990s, concerns about college and university tuition and fees reached a feverish pitch. The center of the debate revolved around the ways with which many students and their families finance higher education services. Most of the debt that college students accrued is debt accumulated by taking out multiple student loans (American Association of State Colleges and Universities (AASCU), 1998). Rapidly rising tuition and student loan indebtedness has prompted institutions to examine the ways in which they deal with internal practices, both administratively and financially (AASCU, 1998). This study examines the social processes through which students decide to borrow their level of understanding about their own indebtedness, and their patterns of either default or repayment on their loans after separating from college.

### **Background of the Problem**

Tuition at America's colleges and universities has risen significantly in the last decade (Mortenson, 1998). Recent national surveys indicate that, for the most part, Americans overwhelmingly support the federal government's role in financing educational opportunities to help students go to college. A national public opinion survey released by the Student Aid Alliance indicates that a majority of the public believes financial aid is important and "without financial aid, most low and middle-income families cannot afford to send children to college." Approximately 90 percent of those surveyed believed that "by providing financial aid for people who want to go

to college, the federal government is investing in America's future" (The American Council on Education, 1999).

However, while most Americans believe that investing in a college education is worth the cost, they do not believe college is affordable (Knowledge Gap, May 1998). A recent article in U.S. News and World Report suggested that "American higher education has an image problem" and students and parents believe educational institutions are "gouging them" (U.S. News and World Report, 9/7/98). The perceived "gouge factor" experienced by students and parents are related to the sharp increase in college tuition and fees over the last two decades. The portion of institutional revenue derived from tuition at public four-year state colleges and universities rose four percent from 1997-98 to 1998-99 from an average of \$3,119 per student to \$3,243. Average room and board costs rose 4.1 percent during that same period. As the portion of institutional revenue from state appropriations continues to decline, tuition as a revenue source will likely increase, thus increasing the amount of money students will need to borrow to finance their college education (AASCU, 1998).

Although the cost of attending colleges and universities has continued to escalate, the College Board reported signs of positive trends in a cost containment study (<http://www.collegeboard.org>, 1999). In 1999-2000, the study reported that college tuition and fees increased less than five percent across the board for all categories of higher education institutions. Gaston Caperton, president of the College Board, viewed that as a "very positive trend for American families." He acknowledged that \$64 billion (an increase of four percent over the previous year) had been made available in 1998-1999 federal financial aid programs. According to Caperton,

inaccurate and misleading information about financial aid availability has led to college tuition pricing being over-estimated by many families. Caperton warned however, “such misimpressions are especially detrimental for thousands of minorities and immigrant students and their parents, who might be led to think that college is out of their financial grasp.” He particularly encouraged financially disadvantaged families to give serious consideration to the “great value of local community colleges” which still cost less than \$2,000 per year (Hopeful Signs, College Board, 1999).

### **Statement of the Problem**

Approximately \$64 billion was available in federal student aid programs in 1998-99, which is 85 percent more aid money for students than a decade ago after adjustments for inflation. Most of this aid money is distributed as student loans. Student loans now comprise 58 percent of total aid as compared to just over 40 percent in 1980-81 (Shared Responsibility, College Board, 1999).

The Pell Grant program as a percentage of the total cost of attendance at public four-year institutions declined from 50 percent in 1987-88 to 35.3 percent in 1997-98 (AASCU, 1998). Hence, with the purchasing power of the Pell Grant decreased far below what it was in the 1970s, more students are borrowing money to pay for higher education services. This shift from grants to loans as the primary source of student financial aid has led the American public to view public higher education as more a “private good than a public good” (AASCU, 1998). This public/private good phenomenon in higher education strikes at the heart of the public policy debate about higher education finance, which centers on the following two questions:

1) How will institutions develop innovative means to maintain a high level of instructional quality in the face of declining state appropriations?

2) How will institutions provide needed financial assistance to students and their families, to lessen the loan indebtedness currently burdening millions of students as they pursue higher education (AASCU, 1998)?

As higher education continues to become more important to an individual's earning capacity; one of the greatest challenges it faces is how to articulate to the public the economic value higher education services provide, and how that value transcends costs to students and families. The value-added concept and the heightened consumer awareness of American families means that higher education institutions must provide a balance of financial aid services that directly address the converse relationship that currently exists between grants and loans (AASCU, 1998).

### **Significance of the Study**

As higher education costs rise, students and their families will continue to rely on government programs to help finance a college education (Stoffer, 1995). The shift to a system that relies on student loans to finance higher education has "turned the original commitment to equal opportunity on its head" (Gladieux, 1995). Student loans are now the major source of funding utilized by students, including those considered low income. According to Fossey, "with the growth of the federal student loan program, loan volume has ballooned; more than doubling in just six years" (Fossey, 1998). Thus, most loans exacerbate an overwhelming amount of debt that will strap students financially, and add considerable financial instability to their lifestyle choices for years to come.



The student loan default rate has fallen every year since 1990, even as loan borrowing continues to rise. The 1999 decline marked the fourth consecutive year the default rate has been below ten percent, and the ninth straight year the default rate has declined (See Table 1.1).

**Table 1.1: Cohort Default Rates.**

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
22.40	17.80	15.00	11.60	10.70	10.40	9.60	8.8	6.9	5.6

**Source: U.S. Department of Education, Office of Postsecondary Education.**

#### **Institutional Default Rates 2-year and 4-year Institutions**

Institutional default rates vary across institutional types. The cohort default rates for two-year and four-year institutions are shown below for the years 1996, 1997, and 1998 (See Table 1.2).

**Table 1.2: Institutional Default Rates by Type of Institutions.**

<b>1996-Public</b>				
<b>Public</b>	<b># of Schools</b>	<b>Borrowers Default Rate</b>	<b># of Borrowers in Default</b>	<b># of Borrowers entered Repayment</b>
<b>2 year Institutions</b>	1,071	13.3%	35,996	270,232
<b>4 year Institutions</b>	697	7.0%	59,282	847,346
<b>1997-Public</b>				
<b>2 year Institutions</b>	1,045	12.7%	36,334	286,041
<b>4 year Institutions</b>	665	6.9%	62,268	908,013
<b>1998-Public</b>				
<b>2 year Institutions</b>	1,016	10.7%	31,477	297,220
<b>4 year Institutions</b>	646	5.7%	53,350	924,087

**(Table 1.2 continued)**

<b>1996-Private</b>				
<b>2 year Institutions</b>	437	12.4%	3,477	27,966
<b>4 year Institutions</b>	1,591	6.5%	36,381	553,503
<b>1997-Private</b>				
<b>2 year Institutions</b>	395	11.0%	3,010	27,405
<b>4 year Institutions</b>	1,591	5.8%	33,752	581,066
<b>1998-Private</b>				
<b>2 year Institutions</b>	357	8.4%	2,194	26,146
<b>4 year Institutions</b>	1,568	4.5%	26,907	597,361

**Source: Institutional Default Rate Reduction Initiative Comparisons FY 96-97-98. Cohort Default Rates as of October 2000.**

In fiscal year 1998, the Federal Family Education Loan Program (FFELP) and the William D. Ford Direct Loan Program (FDLP) provided student borrowers with nearly 8.4 million loans totaling more than \$30 billion. However, when borrowers fail to meet their financial obligations to repay the loans they borrowed, it is ultimately the federal government that repays the defaulted loans. In 1998, the Department of Education (DOE) paid \$2.1 billion in default claims on FFELP and FDLP. To protect the government from substantial risk of the cost of high default rates, the Department now excluded schools from participating with default rates that exceed 25 percent for three or more consecutive years (GAO/HEHS-99-135). As a result of the Department Default Management Initiative, sanctions were imposed on schools with high default rates in 1989. By 1991, approximately 1,180 schools lost eligibility to participate in the student loan program (<http://www.ed.gov>). Thus, much of the decline in the default

rate since 1990 is a result of the aggressive oversight by the Department of Education and the elimination of schools with high default rates from federal student loan programs.

Historically Black Colleges and Universities (HBCU's), tribally controlled community colleges and Navajo post-secondary institutions receive special statutory exemptions from loss of eligibility of Title IV federal financial aid programs (<http://www.ed.gov/biennial>). The Default Reduction Initiative, as required by the Higher Education Act of 1965, provides the Department of Education (DOE) with the authority to place restrictions on schools and/or remove them from participation in Title IV financial aid programs. Under default reduction, DOE can impose restrictions on institutions that seek to qualify for Federal Family Education Loan Program (FFELP) if the school has a cohort default rate of 25 percent for three consecutive years. For example, if an institution had a cohort default rate above 25 percent for fiscal year '93, '94, and '95, that institution would lose eligibility to participate in Title IV programs (<http://www.ed.gov/biennial>).

For many years, Congress acknowledged the special role HBCU's and tribal colleges played in providing access to post-secondary education. Students attending HBCU's and tribal colleges have a greater reliance on federal student loans; they also default sooner than students attending other colleges. The default rate for those students is generally double the rate of other 2-year and 4-year institutions. For the most part, they usually come from disadvantaged socioeconomic and academic backgrounds; furthermore, most often require greater financial need and reliance on student loans to pay the cost of education. In 1996, students attending HBCU's and

tribal colleges received \$910 million in student loans and accounted for 1.9 percent of the fall 1995 enrollment at all 2-year and 4-year public and private institutions. They were awarded 3.5 percent of the total dollar volume of student loans under the Federal Family Education Loan Program (FFELP) and the William D. Ford Direct Loan Program (FDLP) in fiscal year 1996. The exemption from the 25 percent default rate for three years for HBCU's and tribal colleges was granted based on the characteristics of the students they enroll (GAO/HEHs-98-90).

Numerous reports by the General Accounting Office and other government agencies have cited fraud and abuse in the federal student loan program. Under pressure from Congress, DOE increased its oversight and began aggressive reforms to reduce the default rate. Improvement in the default rates is evident. However, the General Accounting Office (GAO) has raised concerns about the way the Department of Education calculates default rates. In a report entitled "Default Rates Need to be Computed More Appropriately," the GAO took issue with the way in which DOE used deferments and forbearance in calculating default rates. This issue involves borrowers who have been approved through their lender or loan servicer for a deferment or forbearance. Deferment "is a postponement of payments for such reasons as continued study, inability to find work, or economic hardship." Payments can be deferred up to three years. Forbearance, on the other hand, "is permission to temporarily suspend payments, make smaller payments, or extend the time for making payments because of poor health or other acceptable reasons." Borrowers can be granted forbearance up to one year at a time. Students classified with deferments or forbearance are included in the number of borrowers who began repayment during the fiscal year of a two-year

cohort period. They are not counted in the number of borrowers who began repaying their loans during the first fiscal year of a two-year cohort period and who defaulted on their loan by the end of the second fiscal year. Thus, the number of borrowers in default is divided by a number that the GAO believes is inflated. Therefore, the GAO believes “the default rate is understated” (GAO/HEHS-99-135).

Between 1993 and 1996, the percentage of borrowers with loans in deferment or forbearance rose precipitously and more than doubled from 5.2 percent of borrowers to 11.3 percent. The GAO estimates that by excluding borrowers with loans in deferment or forbearance entirely from the method of calculating cohort default rates, the overall effect on the default rate in 1996 would increase from 9.6 percent to 10.9 percent respectively. Furthermore, excluding borrowers with deferments and forbearance would also increase the number of schools with default rates exceeding the 25 percent threshold by 181 schools, from 352 to 533 or 51 percent increase. Under the law, schools with a default rate of 25 percent for three consecutive years become ineligible to participate in Title IV federal financial aid program (GAO/HEHS-99-135).

Invariably, deferments and forbearance have increased the amount of dollars not going into repayment. When the percentage of borrowers who were granted deferment or forbearance on their loans doubled, the number of student borrowers utilizing the deferment and forbearance option increased from 96,000 to 227,000 across institutional types, an increase of 136 percent. If the average loan taken by the 227,000 students in deferment and forbearance in 1996 was \$3,500, the cost to the government to pay claims on those loans would exceed \$795,500,000. The Louisiana Office of Student Financial Assistance, the guaranty agency for the state of Louisiana, reported

that in fiscal year 1998-1999, loans in repayment totaled \$763,849,071 compared to \$837,815,165 in repayment in fiscal year 1999-2000 or 9.69 percent increase. In contrast to fiscal year 1998-1999, when student loans in deferment totaled \$77,454,014, deferred loans totaled more than \$155 million 1999-2000, an 80 percent increase. Louisiana figures illustrate that more students are taking advantage of the leniency in deferments and forbearance rules approved by the Department of Education (See Table 1.3).

**Table 1.3: Deferments and Forbearance.**

<b>Borrowers in Deferment and Forbearance</b>				
<b>Institution Type</b>	<b>Year</b>	<b>Percent Increase</b>	<b>Year</b>	<b>Percent Increase</b>
<b>2 year Public and Private</b>	1993	5.7%	1996	11.4%
<b>4 year Public and Private</b>	1993	5.7%	1996	13.0%

**Source: General Accounting Office, Report to Congress-GAO/HEHS-99-135.**

The Department of Education reduced default rates by taking aggressive measures to pursue student borrowers who decided not to repay their loans. Students who default on their loans face an uncertain financial future under Title IV of the Higher Education Act. Default occurs when borrowers fail to pay back their loans for 270 days if paid in installments or 240 days if the payments are due in less frequent installments. During the time the loan is delinquent, the lender is required by law to exercise “due diligence” while attempting to collect on the loan. Due diligence means the lender must make repeated attempts to locate the borrower and arrange a repayment schedule. If the lender attempts to locate borrower is unsuccessful, the loan is placed in default and a claim is filed against the guarantor. When the guarantor pays the lender’s claim on the defaulted loan, the loan is owed in full to the guarantor and the borrower is responsible for paying the entire loan amount (<http://www.losfa.state.la.us>).

### **Consequences of Default**

When a default student loan is assigned to the Louisiana Office of Student Financial Assistance, student borrowers face the certainty of negative consequences. Credit bureaus will be notified of the default. The guarantor will provide monthly updates on the loan balances until the default is paid in full. The student borrower now has an adverse credit history and the information sent to the credit bureaus is not deleted from the borrower's credit history report (LOSFA, 1999). The guarantor will refer the default to the Treasury Department for collection by "offset" against federal income tax refunds and other monies payable to the defaulter. The Treasury will match the borrower's social security number with tax returns; the amount of the federal income tax return will be offset by the amount of earned income tax credit due the borrower. Refunds payable to married couples filing jointly are also offset. State guarantors may seize a borrower's state income return by offset without prior notification to the borrower of such action. Any additional costs associated with the collection on a defaulted loan are passed on to the borrower at an interest rate of 18 percent (LOSFA, 1999).

Under the Higher Education Act, borrowers in default face administrative wage garnishment. The guaranty agency may require employers who employ a borrower who has defaulted on repayment of a student loan to deduct 10 percent of the borrower's disposable pay toward repayment of the loan debt (LOSFA, 1999). Professional licenses and college transcripts may be withheld, and legal action can be taken against student borrowers to force them to repay their loan obligations. With a defaulted loan charged against a student borrower, he or she is no longer eligible to

enter deferment or forbearance or entitled to receive any additional Title IV federal student financial aid until he/she has arranged to establish a “satisfactory repayment arrangement” (LOSFA, 1999).

In fiscal year 1994, the U. S. Treasury paid out an estimated \$2 billion in claims to cover student loan defaults as opposed to the \$3.1 billion paid out to cover claim defaults in 1991. According to Secretary of Education Richard Riley, “a substantial increase in collections this year should help reduce cost.” In fiscal year 1994, the Department collected over \$500 million on old and newly defaulted loans, an increase of 189 percent over 1993 collections of \$173 million. Riley estimated the net default costs to be \$1.41 billion in fiscal year 1994 (<http://inet.ed.gov/PressReleases/09-1994>).

The enthusiasm of the Department of Education’s efforts to reduce the cohort default rates was expressed by Secretary Richard Riley, who said, “This new rate exceeds our expectation, and all our partners in the federal student loan program; students, guaranty agencies and lenders deserve credit” (AACRAO #12 [ID19569], 2000). The General Accounting Office issued a report from the Office of Management and Budget on student loan debt collection on the Direct Student Loan Program. The report found that direct loans made to students rose from \$157 billion in 1992 to \$164 billion in 1996, a 4.5 percent increase in just four years (GAO/AIMD 97-48, 1997). The General Accounting Office also reported that more than \$760 billion in guaranteed loans had been loaned to students, though the exact dollar amount could not be determined. The GAO has criticized the Department of Education for inadequate record keeping on loan programs, making it difficult at best to determine the exact amount of money students have borrowed from federal financial aid programs (GAO,



HR 97-11). With the exceptional decline in student loan default rates since 1991, the GAO did recognize that the Department of Education had begun “strengthening gate-keeping” responsibilities to safeguard the interests of taxpayers. The decline in the default rates and stronger federal oversight has not contributed in any significant way to lessening the amount of money that students are borrowing from federal financial aid programs. The amount of borrowed money has more than doubled from \$13 billion in 1991 to \$30 billion in 1997, representing a 130 percent increase in six years (Fossey, 1998). In 1999-2000, the Department of Education administered loans to 8.7 million students totaling \$54 billion, an increase of 44 percent in three years (AACRAO, 2001-2). If loan volumes continue to escalate as predicted, the total dollar amount of defaults will undoubtedly be larger than in 1991, when the default rate reached its peak.

A review of the literature found two dissertations on student loan debt. They focused on guaranteed student loan indebtedness and the role of financial aid counseling in students’ loan debt management (Presson, 1989; Porter, 1999). There were no refereed research articles on the social processes involved in how students borrow money for higher education and their understanding of how their loan indebtedness will impinge upon their lifestyle choices in future years, when payments on their loans become due.

Financial aid personnel and higher education administrators may use the results of the study to help them understand the current issues surrounding student loan indebtedness. Furthermore, this research may help identify factors that predispose students to borrow from student loan programs. In addition to the traditional entrance and exit interviews required of student borrowers upon receiving a loan and upon

leaving an institution, this research will provide insight into the social processes students undergo in borrowing money for higher education programs. Implications for extended financial advisement and financial aid counseling will be presented to help student borrowers further understand loan indebtedness and its impact on their financial future. Research-related suggestions for the implementation of financial planning services for student borrowers will also be presented.

### **Parental Support**

There are many social support issues surrounding the rise of student loan indebtedness, including the lack of parental support through savings, and reductions in state and federal appropriations for higher education. Despite mounting student loan debt, little or no research has been done on student perception of loan indebtedness. With higher education more accessible today than in the early years, more students are beginning to talk about the debt they are incurring by borrowing money from student loan programs. "My parents don't contribute anything because they can't afford it," says Choca Guiden, a native of Shreveport, Louisiana, and junior at Portland State University, where she has borrowed \$10,000 in student loans (Chronicle, April 1999). Like many students of families who struggle with college costs, taking out loans seems to be a natural process. The debate has always centered on how much the government should expect parents to contribute to their children's education costs.

In a report cited by the Chronicle of Higher Education, the United States Department of Education surveyed 750 parents of college students to assess how much parents are contributing to the costs of attending college. Parents contributed 55 percent of the costs of attending college in 1997-98, down from 69 percent in 1986-87.

During that same period however, the cost of attendance soared by 38 percent at the average four-year institution. This data suggests that parents have not saved money early enough to help pay for college. Moreover, many parents have more consumer debt than they can afford, and their incomes have not kept pace with inflation. In some cases, parents may not be willing to make financial sacrifices by giving up personal luxuries to help their children pay for higher education when the growth and availability of student aid programs made giving up luxuries less an option on their part (Chronicle, April 1999).

More than two-thirds of the parents in the Department of Education survey gave their children money that did not have to be re-paid. Those gifts averaged \$3,902 in 1986-87 to over \$6,000 in 1997-98, a 54 percent increase. The amount of money parents contributed to help defray the costs of their children college education reflects family income and the cost of attendance. In 1997-98, students from families with incomes of \$100,000 or more received on average of \$9,373 in gifts while students from families with income under \$20,000 received \$2,825. Thus, families with incomes over \$100,000 were able to contribute over 231 percent more money to the cost of education than a family with an annual income of \$20,000 (Chronicle, April, 1999). Furthermore, students who attended institutions with annual tuition of more than \$20,000 received an average of \$12,906 in cash from their parents, compared to \$3,244 for students who paid \$1,001 to \$2,000 in tuition and fees. The parents who had to take out loans to help their children pay for college accrued more debt than parents had in the past. The average amount of money parents borrowed to help their children pay for college increased from \$9,000 in 1992-93 to \$14,000 in 1997-98, a 55

percent increase in just five years. While most parents wanted to help their children pay for college costs, some “just can’t keep up with the prices” (Chronicle, April 1999). As college costs continue to rise, family contributions to the cost of education will continue to decline (See Table 1.4).

**Table 1.4: Institutions of Higher Education-Charges: 1985 to 1998.**  
(In dollars. Estimated. For the entire academic year ending in year shown.  
Figures are average charges per full-time equivalent student.)

<b>Tuition and Fees</b>				
<b>Academic Control and Year</b>	<b>All Institutions</b>	<b>2 Year</b>	<b>4 Year</b>	<b>Other 4 Year Institutions</b>
<b>Public</b>				
<b>1985</b>	971	584	1,386	1,117
<b>1990</b>	1,355	756	2,035	1,608
<b>1991</b>	1,454	824	2,159	1,707
<b>1992</b>	1,624	937	2,410	1,933
<b>1993</b>	1,782	1,025	2,604	2,192
<b>1994</b>	1,942	1,125	2,802	2,360
<b>1995</b>	2,057	1,192	2,977	2,499
<b>1996</b>	2,179	1,239	3,151	2,660
<b>1997</b>	2,271	1,276	3,323	2,779
<b>1998 est.</b>	2,365	1,318	3,489	2,876
<b>Private</b>				
<b>1985</b>	5,315	3,485	6,843	5,135
<b>1990</b>	8,174	5,196	10,348	7,778
<b>1991</b>	8,772	5,570	11,379	8,389
<b>1992</b>	9,434	5,752	12,192	9,053
<b>1993</b>	9,942	6,059	13,055	9,533
<b>1994</b>	10,572	6,370	13,874	10,100
<b>1995</b>	11,111	6,914	14,537	10,653
<b>1996</b>	11,864	7,094	15,605	11,297
<b>1997</b>	12,498	7,236	16,552	11,871
<b>1998 est.</b>	13,013	7,536	17,197	12,388

**Source: U.S. National Center for Education Statistics.**

Living with student loan debt appears to be much more socially acceptable today. As the discussion about college costs inundates students and families, the perceptions about student loans and the social processes of borrowing money to pay for college has changed over time. Former U.S. Senator Everett McKinley Dirksen once said, “a billion here and a billion there, and pretty soon it adds up to real money” (Stoffer, 1995). In 1980, 30 percent of student financial aid recipients received Pell Grants, 15 percent received College Work Study and 9 percent received the Supplemental Educational Opportunity Grants (SEOG), which were all classified as federal financial aid programs.

As college costs continued to rise throughout the 1990s, many federal programs were reduced in size including financial aid programs that support the needs of college students. Pell Grants were reduced to 15 percent, College Work-Study was reduced to 8 percent and Supplemental Educational Opportunity Grants (SEOG) was likewise reduced to 4 percent (Stoffer, 1995). One prestigious eastern college reported that 41 cents of every dollar collected for tuition went back into their financial aid budget to compensate for the reduction in federal and state appropriated dollars. These factors obviously affect negatively on faculty salaries, maintenance and financial aid dollars awarded to students. With reduced federal and state appropriations, student reliance on loans has increased their indebtedness, which ultimately affects their lifestyle after leaving college (Stoffer, 1995) (See Table 1.5).

In 1990, total federal student financial assistance awarded to students in the form of student loans was \$19.7 billion. After federal reauthorization of student aid programs in 1993, which increased the loan availability to middle income students and

raised annual loan limits, students increased their borrowing to \$29.3 billion in three years--an increase of 67 percent (King, 1998).

**Table 1.5: Total Federal Student Financial Assistance: 1990 to 1999.**

<b>Year</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>
<b>Funds Utilized (million)</b>	19,677	20,342	21,929	29,274	32,683	35,477
<b>Percent Increase</b>	-----	3.38	7.79	33.5	11.65	8.55
<b>Year</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Funds Utilized (million)</b>	38,855	38,107	40,451	41,903	54,000	NA
<b>Percent Increase</b>	9.52	-1.93	6.15	3.59	29	NA
For award years July 1 of year shown to the following June 30 (19,677 represent \$19,677,000,000) Funds utilized exclude operating costs, etc., and represent funds given to students.						

**Source: U. S. Department of Education, Office of Postsecondary Education, unpublished.**

#### Federal Government and Higher Education

In the late 1970s, the federal government went on a spending spree unprecedented in the history of federal support for higher education. With lucrative government assistance and extremely high inflation rates, this assistance essentially kept financial aid relatively stable (Stoffer, 1995). The higher education community urged Congress to enact "formula-based, enrollment-driven federal aid to institutions." Instead of giving the aid funds directly to institutions, however, Congress decided that providing aid directly to students was a more effective and efficient method of removing financial barriers for needy students, thus equalizing educational opportunities for them. Students, "voting with their feet," would take their financial aid to institutions of their choice. Less promising institutions would most likely close for lack of students and financial resources, or so it was thought (Gladioux, 1995).

In 1972, Congress substituted “postsecondary education” for “higher education,” which broadened the option of aid availability. The intent of this change was to dispel the myth that education beyond high school meant enrollment in a four-year institution. The expansion of the HEA (Higher Education Amendments under Title IV) extended “greater federal recognition and support to career and vocational education, community colleges and trade schools as well as to students in part-time programs” (Gladieux, 1995). However, legislative expansion of federal aid programs was short-lived. Shortly after support for federal financial aid increased, the 1980s ushered in the taxpayer movement. Led by California’s Proposition 13 and the election of Ronald Reagan to the presidency of the United States, domestic social programs came under increasingly intense scrutiny (Stoffer, 1995). The taxpayers’ revolt and Proposition 13 directed the movement’s media campaign to education. It began to attack “greedy colleges” and “frivolous students,” who reportedly used taxpayer supported student financial aid on spring breaks in Florida. As pressure mounted to do something to curb abuse and waste, both the federal and state governments appeased taxpayers by reducing appropriations to higher education (Stoffer, 1995). Thus, in order to remain competitive, schools were forced to raise tuition to exorbitant levels to compensate for the loss of federal and state dollars to their respective institutions.

The federal government’s role in funding higher education diminished over the past 30 years. The government’s share of appropriations to higher education is approximately 12 percent, down substantially since the 1970s. Over the past forty years, new financial aid programs consisting mostly of loans have been continually implemented. Student loan programs have been confusing to students, difficult to

administer under burdensome federal regulations, and even more confusing if student loans go into default. Despite these problems, the shift to government sources of funding for higher education has continued to mushroom since the 1970s (Fenske and Barberini, 1996).

### **Historical Development of Federal Aid Programs**

Private aid to students began modestly in the early history of American higher education when a wealthy benefactor endowed a small scholarship to assist a needy student at Harvard a few years after its founding in 1636. Student financial aid continued to be provided mainly from private and some institutional sources until the mid-1940s (Fenske and Barberini, 1996). The democratization of college opportunities in the United States was the impetus that helped to thrust the federal government into the role of providing financial assistance to bolster education as a democratic governmental measure that went hand in hand with democracy (Gladieux, 1995). Democracy was threatened in 1957 when the Soviets launched the Sputnik spacecraft. Fearing the Soviets' superiority in technology and educational advancement, pressured by the public, Congress took the occasion to justify a limited form of student financial aid in the name of "national security" (Gladieux, 1995).

### **Federal Legislation**

The National Defense Education Act of 1958 (20 USC 401) (Huff, 1995) was the first legislation passed by Congress to create the first student loan program; then called the National Defense Student Loan Program (NDSL), commonly known today as the Perkins Loan Program (Hearn, 1998). This loan program provided low-interest loans to college students, with debt cancellation for those who directed their careers to



the teaching profession after graduating from college. This legislation also established graduate fellowships geared toward encouraging students to major in science, mathematics, engineering and other related fields (Gladieux, 1995). Thus, the National Defense Student Loan Program gave the American public the confidence that the federal government would provide financial assistance so the best and brightest minds could attend college. The precedent set the stage for future loan programs administered by the federal government (Geske and Cohn, 1998).

As the years passed, the federal government continued to expand financial aid programs well into the 1980s and 90s. However, the growth of federal aid began to level off in the 1980s, and the decline of federal support for higher education began to take hold. Congressional support for grant programs began to decline in dollars appropriated as well as limiting the purchasing power of student aid (Gladieux, 1995). Loan eligibility and subsidies were reduced to control increasing federal costs through congressional HEA reauthorization of federal aid programs. With the popularity of the financial aid programs, the guaranteed student loan program proved the most popular form of aid. Consequently, loan volume continued to increase (Gladieux, 1995). As public pressure mounted to keep financial aid balanced between grants and loans, tuition increases at colleges and universities escalated beyond the federal borrowing ceiling (Gladieux, 1995).

The effect of federal student aid on tuition growth has been a continued source of heated debate. Former Secretary of Education William Bennett raised the issue in the mid-1980s. The premise of Bennett's argument then was that colleges and

universities took federal student aid into account when setting tuition charges, thus stimulating tuition increases above the rate of inflation (Hauptman and Krop, 1998).

In some ways, there may be a connection between federal loan volume increase and tuition growth, which can be linked directly with the passage of the Middle Income Student Assistance Act (MISSA) in 1978 (Hauptman and Krop, 1998). Before congress enacted MISSA legislation, only students with family incomes of \$25,000 thousand or less were eligible for federally subsidized student loans. However, with the passage of MISSA, which was a response to efforts to pass tuition tax credits, the income ceiling was removed entirely. In 1979, the limit on federal payment to lenders was subsequently removed so that payments could float with what were then very volatile conditions in the money markets (Hauptman and Krop, 1998).

With these two congressional responses came the first of several increases in loan volume in the late 1970s and early 1980s. Congress, in response to the boom in loan volume, reimposed a cap on federal loans with an in-school interest subsidy in 1981, but this time it was based solely on a student's need, cost of attendance minus the expected family contribution and other financial aid resources. This shift in the eligibility requirement under MISSA inevitably created a stronger relationship in the ability of students to borrow money and the tuition charged by colleges and universities. Thus, any increases in tuition charges could potentially translate into greater eligibility for a subsidized loan. The connection between loan policy and tuition charges was relatively low. But loan limits increase prompted even greater loan availability, creating an environment in which tuition increases became more tolerable to the public (McPherson and Schapiro, 1998).

## **Research Questions**

The research design for this study is comprised of both quantitative and qualitative methodology. The quantitative design consists of a survey that is used to examine the social processes of Louisiana post-secondary students' perceptions of debt management, loan indebtedness and the impact of student loan debt on their lifestyle choices. The qualitative methodology involves the use of focus groups and case studies with students from Louisiana State University at Eunice. After completing the focus groups, five case studies will examine the social processes of how and why students borrow excessively from the student loan programs to pay for higher education services. The following questions are addressed in this study:

- 1) What are students' perceptions about their loan debt management?
- 2) What are students' perceptions of current financial aid counseling practices at a two-year institution and how are they used to prepare them for their loan responsibilities?
- 3) What percentage of students is accumulating additional educational debt using credit cards (Porter, 1999)?

The following objectives were formulated to guide the researcher in accomplishing the purposes of the study:

1. To describe and compare students enrolled in a two-year college on the following selected personal and educational demographic characteristics:
  - a. enrollment status;
  - b. number of semesters enrolled at a two-year college;
  - c. race;

- d. gender;
  - e. marital status;
  - f. number of dependents;
  - g. total family income;
  - h. highest level of education completed by parent/guardian;
  - i. whether or not selected forms of financial aid were received;
  - j. whether or not a credit card was used to help pay college expenses;
  - k. total student loan debt incurred during college enrollment;
  - l. anticipated yearly income after graduation;
  - m. nature of student loans (subsidized, unsubsidized, both or do not know);
  - n. whether or not interest is being paid on unsubsidized loans;
  - o. amount of credit card debt;
  - p. whether or not a monthly balance is being carried on credit cards;
  - q. whether or not student received scholarships;
  - r. amount of scholarship monies received to attend college.
2. To determine the perceptions of currently enrolled two-year college students who have student loans regarding the system and procedures of the financial aid process.
  3. To determine if a model exists that can explain a significant portion of the variance in selected aspects of the students' perceptions regarding the system and procedures of the financial aid process from the following selected personal and educational demographic characteristic:

- a. enrollment status;
- b. total number of semesters enrolled at a two-year college;
- c. race;
- d. gender;
- e. marital status;
- f. number of dependents;
- g. total family income;
- h. highest level of education completed by parent/guardian;
- i. whether or not selected forms of financial aid were received;
- j. whether or not a credit card was used to help pay college expenses;
- k. total student loan debt incurred during college enrollment;
- l. anticipated yearly income after graduation;
- m. nature of student loans (subsidized, unsubsidized, both or do not know);
- n. whether or not interest is being paid on unsubsidized loans;
- o. amount of credit card debt;
- p. whether or not a monthly balance is being carried on credit cards;
- q. whether or not student received scholarships;
- r. amount of scholarship monies received to attend college.

### **Summary**

With the reliance on student loan programs to finance higher education, students are continuing to borrow money at a phenomenal rate. At present, student loans make up the fourth largest sector of consumer debt in the United States after home mortgages, car loans and credit card debt (Reinebach, 1996). Some would say

student loan debt pales in comparison to the human social cost of lacking an opportunity to attend college. In an attempt to garner support of his administration's education policies, President Clinton declared that "education is the fault line, the great Continental Divide between those who will prosper and those who will not in the new economy" (Geske and Cohn, 1998 citing Nichols 1996).

However, in 1992, the American Council on Education study examined student loan borrowing patterns between 1985 and 1991 and found "the mean cumulative per-student indebtedness from all federal student loan programs rose from \$6,488 to \$16,417, an increase of 153 percent" (Campaigne and Hossler, 1998). Across the board, student loan indebtedness in federal student aid programs continues to become more burdensome for student borrowers. The General Accounting Office has continued to warn the Department of Education that the "financial risks to the U.S. taxpayer remains substantial" (GAO HR-97-11). In response to these warnings, the Department of Education has tried to address problems of internal control and inadequate oversight by adopting actions to improve its management of federal student aid programs. However, no comprehensive study such as this has been done to examine the social processes underlying the level of student indebtedness and concomitant social problems associated with increasing debt.

## **CHAPTER 2**

### **Literature Review**

The purpose of this study is to investigate the continuous growth of student loan indebtedness in higher education and the social processes used by students when they borrow money for higher education services. This section of the study presents a review of relevant literature on student loan indebtedness and the impact of student loan debt on lifestyle choices and students' understanding of the debt they are incurring as a result of borrowing money. Specifically, it addresses how the social learning theory sheds light upon the students' loan borrowing processes versus their ability to repay their loans and the broader social context of debt burden as a means to an end to pay for higher education services.

In this review of the literature, attention is paid to college costs and its relationship to student dependency on federal student loan programs, in which loans have now become the largest component of federal financial aid programs. Since college costs are continuing to escalate, experts have predicted higher education in the United States will become increasingly dependent on student loan programs to fund higher education costs. Research data indicates that for every year of college attainment, yearly income of college graduates increases (Becker, 1992). However, research studies have not examined issues of whether students who are accumulating student loan debt really understand their loan responsibilities, the debt they are accumulating, and the long-term implication of that debt, particularly on life-style choices after borrowing has ceased (Somers & Bateman, 1997).

Presson (1989) examined the influence of Guaranteed Student Loan (GSL) indebtedness on college students. The study found that students perceived the GSL to have been a factor in these decision-making areas: attending college, choice of college to attend, being a full-time student, not doing some things that the student wanted to do after graduating, working in the summer, interest in a well-paying job after graduating, postponing graduate school, enrolling in graduate school and searching for a graduate school within a low price range. Presson's study also found there was no evidence that decisions about getting married or choice of major were related to levels of GSL indebtedness.

Porter (1999) focused on the role played by financial aid counselors in helping students to better understand loan debt management. Porter's study utilized quantitative methodology to analyze data. The study found that many students do not understand their loan obligations, that they received inadequate counseling about financial aid at both the high school and college levels and that some students accumulated additional debt by paying college tuition with credit cards. In two of the three multiple regression models in Porter's study, the variable "Do not know" from the survey question "While you are enrolled in school, what is the interest on your loan(s): subsidized, unsubsidized, do not know" was significant in explaining what students really knew about the loans they were taking from the federal student loan program. Unlike Porter's study, which utilized only quantitative methodology, this study utilized both quantitative and qualitative methodologies. Focus groups and case studies were analyzed and triangulated with the statistical analysis to identify common themes prevalent in the data as a means of strengthening the study. The General Accounting



Office (GAO) has published studies on federal student loan programs for many years (<http://www.gao.gov>). In these studies, the GAO has made recommendations to the Department of Education regarding its management and oversight authority over federal student financial aid programs. Several GAO studies have identified problems of mismanagement and abuse in the student loan programs.

This chapter examines the social processes involved in borrowing money from federal student loan programs by students seeking higher education services. Special attention is paid to loan indebtedness of students attending two-year colleges and their trends in borrowing money. A general analysis of a student loan default list from a two-year state college is presented. The last section of this chapter explains the phenomenon surrounding the use of credit cards by students to pay for college costs instead of other federal financial aid programs.

### **Federal Student Aid Programs: Why Borrow?**

For many years now, students have used federal financial aid programs to cover college cost. By 1975, federal student aid, which comprises loans, grants and college work-study programs, paid less than 10 percent of the total cost of attendance for students attending public colleges and universities and 20 percent for students attending private colleges and universities. In 1985, federal aid had grown to 35 percent of the cost of attendance for public institutions and 25 percent for students attending private colleges and universities. By 1995, however, federal student aid paid nearly 50 percent of the cost of attendance in public colleges and universities, which represent a 43 percent increase in funding the cost of attendance from 1985 to 1995. The cost of attendance at private institutions paid by federal student aid was close to 40 percent for

students attending those institutions, which represents a 60 percent increase in funding the cost of attendance from 1985 to 1995 (Hauptman and Krop, 1998).

Over a twenty-year span, the growth of federal student aid programs, particularly student loans have continued to escalate. Percentage-wise federal student loans constituted nearly 41 percent of the cost at public colleges and universities 1995, as compared to less than 5 percent in 1975. For private colleges and universities, the percentage rate of federal student loans compared to the cost of attendance was 35 percent in 1995, up from 14 percent in 1975. A recent report released in 2000 by the National Center for Education Statistics, entitled: "Debt Burden Four Years After College," examined student loan indebtedness among 1992-93 bachelor degree recipients who borrowed money from federal student loan programs. The study found that "federal student loan programs are a major source of financial aid for students." Over 50 percent of those students who graduated in 1992-93 borrowed money from federal student loan programs, and their loan indebtedness averaged \$10,100 (NCES, 2000-188, 2000). However, among this same group, 33 percent still owed on their loans in 1997, while 18 percent paid off their loans or had them forgiven.

Although the issue of borrowing money for postsecondary education seems not to pose any substantial debt burden for student borrowers who graduated in 1992-93, the amount of student loan debt rose as students continued their education. Among the 1992-93 bachelor degree recipients who earned a master's degree by 1997, 69 percent of those recipients borrowed from student loan programs at both undergraduate and graduate levels. The average amount owed by the master's degree holders was "substantially greater" than the amount still owed by those students who completed the

bachelor's degree in 1992-93, but had not enrolled for further education; \$17,200 vs. \$7,100 respectively. By 1997, some 14 percent had been able to discharge their loan debt despite earning a second degree. Approximately 55 percent of those still had loans outstanding, while 39 percent were making payment toward their student loan debt. Sixteen percent were not required to make payments because they were recent graduates and their loans were still in deferment (NCES, 2000-188, 2000).

For those students seeking advanced professional degrees by 1997, their student loan indebtedness rose substantially in proportion to students who earned a master's degree during that same period. According to the NCES report, 91 percent borrowed from student loan programs to help pay the cost of doctoral education. Some 80 percent still owed on their loans, while 47 percent were in repayment. The average student loan held by this group was \$66,200 as compared to \$17,200 for students who borrowed money to obtain the masters' degree. While 88 percent were employed, the average income reported in 1997 was \$35,300, which meant that five percent of their income was being used to repay student loans (NCES, 2000-188) (See Table 2.1).

Although student loan indebtedness is a serious issue, the NCES report found "no evidence that borrowing for education affects lifestyle choices" of the 1992-93 graduates, such as marriage or made major purchases (i.e., homes and cars). However, the NCES report did single out one difference regarding the purchase of a house or condominium among the bachelor's degree recipients in 1992-93. Those students who borrowed for their undergraduate education continued enrollment for the master or professional degree and had not begun to repay their student loans were less likely to own a home or condominium in 1997 (Choy and Geis, 1997).

**Table 2.1: Percentages of 1992-93 Bachelor's Degree Recipients who had Borrowed for Education, Still Owed, and Were in Repayment, by Level of Education after Bachelor's Degree: 1997.**

<b>Level of Education</b>	<b>Percent Borrowed in 1992-93</b>	<b>Amount Borrowed</b>	<b>Percent Still Owed On Loan</b>	<b>Dollars Still Owed</b>	<b>Percent in Repayment In 1997</b>	<b>Payment Per Month</b>
<b>Complete Bachelor</b>	51%	\$10,500	33%	\$7,100	29%	\$151.00
<b>Complete Master</b>	69%	\$20,800	55%	\$17,200	39%	\$244.00
<b>Complete Profess.</b>	91%	\$66,200	80%	\$63,400	47%	\$584.00

**Note: Based on borrowing at both undergraduate and graduate level.**

**Source: U.S. Department of Education, National Center for Education Statistics, 1993 Baccalaureate and Beyond Longitudinal Study, Second follow-up (B&B: 1993/1997), Data Analysis System.**

The National Postsecondary Student Aid Study (1995), in a report entitled: "College Debt and the American Family," found an "explosion in college borrowing in the 1990s." College students borrowed as much money in the 1990s as was loaned to students in the 1960s, 70s and 80s combined, which translated into \$100 billion in just six years. More incredible is that most of the borrowing occurred between 1993 and 1994 when borrowing increased a total of 57 percent from 1992, the year of reauthorization of the Higher Education Act of 1965, which in effect raised loan limits (Gladieux, 1995). Since 1995, borrowing has continued to escalate dramatically. Student loan borrowing jumped from \$23 billion in 1995 to \$50 billion in 2000. This doubling in just five years means "student loan borrowing by Americans would be on a par with the current individual expenditures for health care (\$39.5 billion in 1994)" (College Debt, 1995).

Contrary to the report issued by the National Center of Education Statistics called: "Debt Burden Four Years After College," the National Postsecondary Student Aid Survey draws opposite conclusions on student loan indebtedness. This survey indicates "students and families feel great anxiety about the burdens that students' loans place on their lifestyles, career and educational objectives." Sixty-two percent of the respondents said they anticipated not being able to make major purchases because of loan debt, and 66 percent said buying a home was unlikely shortly after graduating from college. Similarly, 68 percent considered student loans "necessary yet they are a major financial hardship on my household" (College Debt, 1995).

Throughout the survey, students continually referenced their student loan indebtedness as a cause of hardships in their lives after college. However, students still believed that "paying for college was the most necessary reason to take out a loan." This confirms the notion of an "American Dream" which suggests the public is willing to shoulder the burden of accruing large sums of student loan debt because the inherent view is that a college education is worth the cost of the pursuit of the college degree (College Debt, 1995).

In fiscal year 1990, when the default rate on student loans was over 22 percent, the government guaranteed nearly \$13 billion in student loans. Although the default rate has declined considerably since 1990, the amount of money students borrowed has almost tripled. For example, in fiscal year 1998, students borrowed \$38 billion for higher education services. With the ability to borrow money at record levels, there seems to be a willingness on the part of college students today to accept accruing loan debt as a means to an end (Fossey, 1998).

According to the General Accounting Office reports on student loan indebtedness, only cursory attention has been paid to report after report of mismanagement and oversight of student aid programs administered by the Department of Education, in which “the financial risks to the U.S. taxpayer remains substantial” (GAO, HR 97-11). Problems of mismanagement in federal student loan programs have contributed to over-awarding of aid funds to students who are in default. After the 1992 reauthorization of the Higher Education Act, Congress took a multi-pronged approach to increase the availability of loan capital to middle-income students. Eligibility for subsidized Stafford Loans was broadened, annual loan limits were raised and a new loan program was created; the unsubsidized Stafford Loan was now open to all students. The year these changes were initiated, student borrowing from federal student loan programs increased by 30 percent, from approximately \$18 billion to \$23 billion. Certainly, increases in tuition and fees also played a role in the trend to borrow money for higher education. However, the primary reason for increased borrowing in student loan programs is due to the abundant supply of money made available for students to borrow (King, 1998).

While the literature suggests that most students who borrow money from federal student loan programs eventually repay their student loans, warning signs give cause for concern. At two-year institutions, students borrow from federal student loan programs despite the fact that tuition and fees at those institutions are far less than four-year colleges and universities. The following represent the percentage of students who borrowed at community colleges in 1992-93 and 1995-96 (See Table 2.2).

**Table 2.2: Percentage of Students who Borrowed Money by Institution Type.**

<b>Degree</b>	<b>Institution</b>	<b>1992-93 Percent Who Borrowed</b>	<b>Average Amount</b>	<b>1995-96 Percent Who Borrowed</b>	<b>Average Amount</b>
<b>Certificate</b>	Community College	17%	\$3,870	30%	N/A
<b>Certificate</b>	Proprietary	41%	\$3,310	70%	\$4,300
<b>Associate</b>	Community College	20%	\$4,380	25%	\$5,500
<b>Associate</b>	Proprietary	20%	\$6,540	85%	\$10,790
<b>Bachelor</b>	Public	35%	\$7,400	52%	\$11, 950
<b>Bachelor</b>	Private	41%	\$10,190	54%	\$14,290

**Source: U.S. Department of Education. National Center for Education Statistics. National Postsecondary Student Aid Study, 1992-93 and 1995-96.**

The amount of borrowing increased with the level of the academic programs: masters, doctoral, and professional schools.

In 1995, 70 percent of graduates of proprietary institutions received certificates. Over two-thirds of these students took out federal student loans and borrowed on average \$4,300. This amount of money seems small when compared to the bachelor and professional degree students. However, for students in the lower income brackets, student loan indebtedness could be very substantial and difficult to manage (King, 1998). Students attending proprietary institutions who earned an associate degree accumulated debt averaging \$10,800. To repay this loan debt in ten years poses substantial risk of default, especially if the field in which the student trained does not pay well or if the student experiences difficulty finding a job (King, 1998). In some instances, fraud and mismanagement by proprietary schools contributed to student loan indebtedness. The GAO found that proprietary schools were fraudulently receiving Pell Grant funds for students who never applied for the grants nor enrolled in or

attended the school. A chain of proprietary schools falsified student records and misrepresented the quality of its educational programs to increase its revenue from students receiving Pell Grants. Many others did not meet federal standards and requirements to participate in federal student aid programs. Still others provided “poor training” to their students whose “skills were then insufficient to get jobs required to enable them to repay their loans” (GAO, 97-11, High Risk Series).

In 1992-93, 17 percent of students receiving a certificate at community colleges borrowed on average \$3,870. For students attending proprietary schools seeking certificates, 41 percent borrowed an average of \$3,810. By 1995-96, students seeking certificates at community colleges rose to 30 percent. Each year, the percentage of students borrowing from federal student loan programs increased while the amount of money rose precipitously. For those students who received the associate’s degree at a community college in 1992-93, 20 percent borrowed on average \$4,380, while 20 percent of those who received an associate’s degree from proprietary schools borrowed on average \$6,540. By 1995-96, 25 percent of students borrowed \$5,500 toward the attainment of the associates’ degree from a community college, which represents a 24 percent increase in the amount of loans borrowed in just three years (King, 1998).

Students at proprietary institutions were more likely to borrow at a higher percentage than their counterpart at community colleges. Nearly 62 percent of students attending proprietary schools in 1992-93 borrowed an average of \$6,540. By 1995, over 85 percent of those attending borrowed money averaging \$10,790 (NCES, NPSSAS, 1992-93 and 1995-96). Low income, independent students accounted for 22 percent growth in loan volume (King, 1998). The “goldfish rule” applied to this group



of borrowers as well as middle-income borrowers. The goldfish rule states that “the more one feeds a goldfish, the more it will eat.” As eligibility for student loans was broadened and loan limits increased, the more money offered to students as part of their financial aid package, the more money they borrowed. Many students borrowed money by signing the financial aid award letter whether they needed the money or not. Most did not take into consideration how their loan indebtedness would affect them after graduation (King, 1998).

Many students who borrow from federal student loan programs have been identified as minority students. Between 1990 and 1993, borrowing by minorities increased 19 percent from \$6,496 to \$7,719, while white students’ borrowing grew from \$7,947 to \$8,653, a 9 percent increase in three years. Debt levels from borrowing for African-Americans and Hispanics rose 22 percent and 24 percent respectively—from \$6,508 to \$7,933 for African-Americans and from \$5,674 to \$7,067 for Hispanic students. Borrowing among Asian/Pacific Islanders grew by a small percentage relative to other groups: from \$7,355 in 1990 to \$8,385 in 1993, a 14 percent increase (College Debt) (See Table 2.3).

**Table 2.3. Student Loan Borrowing Among Minorities Groups in 1990 and 1993.**

<b>Minority Groups</b>	<b>1990</b>	<b>1993</b>	<b>Percent Increase</b>
<b>African Americans</b>	\$6,508	\$7,933	22%
<b>Hispanics</b>	\$5,674	\$7,067	24%
<b>Asian/Pacific Islanders</b>	\$7,355	\$8,385	14%
<b>Whites</b>	\$7,947	\$8,653	9%

**Source: College Debt and the American Family.**

Most minority student borrowers were classified as first generation college students with low socioeconomic status and long periods of enrollment before degree

completion, and a high percentage of aid awarded was in the form of student loans (Fossey, 1998; Mortenson, 1993, Paulsen, 1991; St. John, 1990; Volkwein, et al, 1998). While most minority students tended to be African-American or Hispanic with incomes of less than \$10,000 per year, many were single parents or had received a GED in lieu of a high school diploma (King, 1998). Those variables have contributed to the high default rates seen at proprietary schools in recent years. There are no definitive data on how many students in that category who take out student loans to pay for worthless trade school programs could not repay their student loan debt (Fossey, 1998). These students borrowed more than \$4 billion in 1995-96 (King, 1998). Overall, increased levels of borrowing tend to be prevalent with older, independent, part-time and minority students (King, 1998). However, minority students experienced substantial increases in the levels of cumulative borrowing from 1990 to 1993 as opposed non-minority students.

### **Why Default?**

With the explosion in borrowing in the 1990s, default rates on student loans continued to decline. Institutions argued that defaults are caused by students and not by institutions. Loan default rates are more a result of characteristics of “individual borrowers and repayment behavior” rather than the characteristics of the institutions they attend (Volkwein and Cabrera, 1998). Therefore, institutions should not be held accountable for students’ lack of responsibility in repaying their loans. Volkwein and Cabrera (1998) contend that “the student loan program is plagued by clashes between the competing values and goals of public subsidy, educational opportunity, cost effective investment, and institutional accountability.” In spite of the arguments

however, the Department of Education holds institutions accountable for student loan defaults (Kolb, 1995).

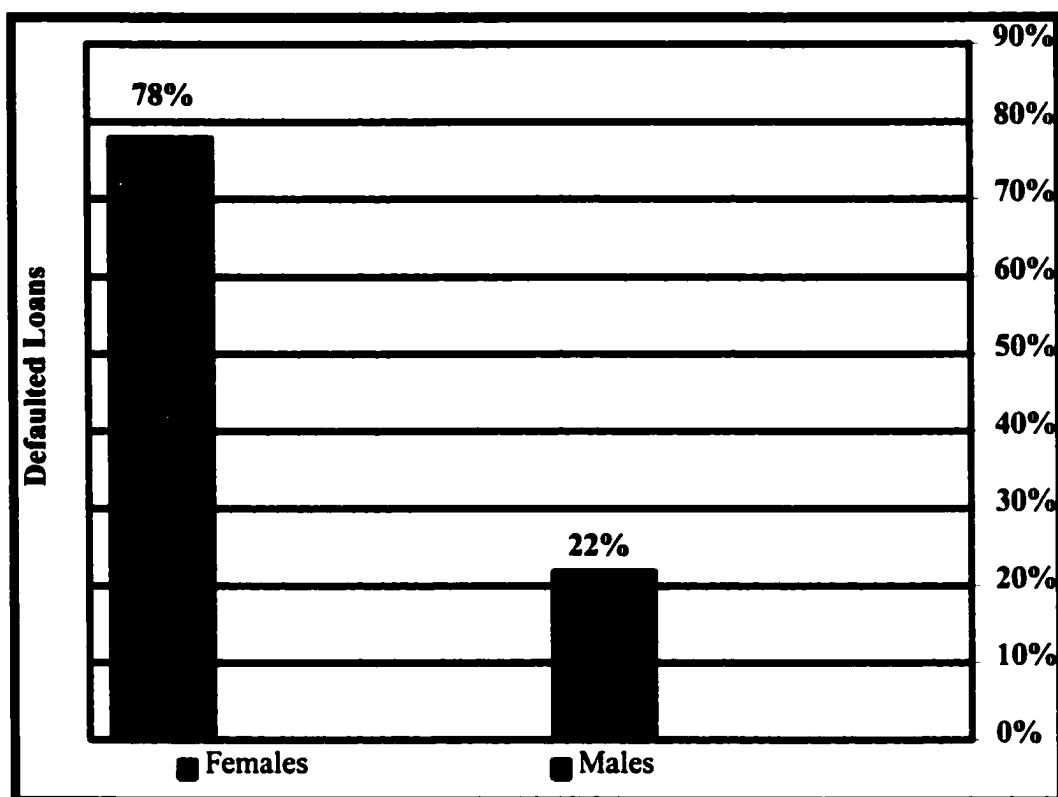
African-Americans and Native Americans from all types of institutions consistently have higher default rates when compared to other groups. On the other hand, Caucasians, Asians, and Hispanics also have high default rates at two-year institutions as well as do those attending proprietary schools. Louisiana State University at Eunice is not atypical among two-year institutions in Louisiana with students who default on student loans. The cohort default rates for 2-year public institutions in Louisiana released October 9, 2001 are as follows:

Bossier Parish Community College	6.9%
Delgado Community College	10.0%
Louisiana State University at Alexandria	8.6%
Louisiana State University at Eunice	7.8%
Nunez Community College	11.8%

Students at Louisiana State University at Eunice (LSUE) who default on student loans or owe money are faced with academic regulations on the release of student records. First, academic transcripts and academic records of any type cannot be released. Second, students are “blocked” with a registration hold and cannot register for classes during any registration period until all fees and monies have been paid. The LSUE Office of Business Affairs compiles a monthly report of outstanding balances of all students who owe money or have defaulted on student loans at any time during their enrollment period. The June 16, 2000 report revealed there are 521 students in default on one or more federal student loans, either Perkins or the Stafford Loans.

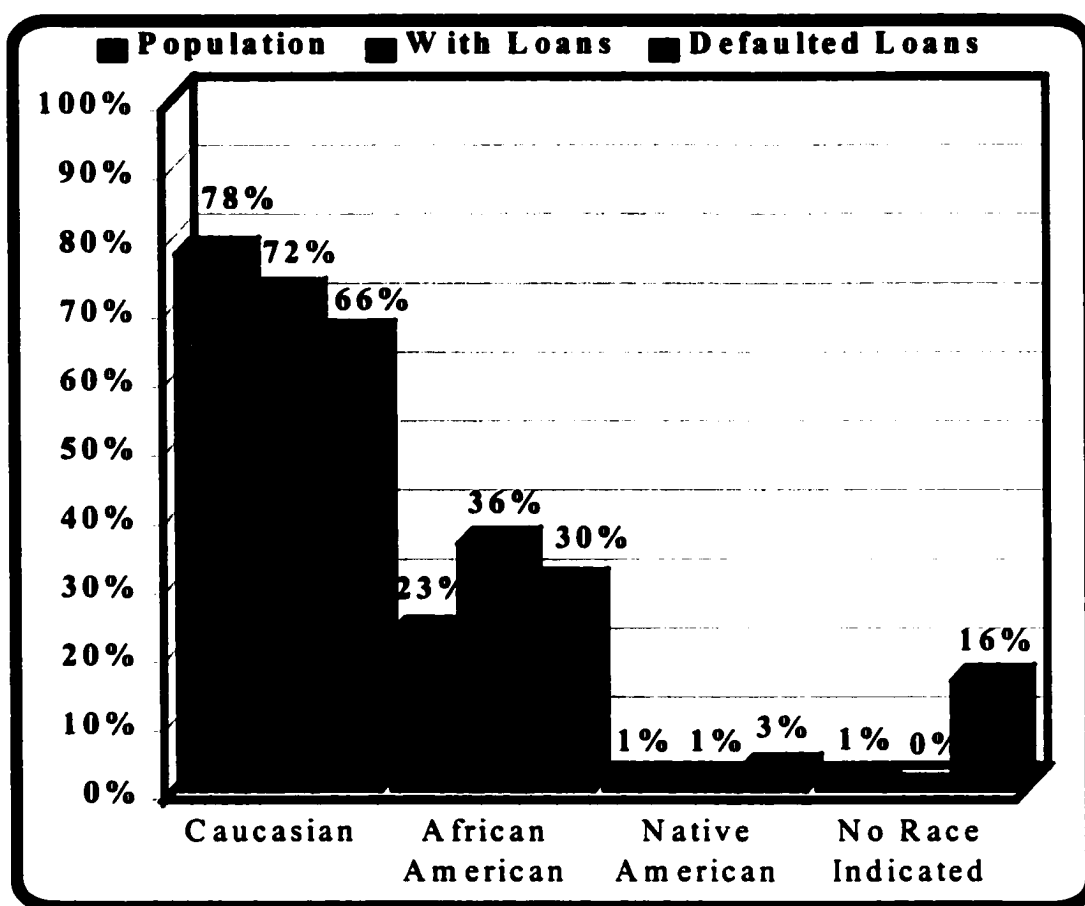
In a cursory examination of the outstanding balance report, 408 students were female, representing 78 percent of the defaults, while 113 students were male, representing 22 percent of defaults carried by LSUE (See Table 2.4).

**Table 2.4 LSUE Students who Defaulted on Loans by Gender**  
**\*Based on 521 Students**



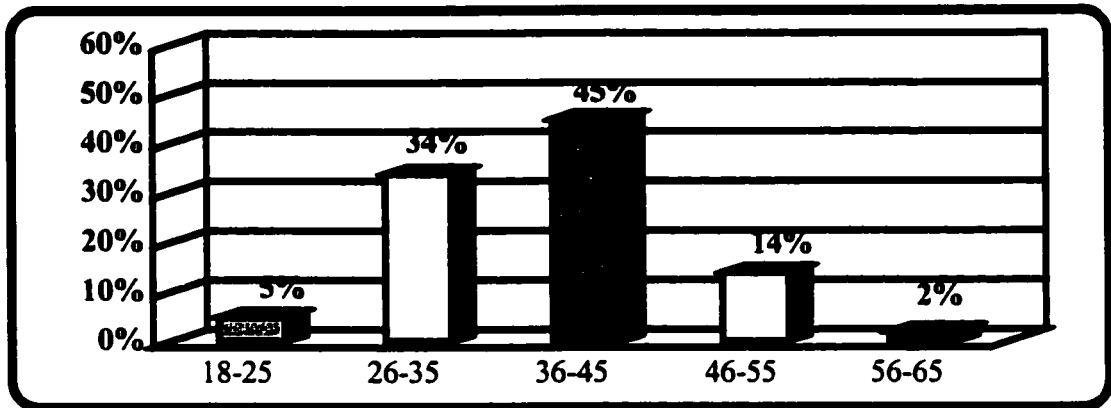
In terms of ethnicity, 345 students who defaulted on their student loans were White, representing 66 percent of those who default, while 157 students were African American, representing 30 percent of those whom defaulted on student loans. Sixteen percent or 83 students who defaulted did not indicate their ethnicity. Three of those who defaulted on student loans at Louisiana State University at Eunice were Native American/Asian, represented .006 percent of those students in default (See Table 2.5).

**Table 2.5 Ethnic Background of Students with Defaulted Loans**



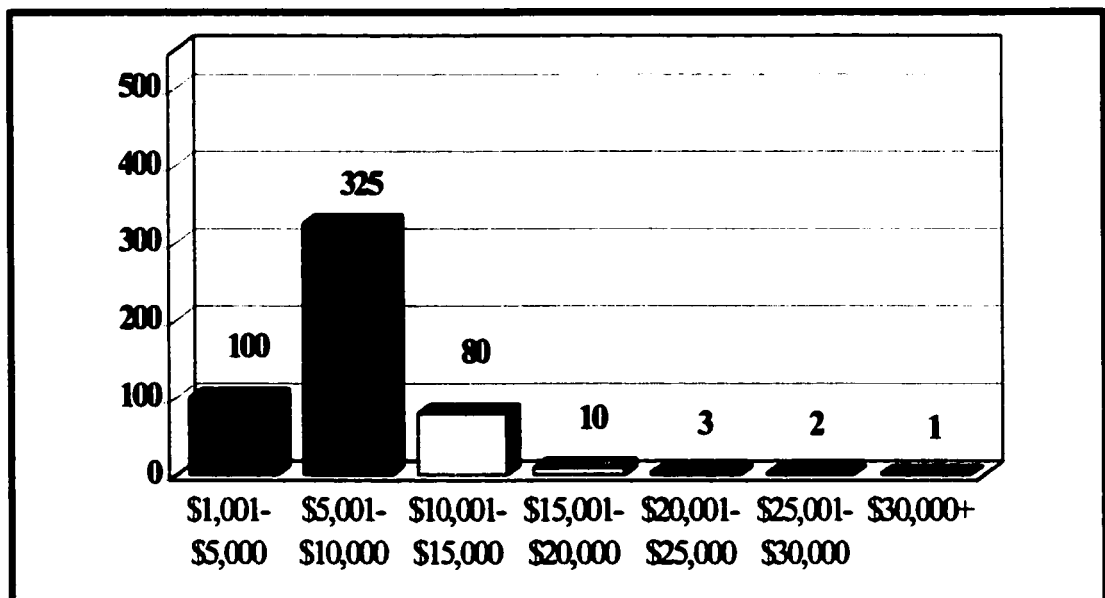
Another important factor in student loan default is age. Five percent of those who defaulted on student loans at LSUE as of June 2000 were between the ages of 18 to 25 years old. Thirty-four percent who defaulted on student loans ranged in ages between 26 and 35 years old. The percentage of students between the ages of 36 and 45 years old who defaulted on student loans was 45 percent, while those students between the ages of 46 to 54 who defaulted on student loans at LSUE constituted 14 percent of all who defaulted. The smallest group by age to default on student loans ranged in ages between 56 to 65 years old, representing 2 percent of those who defaulted on student loans at LSUE as of June 2000 (See Table 2.6).

**Table 2.6 Age Categories for Students with Defaulted Loans**



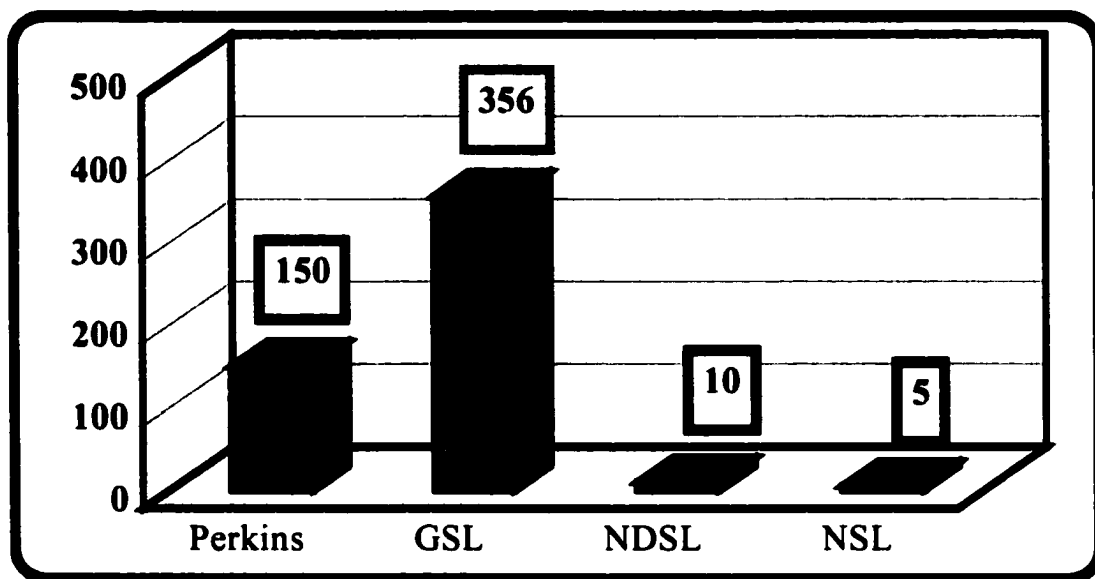
According to (Volkwein and Cabera, 1998; King, 1998), students who default are usually older independent students, single parents, and minorities. Female students who are married have substantially lower default rates. These characteristics are prevalent in the literature. Thus, the LSUE default rate of 7.8 percent reflects characteristics cited in the literature of those students who default at two-year institutions. The dollar amount for students at LSUE who defaulted on student loans range from \$1,000 to \$30,000 (See Table 2.7).

**Table 2.7: Defaulted Dollar Amount for Student Loans Totaling \$1,655,727.52**



The types of loans, as well as the number of defaults, are as follows (See Table 2.8):

**Table 2.8 Types of Student Loans and Number of Each**



For those students who received Perkins Loans, 150 defaulted on those loans.

The most popular loan program at LSUE is the Guaranteed Student Loan Program (GSL); 356 students went into default on the GSL program. The National Defense Student Loan (NDSL) was replaced by the Perkins Loan Program; 10 students went into default on that loan. Finally, LSUE established a Nursing Student Loan Program, in which five students went into default.

In the Enrollment Summary for the Fall 2000 student population at Louisiana State University at Eunice, female students represent 77 percent of the student population, while males represent 23 percent (Enrollment Summary, 2000). The percentage of students who default on student loans at LSUE reflects the enrollment profile of the campus population in the Fall 2000 semester. Default rates are most pronounced among those ages 36-45, independent, female and minority students.

In response to sharp increases in student loan default rates in Canada, the government initiated credit checks on prospective borrowers. Loan applicants over age 22 would be subject to a three-year credit history review before applying for a student loan. Unlike the United States government, which has no such safeguards, the Canadian government “wants to avoid lending money to people already in serious financial difficulty.” Default rates in Canada increased from 20 percent in 1987 to 30 percent in 1995 (Chronicle, 1999).

### **Spiraling Credit Card Debt**

With student loan indebtedness escalating among college students nationwide, taking out loans to pay college tuition is not the only alternative to paying for higher education. Credit card debt is also escalating among college students. Like most American families, credit card debt is now common among today’s college student. The Economic Policy Institute reported that middle class families held 2.8 percent of the total growth in the stock market holdings between 1989 and 1990, but accounted for 38.8 percent of the rise in household debt (Economic Policy Institute, 2000). Whether debt is accumulated from students taking out loans or students using credit cards, the social consequences of debt is that it can grow faster than income, thus creating additional financial constraints that may impact lifestyle choices. Unfortunately, borrowers’ income has not kept pace with the growing debt burden. As a percentage of gross income, cumulative debt rose from 6.23 percent to 9.52 percent between 1985 and 1991. Similarly, during that same period, annual gross income only grew by 5.5 percent (Fossey, 1998).



In “Credit Card Nation: “The Social Consequences of Americas’ Addiction to Credit,” Robert Manning argues that more people are working part-time and temporary jobs using credit cards to fill the gap. Like student loans with high loan limits, credit has been simplified and made easier to get. Easy access, coupled with low interest rates in the 1990’s, made borrowing more attractive. Consumers have demanded more as cultural attitudes against taking on debt have relaxed, thus fueling consumer credit card debt (Manning, 2000). This massive expansion of credit will have a “profound impact on small business and recent college graduates – groups that have been targets for loans, as well as the elderly who have fewer social support services and rely on credit to finance medical care, food and rent” (Manning, 2000).

Just as credit has been made easily available on credit cards and loan limits raised on student loans, tuition and fees have escalated as rapidly as student loan volume skyrocketed. This combination has increased concerns that college students are accumulating high levels of debt on credit cards by the time of graduation.

#### **College Students and the Credit Card Dilemma**

Credit cards, like student loans, seem to be a reality for today’s college students. Students are getting into the habit of charging early in their lives. Some 55 percent of college students obtain their first credit card during their first year of college attendance. A significant proportion of students obtain credit cards even earlier than their first year of college. Studies show that one-fourth of students received their first credit card in high school. A majority of students, 63 percent, applied and secured their own credit card while 17 percent were given cards by their parents, and 14 percent were sent credit cards through the mail (TERI, 1998). About 70 percent of

undergraduates at four-year colleges hold at least one credit card. According to the National Student Loan Survey sponsored by Nellie Mae, from 1996 to 1998, the average credit card debt among undergraduates rose from \$1,879 to \$2,226, an average of 19 percent in two years (See Table 2.9).

**Table 2.9: Student Credit Card Debt.**

<b>1996</b>	<b>1998</b>	<b>Percent Increase</b>
<b>\$1,879</b>	<b>\$2,226</b>	<b>19%</b>

**Source: Nellie Mae (1999).**

In a recent study released by Nellie Mae (2000), the average credit card debt among undergraduates increased by almost \$1,000 in the past two years. On average, undergraduates owed \$2,748 in 2000, up from \$1,879 in 1996, an increase of 46 percent in just four years. Data reported indicated that a student with credit card debt of \$2,700, the minimum payment of \$50 to \$70 monthly would take five years to pay off the balance (See Table 2.10).

**Table 2.10: Student Credit Card Debt 2-Years.**

<b>1996</b>	<b>2000</b>	<b>Percent Increase</b>
<b>\$1,879</b>	<b>\$2,748</b>	<b>46%</b>

**Source: Nellie Mae (2000).**

With easy credit availability, managing credit cards and student loan debt are problematic for most students. Many may not have the ability or income to make payments on both after graduating from college. In past years, students without a credit history would not have been given a credit card without at least having a co-signer (Nellie Mae, 2000).

Graduate students, on the other hand, have higher levels of indebtedness than undergraduates. The Nellie Mae study found that credit card debt and usage levels

remained constant from 1998 to 2000. In both studies, 95 percent of graduate student loan applicants had at least one credit card in their possession. The average credit card debt decreased from \$4,925 in 1998 to \$4,776 in 2000, a decline of 3 percent. In an environment fueled by peer pressure, acceptable social norms about debt remain constant. In an atmosphere of fear about the high cost of education, credit card companies pitch their services by offering a false sense of financial independence while freely giving credit cards to students who have little or no credit history (Chronicle, 1999). These actions, along with little or no financial information on how to use credit cards responsibly, get many students into trouble with mounting credit card debt they may not have the ability to pay back. This phenomenon mirrors the ways in which students borrow from student loan programs.

Colleges, on the other hand, profit from relationships with credit card companies. Some institutions use credit vendors to sponsor college programs and finance student activities. For those who see the academy as a place to educate students, and do not want to “ become vehicles through which business promote their products” (Chronicle, 1993), this relationship is viewed with disdain. With affinity credit cards, colleges, alumni associations or other institutional sponsors contract with a bank and receive a certain proportion of a sale each time the credit card is used-usually one percent or less (Chronicle, 1993). Those institutions that allow credit card companies to use the institution’s logo receive a percentage of every charge, usually ranging from one-fourth to three-fourths of a point (Chronicle, 1999). Manning (2000) states, “I’ve been appalled by how little interest there is from administrators, even though debt is far reaching and a widespread problem.” College campuses are more

likely to sponsor programs on “sexually transmitted diseases rather than teaching college student how to managing finances” (Manning, 2000).

The popular media is replete with stories about the increasing amount of personal debt and the number of bankruptcies being filed among American adults (Munro and Hirt, 1998; Fossey, 1998). Like no other generation since the Great Depression, those between the ages of 18-35 are the most debt-burdened generation in the United States. With access to easy credit cards, unlimited student loans and a booming economy, most live and work in a “culture of debt.” According to market researchers, debt counselors and consumer advocates, students use loans and credit card as if they were cash-to buy goods and services they can’t afford.

On the other hand, young people are taking advantage of the situation although they are burdened down by serious debt. Many are carrying more debt and earning less income than the generation preceding them. As the debt accumulates, thousands of young Americans are turning to credit counseling and bankruptcy as a remedy to solving their debt problems. In 1999, 1,319,465 individuals filed bankruptcy nationally, while estimates indicate that 461,000 Americans under the age of 35 filed for bankruptcy protection, up from 380,000 in 1991, an increase of 21 percent in eight years (USA Today, 2001 citing Elizabeth Warren).

The debt phenomenon many young Americans find themselves trapped in is often encouraged. Our society promotes an affluent lifestyle among the young. They are bombarded with media images of wealth, success, and a culture that places value on material things. Unlike the debt experienced by their parents, 18-35 year olds often justify their debt burden by convincing themselves they just have to learn to live with a

certain amount of debt. According to the College Board, between 1991 and 2000, the average student loan debt burden among households under 35 years old increased nearly 142 percent to \$15, 700 (USA Today, 2001, citing Claritas). On occasion, a story may surface about the horrors of college students who applied for credit cards but did not understand the financial implications of having a credit card. Despite the stories, research in the area of college students and credit cards is limited. Some research in the literature focused on students' attitudes toward credit and debt (Armstrong and Craven, 1993), and their knowledge about credit and money management (Danes, 1994; Hira and Brinkman, 1992). In another study, researchers examined the level of credit card debt among college students; research revealed that 70 percent of students left a balance on their credit cards each month. This suggests that students who leave balances on credit cards and carry them over month after month do not fully understand the implications of making minimum monthly payments on credit card debt and the financial implication of accrued interest charges associated with carrying balances on credit cards. Understanding what students know about credit card use is important, but the research does not provide data to help predict what types of students are at risk of poor credit card debt management (Munro and Hirt, 1998).

### **Bankruptcy and Student Loan Indebtedness**

In 1999, over one million personal bankruptcies were filed in the United States. Some observers believe the high rate of bankruptcy filings in a strong economy indicates that many consumers are filing for bankruptcy even though they could repay a substantial amount of their debt. Other observers of the bankruptcy phenomenon suggest that a significant proportion of recent filings stem from various legal and social

factors, in particular, overly lenient personal bankruptcy laws, legal advertising by attorneys, and a less protracted stigma than that traditionally associated with filing bankruptcy. Some maintain that growth in personal bankruptcy filings largely reflect the weakened, debt ridden state of the American family, normally a sector of the economy that drives economic growth. Mired in debt, the American family is unable and in some cases, unwilling to manage its debt burden, resulting in financial troubles the family has brought upon itself by buying on credit (<http://www.cbo.gov>). Having reached a debt-saturation point, many families are debt burdened to the point they can no longer buy, even on credit. Financial hardship may be looming more than current economic indicators suggest by the still low unemployment rate, up only one-tenth of one percent in March 2001 from 4.2 percent to 4.3 percent nationwide. This increase is attributed to nearly 100,000 jobs lost in the United States; the largest job loss recorded in ten years.

According to the Congressional Budget Office, bankruptcy filing rose from 679,980 in 1989 to 1,319,465 in 1999, a 51 percent increase in ten years. In Louisiana, high student loan default rates and bankruptcies seem to go hand in hand. Of the fifty states reporting student loan default rates in October 2000, Louisiana has the fifth highest default rate and bankruptcy filings rose 75 percent between 1989 and 1999 (United States Trustee Program, March 2000). In 1989, Louisiana recorded 12,982 bankruptcy filings as compared to 22,630 filings in 1999. However, the highest number of bankruptcies recorded in Louisiana was 23,158 in 1997 (<http://www.usdoj.gov.ust/statistics>).

Personal bankruptcy filings topped one million despite a national economy that produced low unemployment and enormous personal wealth in the last ten years. However, data on student loan bankruptcies are still limited. Because of the large number of guaranty agencies in each state, loan servicers, lenders, and other entities associated with the student loan industry, student loan bankruptcies are not reported as aggregate data. The Louisiana Office of Student Financial Assistance (LOSFA), the guaranty agency for the state of Louisiana has managed student loan bankruptcies. Since 1996, LOSFA has actively tracked bankruptcies filed by student loan borrowers (See Table 2.11).

**Table 2.11: LOSFA Defaulted Loans.**

<b>Fiscal Years</b>	<b>Defaulted Loans In Bankruptcy</b>	<b>Bankruptcies Purchased by LOSFA-Chap13</b>	<b>Total Student Loans in Bankruptcy</b>	<b>Lender Purchase Chapter 7 Student Loans Bankruptcies</b>
<b>7/97-6/98</b>	971	315	1,286	971
<b>7/98-6/99</b>	1,068	292	1,360	1,068
<b>7/99-6/00</b>	952	292	1,244	952

**Source: LOSFA Legal Department.**

Although there seems to be a decrease in student loan borrowers filing bankruptcy from 1,286 in 1997-98 to 1,244 in 1999-2000, LOSFA is currently anticipating an increase in the number of student loan bankruptcy claims. When the lender (Unipac, Sallie Mae) received a bankruptcy notice that the student borrower filed Chapter 7, Unipac and Sallie Mae retain all Chapter 7 filings and LOSFA purchases all student loan filings under Chapter 13. Chapter 7 of the United States Bankruptcy Code is used by a vast majority of filers, usually about 70 percent. Filing bankruptcy under Chapter 7 provides the student loan debtor “straight bankruptcy” or the “complete liquidation of assets” (<http://www.cbo.gov>). The lender then pursues

Chapter 7 filers who attempt to bankrupt student loans. Revisions to the Bankruptcy Code substantially limits the student loan debtor's ability to discharge student loans in bankruptcy. Unless they could show "undue hardship," student loan debtors cannot discharge their loans (Fossey, 1997).

LOSFA, on the other hand, purchase all student loans filed under Chapter 13 bankruptcy. Chapter 13 bankruptcy helps student loan debtors avoid liquidation of their assets by requiring them to repay their debt from future earned income. To qualify for Chapter 13 bankruptcy, filers must have a regular income, and their unsecured loans (such as credit cards) and secured debt must total less than \$269,250 and \$807,750 respectively. The filer is required to work with a trustee appointed by the court to oversee the bankruptcy and submit a repayment plan that is acceptable to the creditors and the court. Although bankruptcy filings of any type carry serious repercussions for the filer, Chapter 13 filers retain all property, and can discharge more claims, and the filer may be able to repay less than what he/she actually owes on certain secured debts. When LOSFA purchases Chapter 13 bankruptcies, most remain active for three to five years. Nearly 10 percent of student loan borrowers who file personal bankruptcy are married. In that scenario, when a husband and wife both file separate bankruptcy petitions with the court, they are assigned one case number, yet LOSFA count both bankruptcies as one to "knock out 10 percent from active bankruptcies." Thus, the actual number of active bankruptcies filed by student loan debtors could be a much higher number based on LOSFA calculation of taking a husband and wife bankruptcies and filing them as one claim instead of two separate claims. However, by filing one claim on a husband and wife, LOSFA may be reducing



the amount of money it paid out on a claim by counting the two bankruptcies together as opposed instead to filing two separate claims and two separate cases on the same household (LOSFA, 2001). With 1,105 student loan borrowers in Chapter 13 bankruptcy in March 2001, LOSFA is holding \$4,613,025.69 in claims. If the current trend continues, Chapter 13 bankruptcies among student loan borrowers could exceed the 1,206 active Chapter 13 bankruptcy filings in 1999-2000 (LOSFA, 2001). In fiscal year 2000-2001, LOSFA collected \$28,000,000 in defaulted student loans from student borrowers in Louisiana. The agency collection rate increased from 30.6 percent in 1991 to 62.5 percent in 1999-2000. Collections during the past fiscal year included \$15.6 million in defaulted loans that institutions could not collect, some loans dating back to 1964. LOSFA attributes collection retrieval success to aggressive measures to “garnish wages, seize state and federal income tax refunds and withholding academic transcripts, licenses and certificates to practice in a profession” (LOSFA, 2001).

### **Social Learning Theory**

Borrowing from federal student loan programs to pay for higher education services is like no other debt accrued by American society in general. The literature is replete with studies that focus on the American family and the debt crisis. However, even in times of strong economic growth, low unemployment, and declining welfare rolls, middle-income families in America “shoulder the lion’s share of the growth in debt through the 1990s, responsible for about 40 percent of the growth” (Economic Policy Institute, 2000). Thus, if borrowing and debt accumulation fuel this present economic boom, where will this debt accumulated by students borrowing money for higher education lead them? This question looms without any substantial explanation

of its effect on the national economy and higher education in particular. John Schmitt, an economist and one of the authors of the “The State of Working America,” published by the Economic Policy Institute wrote, “the financial boom we’re living in is partly financed by debt and so when that debt comes due or unemployment starts to rise again, that bubble could burst and could make the downturn worse than it otherwise could have been” (Economic Policy Institute, 2000). With student loan indebtedness resting solely on the backs of higher education institutions in the United States, how do these institutions perceive their roles in the student loan indebtedness crisis? It is ironic, according to Fossey, (1998) that prominent writers on higher education, such as Kerr (1997) and Lucas (1996), made no mention of the problems surrounding the federal student loan programs. In his book, Illiberal Education, D’Souza (1992), claims to examine many of the important issues surrounding higher education in America, yet he leaves unexamined the student loan debt crisis, which weighs heavily on higher education.

While issues of student loan indebtedness remain imbedded in higher education literature, little attention has been paid to the social processes used by students to borrow money from federal student loan programs for higher education. Bandura (1977) describes the social learning theory and how cognitive processes work. The social learning theory posits that behaviors arise as a result of distinct interaction with the social environment. Thus, the basic tenet of the social learning theory is that human behavior is largely regulated through cognitive processes. Therefore, response consequences of behavior are used to form expectations that give humans the capacity to predict the outcomes of their behavior, before the behavior is performed.

In addition, since behavior is a learned process within the social context of the environment through feedback and reciprocity, one's reality is shaped through interaction with the environment and cognition. Bandura contends that people are both products and producers of their environment and behavior will determine aspects of their environment which, in turn, is modified by that environment. Thus, human beings select with whom they will interact, and in which activities they will participate. The environment also determines which type of behavior a person will display (Bandura, 1977). Similarly, if students believe the adage that the American Dream can be realized through education, then their behavior will be influenced by educational attainment. Thus, borrowing money from student loan programs affects the outcome of that behavior—more education and more debt accrued from borrowing money to justify the means to an end.

Cognitive studies in alcoholism use the social learning theory to explain why people start drinking. Wilson (1987) used the social learning theory to define the cognitive-social learning variables, including “mediated stress reduction, vicarious learning and acquired belief” about alcohol consumption which influence the development and maintenance of problem drinking. To examine further the notion that behavior is a learned process, Schor, in her book, The Overspent American (1998), makes the point that “children learn the language of symbolic consumption at an early age.” Social interaction and interpretations weigh heavily on product marketing and advertising to children and adults, thus leading to the desire to increase consumption and a causal increase in debt. Schor also points out that “consumerism is an equal

opportunity ideology,” and it seems most Americans are equally engaged in consuming goods and services on credit.

### **Social Context of Borrowing and Spending**

The social context of borrowing and spending is nothing new. In his book, The Theory of the Leisure Class (1967), Thorstein Veblen argued that in affluent societies, spending and the acquisition of material wealth becomes the conduit through which people establish social position. Through visible material wealth, the individual with wealth sets the bar for others to follow (Schor, 1998, citing Veblen). With visible wealth apparent, consumption of goods and services takes on a new meaning. Upper middle-class individuals, lacking the financial capital to spend, began acquiring the symbols of the wealthy by spending above their means. They buy “high-prestige watches and pens, looking for puro lino labels, and leasing luxury vehicles they often couldn’t afford.” Periodically, an article would appear in the press about, “feeling poor on \$100,000 a year” (Schor, 1998).

The habits of consumption and borrowing are no different among the upper-middle-class, which represents the top 20 percent of households. In 1994, “the lower end income cutoff for this group was \$72,000 a year.” The top 5 percent earned over \$250,000. Between 1979 and 1994, families in the top 20 percent increased their income from 42 percent to 46 percent. Feeling the pinch to “keep up with the Jones,” the middle class fueled the consumption of durable good purchases, while living well beyond their means (Schor, 1998).

Not surprisingly, the desire to move up the economic ladder continued while family finances spiraled downward and household debt escalated. Throughout the

1990s, households began taking on record levels of debt and the largest increases in debt were visible in family households with incomes between \$50,000 and \$100,000 a year. Over 63 percent of those households have large credit card debt. Another indicator of over consumption by the middle class is the rise of the number of hours spent at work and in many cases maintaining a second job (Economic Policy Institute, 2000, Manning, 2000). Adding an extra wage earner into the workplace has also helped to finance expensive life styles. An unintended consequence of working longer hours and earning more to consume more, the American family has less family time to spend doing family activities. Despite working longer hours, nearly 25 to 30 percent of households live “paycheck to paycheck” (Schor, 1998). With this scenario playing out among millions of households, it is not surprising that over one million Americans filed personal bankruptcy in 1999 (<http://www.cbo.gov>). This is the social context of debt accumulation, hidden behind a life style, which most young Americans between the ages of 18 and 35 emulate. They justify their own levels of debt based on a cultural environment that thrives on debt without visibly displaying any of the negative pitfalls associated with high debt accumulation.

The most ominous sign that American households are really in serious debt is the inability to save. The national savings rate in the United States has declined precipitously in the past twenty years. In 1995, American households saved 3.5 percent of their disposal income (<http://www.cbo.gov>). Recently, a report released by the Survey of Current Business in April 2001 indicates that the pace of the U. S. economic growth declined more than expected. Real gross domestic products (the purchase of big-ticket items and services) increased 1.0 percent after increasing 2.2 percent in the

third quarter of 2000 and 5.6 percent in the second quarter of 2000. The gross domestic product recorded the slowest growth since the second quarter of 1995, which was 0.8 percent. The gross domestic product has increased at an annual rate of 3.6 percent (Survey of Current Business, 2001).

On the other hand, real disposal personal income increased 0.7 percent. This meager increase is less than the 3.7 and 2.6 percent recorded in the second and third quarters of 2000. Less disposal income minimizes families' ability to purchase goods and services. The personal saving rate as a percentage of disposal personal income was -0.7 percent, the lowest quarterly rate since 1946, the first year quarterly estimates were reported. With declining savings and massive consumer debt coupled with student loans, American households have reached a debt-saturation point which precludes them from purchasing on credit and which limits their lifestyle choices, thus negatively impacting economic expansion in the United States (Survey of Current Business, 2001). Nearly one-third of families whose head of household was college educated did not save any money in 1995. Most households with incomes over \$50,000 were unwilling or unable to curb their appetite to consume. Without any savings to draw on during unforeseen emergencies such as the loss of a job or catastrophic illness, the consequences could be devastating to the long-term financial health of that household; thus impacting the national economy in ways yet to be determined (Schor, 1998).

### **Summary**

As student loan indebtedness rises, so does debt in the American family. Borrowing by Americans can range from mortgages, auto loans, credit cards, finance

companies, department stores, and other purveyors of credit. Household debt is pervasive, totaling about 5.5 trillion dollars in 1997 (Schor, 1998). Approximately one-third of the nations' population describes itself as debt laden, with most of their disposable income going toward servicing that debt. Students, who borrow from federal student loan programs, learn that debt accumulation is nothing new because they hear parents talk about debt issues at home. "They see that both of their parents work like dogs, sixty hours a week, to have not only two cars but two new cars. And a better house than they had three years ago and a swimming pool that has to be put in out back and vacations where you fly to the Caribbean twice a year. And I think they figure if you're willing to work hard for it, it must be worth it" (Schor, 1998, citing case study, p. 88).

Education is the most expensive of the consumer goods that students value, along with material possessions. If students believe the American Dream can be attained through education and borrowing money to pay for it is worth the cost, then borrowing money from federal student loan programs may continue to escalate. Therefore, taking out student loans, though burdensome for most students, is believed to be an acceptable means to pay for higher education. They do not take into consideration their limited understanding of the level and consequences of their indebtedness and the impact on their lifestyle choices, which can be substantial for many years to come.

## **CHAPTER 3**

### **Methodology and Procedures**

As discussed in Chapters 1 and 2, the purpose of this study is to examine student perceptions about student loan indebtedness and how it will affect their life style choices. Previous research in the area of financial aid focused on loan default, characteristics of defaulters and the ability to pay back student loans (Fossey, 1998; Volkwein and Cabrera, 1998; NCES, 2000-188). A general lack of understanding of financial aid processes and procedures with confusing federal regulations is cited by student loan defaulters as a problem in managing loans (Somer and Bateman, 1997). Little is known about the social processes through which students decided to borrow money, understand their level of indebtedness, and either default or go into repayment after graduation. Both quantitative and qualitative research methodologies were used to gather and triangulate the data gathered for this study.

#### **Quantitative Methodology**

A quantitative research methodology design (Borg & Borg, 1996) was selected to answer the following questions:

What are student perceptions about their loan debt management?

What are student perceptions of current financial aid practices at a two-year institution as they relate to preparation for loan responsibilities?

What percentage of students is accumulating additional educational debt using credit cards (Porter, 1999)?

The following objectives were formulated to guide the researcher in accomplishing the purposes of the study:



1. To describe and compare students enrolled in a two-year college on the following selected personal and educational demographic characteristics:
  - a. enrollment status;
  - b. number of semester enrolled at a two-year college;
  - c. race;
  - d. gender;
  - e. marital status;
  - f. number of dependents;
  - g. total family income;
  - h. highest level of education completed by parent/guardian;
  - i. whether or not selected forms of financial aid were received;
  - j. whether or not a credit card was used to help pay college expenses;
  - k. total student loan debt incurred during college enrollment;
  - l. anticipated yearly income after graduation;
  - m. nature of student loans (subsidized, unsubsidized, both or do not know);
  - n. whether or not interest is being paid on unsubsidized loans;
  - o. amount of credit card debt;
  - p. whether or not a monthly balance is being carried on credit cards;
  - q. whether or not student received scholarships;
  - r. amount of scholarship monies received to attend college.
2. To determine the perceptions of currently enrolled two-year college students who have student loans regarding the system and procedures of the financial aid process.

3. To determine if a model exists that can explain a significant portion of the variance in selected aspects of the students' perceptions regarding the system and procedures of the financial aid process from the following selected personal and educational demographic characteristic:
- a. enrollment status;
  - b. total number of semesters enrolled at a two-year college;
  - c. race;
  - d. gender;
  - e. marital status;
  - f. number of dependents;
  - g. total family income;
  - h. highest level of education completed by parent/guardian;
  - i. whether or not selected forms of financial aid were received;
  - j. whether or not a credit card was used to help pay college expenses;
  - k. total student loan debt incurred during college enrollment;
  - l. anticipated yearly income after graduation;
  - m. nature of student loans (subsidized, unsubsidized, both or do not know);
  - n. whether or not interest is being paid on unsubsidized loans;
  - o. amount of credit card debt;
  - p. whether or not a monthly balance is being carried on credit cards;
  - q. whether or not student received scholarships;
  - r. amount of scholarship monies received to attend college.

## **Sample Selection**

### **Loan Program**

The U.S. Department of Education administers many loan programs. For the purpose of this study, the focus was on the Federal Family Education Loan Program (FFELP) which is the largest of all the loan programs administered by the Department. Under FFELP, the Stafford Loan is the largest financial aid program. There are two types of loans available to students under the Stafford Loan Programs—the subsidized Stafford Loan and the unsubsidized Stafford Loan. The subsidized Stafford Loan for students provides financial assistance to those qualified as most needy to receive financial aid. The unsubsidized Stafford Loan program, on the other hand, provides financial assistance to students without financial need regardless of income.

Subsidized Stafford Loans provide low interest rates and the federal government pays the interest on the loan while the student is enrolled full-time. Interest on the unsubsidized Stafford Loan begins accruing at the time the loan is awarded to the student and continues to accrue while the student is enrolled, adding interest continually to the loan principal. Thus, students borrowing from either program will have the loan principal plus interest added over the life of the loan, even after repayment begins, after graduation or separation from the institution (National Commission on the Cost of Higher Education, 1998).

The Stafford Loan program was selected as the focus of this study because it is most accessible and used by students on a two-year college campus. Student loan indebtedness under this program can be potentially high and problematic; particularly

for those whom the literature identifies as having greater risk of loan default (Volkein and Cabrera, 1998).

### **Target Population**

In 1998-1999, Louisiana distributed 63 percent of student financial aid in the form of student loans which is higher than the U.S. average of 59 percent and the Southern Region Education Board average of 61 percent (<http://www.sreb.org>). The Louisiana cohort default rate in 1998 was 12.8 percent, the fifth highest default rate in the United States (<http://www.ed.gov>). The high default rate in Louisiana is related to the large number of for-profit trade and proprietary schools which have much higher default rates than 2-year and 4-year colleges and universities (Volkwein and Cabrera, 1998). During fiscal year 1999-2000 (July to June), the Louisiana Office of Student Financial Assistance (LOSFA) guaranteed \$205,794,090 in student loans. For fiscal year 2000-2001, LOSFA guaranteed \$235,143,031 in student loans, a 14.6 percent increase. At this pace, LOSFA expects to surpass the loans it guaranteed in fiscal year 2001-2001, a projected \$275,720,489, an increase of 17.2 percent (LOSFA, 2001). Although LOSFA only guarantees about 40 percent of the state of Louisiana loan volume, it estimates that the total loan volume for the same period next year will be over \$600,000,000 (LOSFA, 2001). Because loans are a major source of financial aid for students, five two-year public institutions under the governance of the Louisiana Board of Regents were selected as the target population for this study (See Table 3.1).

### **Research Sample**

Associate degree institutions were selected because the research literature indicates these institutions have higher default rates than bachelor's or masters/doctoral

institutions. Research also notes these have higher default rates as a result of student characteristics and the level of satisfaction with associate degree and certificate programs (Volkwein and Cabrera, 1998; King, 1998). Historically black colleges and universities (HBCUs) were eliminated from the research sample because federal regulations provide exemptions for these institutions with high cohort default rates over 25 percent for three consecutive years.

**Table 3.1: Louisiana Community College Default Rates by Type.**

<b>Community Colleges</b>	<b>Default Rate</b>	<b>Type</b>
<b>Louisiana State University at Alexandria</b>	8.6%	Associate; Public
<b>Louisiana State University at Eunice</b>	7.8%	Associate; Public
<b>Bossier Parish Community College</b>	6.9%	Associate; Public
<b>Nunez Community College</b>	11.8%	Associate; Public
<b>Delgado Community College</b>	10.0%	Associate; Public

**Source: Louisiana Board of Regents.**

Final selection of the research site was based on the institution's participation in the Stafford Loan program. Louisiana State University at Eunice was selected as the research site because it was identified as the fastest growing two-year public institution in Louisiana. In 1999-2000, LSUE enrollment increased nearly 20 percent from the previous year, and a majority of the increase was in traditional age students, those 18 to 21 years old (Enrollment Profile, 2000). Among the five two-year institutions identified as part of the study population, this institution had one of the lower default rates (<http://nle2.ed.gov.cfapps/cohort98>).

In academic year 1999-2000, LSUE distributed \$4.6 million to 1,664 undergraduate students who were eligible for the Stafford Loan program. LSUE does not participate in the Federal Ford Direct Loan Program. The financial aid office at

LSUE estimates for academic year 2000-2001, \$4.8 million will be awarded to 1,700 undergraduate students from the Stafford Loan Program (See Table 3.2).

**Table 3.2: Fiscal Year Awards-Stafford Loan Program.**

<b>Fiscal Year</b>	<b>Number of Undergraduate Borrowers</b>	<b>Loan Dollar Amount</b>
<b>1999-2000</b>	1,646	\$2,795
<b>2000-2001(est.)</b>	1,700	\$2,824

**Source: Office of Student Financial Aid.**

Louisiana State University at Eunice cohort default rate is 7.8% for fiscal year 1999 (October 1, 1998, through September 30, 1999; latest available data) (<http://www.ed.gov>) (See Table 3.3).

**Table 3.3: LSUE Loan Cohort Default Rate by Fiscal Year.**

<b>Fiscal Year</b>	<b>Number of Borrowers In Repayment</b>	<b>Number of Borrowers In Default</b>	<b>Loan Cohort Default Rate</b>
<b>1996</b>	591	59	10.0%
<b>1997</b>	574	66	11.5%
<b>1998</b>	636	63	9.9%
<b>1999</b>	626	49	7.8%

**Source: U.S. Department of Education.**

Although loan amounts per student increased in fiscal year 2000-2001 to \$2,824, LSUE has seen a consistent increase in loan volume, Perkins, Stafford (subsidized) and Stafford (unsubsidized) from fiscal year 1990-91 to fiscal year 2000-01 according to recent data released by the Office of the Vice Chancellor for Student Affairs. In fiscal year 1999-2000, LSUE experienced a 20 percent increase in enrollment; Stafford Loans (subsidized) increased by 10.40 percent while the unsubsidized Stafford Loans increased nearly 21 percent that same fiscal year. In combination, Stafford Loans subsidized and unsubsidized increased 31 percent.

According the Office of Student Financial Aid at LSUE, students utilized loans from both programs (See Table 3.4).

**Table 3.4: Loan Volume and Pell Grants 1991-2000.**

<b>Year</b>	<b>91</b>	<b>92</b>	<b>93</b>	<b>94</b>	<b>95</b>	<b>96</b>	<b>97</b>	<b>98</b>	<b>99</b>	<b>00</b>
<b>Perk</b>	78.2	46.5	40.8	48.1	73.0	86.0	103.9	64.2	109	97.4
<b>Staff Sub</b>	1,111	1,358	1,723	2,404	2,522	2,373	2,444	2,312	2,367	2,613
<b>Staff Unsub</b>	16.6	188.6	426.1	536.0	705.0	1,163	1,279	1,284	1,405	1,695
<b>Pell</b>	1,031	1,291	1,492	1,848	1,960	1,984	2,019	2,203	2,647	2,932

**Source: Office of Student Aid. LSUE.**

In examining the loan volume at LSUE, Perkins and Stafford Loans (both subsidized and unsubsidized) increased substantially from fiscal years 1991 to 2000. Perkins loans increased from \$78.2 thousand in 1991 to \$97.4 thousand in 2000, a 25 percent increase. Perkins Loans go to the most needy students, with interest set at 5 percent, the lowest interest rates of any of the federal student loans administered by the Department of Education (LOSFA, 2000). By contrast, subsidized Stafford Loan increased from \$1.1 million to \$2.6 million, an increase of 136 percent. The unsubsidized Stafford Loan increased from \$16 thousand in 1991 to \$1.69 million in 2000, a 10,000 percent increase in just nine years. Of the three loan programs administered by the Financial Aid Office at LSUE, the increase in unsubsidized loans by students is an extraordinary phenomenon considering the relative low tuition of \$582 per semester in Fall 2000. Tuition increased in Spring 2001 to \$707, an increase of 21.4 percent. Pell Grants, on the other hand, increased from \$1.0 million in 1991 to \$2.9 million in 2000, an increase of 190 percent in nine years. Thus, students are borrowing from all federal student aid programs administered by the Financial Aid

Office at LSUE. They are utilizing both Stafford Loan Programs, subsidized and unsubsidized, based on their ability to borrow from both at the same time.

As a scholarship source for the state of Louisiana, the Tuition Opportunity Program for Students (TOPS) has generated additional revenue for LSUE since its inception in 1996. TOPS has had a positive impact on the LSUE scholarship program. In 1997-98, 148 students attended LSUE with TOPS valued at \$170,000. By 2000-01, 373 students were awarded the TOPS scholarship valued at \$450,812. TOPS is an important component of the financial aid program for LSUE; however it is relatively insignificant when considering the substantial increase in loan utilization at LSUE since 1990 (See Table 3.5).

**Table 3.5. TOPS Awards at Louisiana State University at Eunice.**

<b>Year</b>	<b>Awards</b>	<b>Value</b>	<b>Fall Awards Current Grads</b>	<b>Percent Increase</b>
<b>1996-97</b>	140	\$148,000	NA	NA
<b>1997-98</b>	148	\$172,000	65	13.0
<b>1998-99</b>	305	\$308,000	161	31.3
<b>1999-00</b>	344	\$341,000	165	28.7
<b>2000-01</b>	373	\$450,812	187	34.4

**Source: Office of the Vice Chancellor for Student Affairs.**

#### **Student Sample**

A systematic random sample was taken from the Registrar's Office computer generated class schedule of courses offered at LSUE in Spring 2001. The researcher counted the number of sections offered and selected a random number between one and nine, repeating the numbers consecutively until the class schedule was completely numbered. The average class size is 21 students per class or a faculty/student ratio of



1:21. Numbers were pulled randomly to select classes throughout the class schedule bulletin. Off-campus classes were also included in the selection (Borg, 1996).

By the end of the fourteenth class day, the official enrollment reporting date, numbers of class sections and courses could reduce due to class cancellations. After the sample was selected, the distribution of courses was not consistent to ensure a cross section of the courses offered. The researcher adjusted the numbering and selected one course from the fifteen pages of courses to ensure that the four divisions offering courses were represented in the sample population. A 95 percent confidence level was selected to help ensure that significant research findings were true results and not just sampling errors. The 1700 students receiving Stafford Loans in 2000-2001 represent 63 percent of the student population; therefore, ten percent of the students (200) were surveyed to increase the probability that the sample would meet or exceed the number of loan recipients needed in the sample. The sample included 15 class sections.

The researcher e-mailed a packet with an open letter to the instructors of the courses explaining the research and requesting permission to administer the surveys to the students selected from the sample. The packet included a cover letter, a brief explanation of the research and a copy of the student debt management survey (Appendix A, Appendix B, and Appendix C). The first e-mail packet was sent on February 16, 2001. Follow-up telephone calls were made to confirm the date to administer the survey. Based on the instructors' response, survey administration proceeded on February 19, 2001. One Nursing section selected did not participate in the survey because the spring Nursing sections are clinical sections. The instructor did

not want to take time away from the class to administer the survey. The researcher randomly selected another section from the class list.

### **Instrumentation**

A survey instrument (Appendix C) was developed to gather data about students' perceptions of the financial aid policies, practices and debt management (Porter, 1999). The survey also gathered data on how students who borrowed money from the Stafford Loan programs understand their level of loan indebtedness. Porter (1999) developed the survey from the Common Manual (1997) and LOSFA (1998). In addition, slight modifications to the instrument were made to gather data on students' understanding of their loan indebtedness and what, if any, impact their loan indebtedness will have on their lifestyle choices; (i.e., purchasing items such as a home or a car after graduation). The literature reports students are using credit cards more frequently than previously thought. The credit card question was expanded to gather additional data on whether or not students who used credit cards to help pay college expenses carried a monthly balance.

### **Demographic Data.**

In section one of the survey, nine questions gather data about student characteristics. These student characteristics include information on the following: current college enrollment status; number of semesters enrolled in a two-year college; race; gender; marital status; number of dependents; total family income; highest education level of parents; types of financial aid received. These independent variables have been identified in the literature as characteristics that correlate with students who default on their loans (Volkwein and Cabrera, 1998; Fossey, 1998, King, 1998).

### **Student Loan Process.**

Section two of the survey has 21 questions designed to collect data about students' perceptions of the student loan process. These statements cover different aspects of how much students know about loans and how they decide to use student loans to pay for higher education services, as well as how well they understand repayment options and if their loan indebtedness will impact the ability to purchase home or car. A five-point Likert-type scale was used to measure students' responses to these 21 questions. The rating ranged from "Strongly Agree" (1) to "Strongly Disagree" (5). The last three questions under Student Loan Process collect data about the amount of student loan debt, the expected yearly income after graduation, and the extent of their participation in the subsidized Stafford Loan or unsubsidized Stafford Loan program, both or do not know.

### **Funding Source.**

Section three contains three questions about funding sources utilized by students other than loans. They are asked about their use of credit cards to defray college expenses and if they carried a balance each month, how much credit card debt they owe, and the monthly payment. The third question refers to scholarship funds received to pay for college costs and the total amount of scholarships received per year.

### **Suggestions.**

The fourth and final section contains one qualitative question that asked students about additions or changes in the financial aid counseling practices that would help them make better financial decisions about paying for college. This question seeks additional data from previous questions that may provide possible research on

future topics relative to student loan indebtedness, students' understanding of their level of indebtedness and the social process students used to borrow money from student loan programs. There is also a space on the survey for students to write additional comments. Suggestions and comments from this section were triangulated with data gathered from focus groups and case studies.

#### **Data Collection.**

The survey was administered to fifteen classes by the researcher. The researcher explained the purpose of the study to the students and that participation was voluntary and that they were free to withdraw at any time. Students were told that by completing and returning the survey they were giving permission for their responses to be used by the researcher for the study. They were also told that their anonymity would be strictly protected. Each survey was coded with a class number for record keeping, secured in a locked file cabinet, and viewed only by the researcher. Survey data were analyzed using SPSS.

#### **Data Collection Time Line.**

Survey responses were collected during a one-week period in the Spring 2001 semester.

#### **Statistical Procedure**

##### **Descriptive Statistics.**

Descriptive statistics were used to construct a demographic profile of survey respondents and for student loan recipients using summary data gathered from the respondents. Frequencies and percentages were compiled with means and standard deviations reported for interval data.

### **Factor Analysis.**

The survey instrument used in this study was developed by Porter (1999) to measure the perceptions of currently enrolled students who have student loans regarding the system and procedures of the financial aid process. The factor analysis procedure was used to accomplish this. Dependent variables in the factor analysis were used in the multiple regression analysis procedures.

### **Multiple Regression Analysis.**

Multiple regression analysis was used to determine the correlation between the independent and dependent variables. These variables were identified in the literature as characteristics of student loan defaulters. They include the following: ethnicity, years in schools, parents' education level, socio-economic status (Somer and Bateman, 1997). Dependent variables in the survey include student loan borrower perceptions of financial aid debt management, level of indebtedness, as well as their perception of loan rates, loan repayment, personal finances, and lifestyle choices.

The dependent variable data collected in the second section of the survey was compared with independent variable data collected in the first section. Multiple regression analysis help explain the relationship between students' perceptions of financial aid counseling, student loan debt management and students' understanding of their level of indebtedness.

### **Reliability.**

Porter (1999) developed the instrument and tested for internal consistency and reliability. A reliability coefficient of .77 was reported. The expansion of the survey

instrument and the test for internal consistency and reliability reported a reliability coefficient of .69.

#### **Validity.**

Porter (1999) developed the survey questions from Section 4.9 of the Common Manual (1997) which regulates how information is distributed to students borrowing from the Federal Family Education Loan Program (FFELP) and includes both subsidized and unsubsidized Stafford Loans. A panel of university students and financial aid personnel from institutions other than the research study site were assembled to review the survey and provided feedback on ambiguous questions. Revisions to the survey were made based on the data gathered from the review.

#### **Limitations.**

Due to the problematic nature and complexity of this research study, limited personnel, funding and time, data collection and analyses were conducted at one institution by one researcher. While the results of this research could not necessarily be generalized, they provide useful data for financial aid officers, enrollment managers, university administrators and public policy makers, and may be replication by other researchers.

Furthermore, another limitation of this study was that the respondents who completed the survey did so voluntarily. Those students who completed and returned the survey could be viewed as more knowledgeable about loans than students who did not complete the survey since 63 percent of those attending in 1999-2000 received a student loan. In addition, since the institution being studied is classified as two-year public, associate degree granting state college, students may have had limited

understanding of student loans simply due to limited contact with the financial aid process. Furthermore, since these data were self-reported, this study assumes respondents who completed the surveys were honest and accurate in their responses to the questions. To minimize the limitations, self-reported quantitative data were triangulated with qualitative data, federal and institutional data.

#### **Summary.**

The 34-question survey developed by Porter, (1999), was revised to include 37-questions designed to collect data from students in a systematic random sample. The sample population was set at 200 students from 15-class sections selected from the LSUE Spring 2001 class schedule. Survey items included 15 demographic questions for all respondents and three demographic questions for students who utilized student loans, a 21-item five-point Likert-type scale for loan recipients, and a request for suggestions from all respondents who completed and returned the survey. One open-ended question for all respondents to make suggestions on the financial aid counseling practices to help students make better decision about paying for a college education.

### **Qualitative Methodology**

#### **Research Design and Sample**

The qualitative research design for this study consists of focus groups and case studies. Focus groups were held with four groups of students. The first two groups were comprised of students who received associate degrees in Nursing and Allied Health, and Business and Technology, selected from the Spring 2000 graduates in those fields. These two groups were the largest of the four divisions in the college: Liberal Arts, Sciences, Nursing and Allied Health and Business and Technology. The

researcher met with all students who were graduating in Spring 2000 to administer the graduation exit survey. After the exit survey was administered, the graduates were sectioned off by academic divisions. The researcher explained the research being conducted on student loan indebtedness to each division and asked if they would participate by agreeing to answer a series of questions about the student loan debt they incurred while attending LSUE. Most of the students in Nursing and Business and Technology are terminal degree students while their counterparts in Liberal Arts and Sciences are more likely to be in a transfer curriculum. Both groups agreed to participate in the focus group interview.

The third group of students was selected in Fall 2000 to participate in the focus group interview. They were students who commuted to campus from the surrounding area by using the university sponsored van transportation service. These students did not own cars and most were from families with limited financial resources to help them pay for college. Without the transportation services, these students most likely would not be able to attend college. Thus, with limited transportation to and from campus, this group of students most likely utilized the student loan program at LSUE to defray tuition and fees. The fourth group of students selected was asked to participate in the focus group interviews after commencement practice in Fall 2000. This group consisted of students from all degree programs at LSUE, Nursing and Allied Health, Liberal Arts, Business and Technology and Sciences.

#### **Pilot Focus Group-Fall 2000.**

The pilot focus group consisted of students who met in the student union during breaks between classes. The researcher observed this group of students for three days.



This particular group of students sat at a specific table in the union at 9:00 a.m. on Mondays; Wednesdays; and Fridays; usually playing cards or just talking. The researcher observed their interactions, where they sat in the union and with whom they associated within their group. After the observations, the researcher asked them if they would participate in a study on student loan indebtedness, and they readily agreed. The researcher asked the pilot to respond to 8 focus group questions, which would be used to gather data on the four focus groups identified in this study.

#### **Instrumentation – Reliability and Validity.**

Each focus group consisted of six to eight students who were relatively homogenous and who were asked to respond to a series of semi-structured questions asked by the researcher (Patton, 1990). To ensure validity in quantitative research, the instrument must measure what it actually purports to measure according to standardized procedures. In qualitative research, the credibility, reliability and validity of the process of data collection rests with the credibility of the researcher. The researcher is the instrument of data collection and the center of the process of analysis (Patton, 1990).

As discussed in Chapters 1 and 2, this study examines the social processes by which students decide to borrow from student loan programs, understand their level of indebtedness, and either default or begin repayment on their student loans upon separation from college. Five case studies focusing on students who borrowed excessively from student loan programs are presented. The case studies should provide “thick description” (Patton, 1990, cite Geertz, 1973) of the level of understanding

students have about borrowing from student loan programs that goes beyond the survey data.

#### **Qualitative Data Collection.**

The researcher used the standardized open-ended interview technique in which a series of questions was asked of respondents to minimize variations in the questioning. The researcher met with focus groups while each group was seated and sectioned during commencement practice. Approximately forty-five minutes to one hour was used to ask questions of students who borrowed money from the student loan program at LSUE. The target groups were comprised of students receiving an associate degree in Nursing, Business and Technology and the students who used the university sponsored van transportation service.

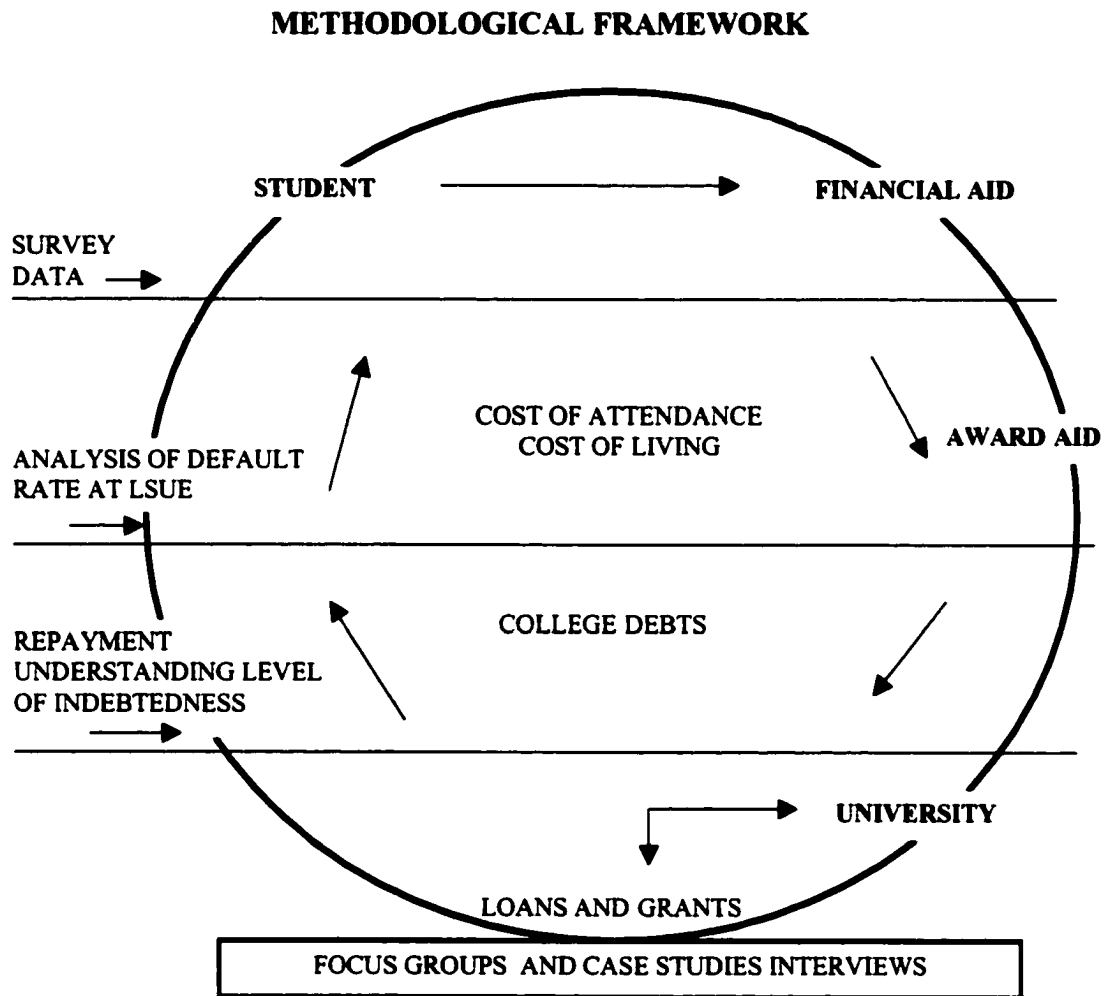
In selecting case study subjects, the researcher identified five students who borrowed excessively from federal student loan programs; one borrowed over \$60,000; two borrowed over \$35,000 with one filing bankruptcy and two students borrowed over \$23,000 and 20,000 respectively. The final case study is from a student who is married to a loan recipient. Students were asked to tell how they started borrowing from the federal student loan program. Each case study interview was audio taped by the researcher.

#### **Qualitative Data Analysis.**

The data collected from the focus groups and case studies were carefully recorded, reviewed, and analyzed. The researcher examined the data for common themes and patterns associated with students who borrow money from student loan programs, specifically, the researcher analyzed the data to see if in-depth, detailed

**information triangulated with data collected from surveys, and if findings could be generalized across the research study.**

**Figure F1: Methodological Framework of Students Borrowing from Federal Student Loan Programs.**



## **CHAPTER 4**

### **Quantitative Findings**

This chapter is divided into three sections as described by the objectives in Chapter 3. Section one describes the selected demographic characteristics for all survey respondents with student loans and those without student loans at a two-year college. This section also includes information about scholarships and credit card debt.

Section two describes the results gathered from the 21-item Likert-type scale which measures the perceptions of currently enrolled two-year college students who have loans regarding the system and procedures of the financial aid process. Statistical analysis of the items in the scale included factor analysis to identify constructs in the scale using dependent variables identified in the study. Section three describes the analysis used to determine if a model exists that can explain a significant portion of the variance in selected aspects of the students' perceptions regarding the system and procedures of the financial aid process from selected personal and educational demographic characteristics. The central question of whether students understand the level of indebtedness they are incurring by borrowing money from federal student loan programs was addressed.

#### **Objective 1**

The first objective of this study was to describe and compare students enrolled in a two-year college on the selected personal and educational demographic characteristics. Students described included the complete group of students, those with loans and those without loans at a two-year college. Respondents were asked to respond to the following selected demographic characteristics:

- a. enrollment status;
- b. total number of semesters enrolled at a two-year college;
- c. race;
- d. gender;
- e. marital status;
- f. number of dependents;
- g. total family income;
- h. highest level of education completed by parent/guardian;
- i. whether or not selected forms of financial aid were received;
- j. whether or not a credit card was used to help pay college expenses;
- k. total student loan debt incurred during college enrollment;
- l. anticipated yearly income after graduation;
- m. nature of student loans (subsidized, unsubsidized, both or do not know);
- n. whether or not interest is being paid on unsubsidized loans;
- o. amount of credit card debt;
- p. whether or not a monthly balance is being carried on credit cards;
- q. whether or not student received scholarships;
- r. amount of scholarship monies received to attend college.

The first characteristic on which the study participants were described was college enrollment status. Of the total group of respondents, the largest group reported that they were classified as freshmen ( $n=119$ , 43.9%). Among the study participants who indicated that they did not have student loans, the largest group ( $n=77$ , 50%) were

classified as freshmen. In contrast, the largest group of those who indicated that they did have student loans ( $n=51$ , 43.6%) were classified as sophomores.

In addition to describing the subjects on the characteristic of enrollment status, this objective also sought to compare the individuals without loans and those with loans. Both of these characteristics (enrollment status and whether or not the student has student loans) were measured as categorical data, while the variable, enrollment status was measured in three categories: freshmen, sophomore, and unclassified. The most appropriate method for comparing the groups on their enrollment status was to use the Chi-square test of independence to determine if the variables were independent. When this statistic was calculated with the variables of interest, the resulting measurement ( $\chi^2_{(2)} = 9.33$ ,  $p < .01$ ) revealed that the variables were not independent. The nature of the association between the variables was such that more of the students without loans were freshmen while more of the students with loans tended to be in the unclassified enrollment status (See Table 4.1).

**Table 4.1: Current College Enrollment Status of Students Enrolled in a 2-Year State College.**

Education Status	Without Loans		With Loans		All Students	
	N	Percent	N	Percent	N	Percent
Freshmen	77	50.0	42	35.0	119	43.9
Sophomore	63	40.9	51	43.6	114	42.1
Unclassified	14	9.1	24	20.5	38	14.0
<b>Total</b>	<b>154</b>	<b>100</b>	<b>117</b>	<b>100</b>	<b>271</b>	<b>100</b>

**Note:** ( $\chi^2_{(2)} = 9.33$ ,  $p < .01$ ).

Regarding the variable, total number of semesters enrolled at the current institution, students who did not have loans reported enrollments from one semester to a maximum of 17 semesters. The mean number of semesters enrolled for this group

was 3.61, ( $SD = 2.67$ ). The group of students who indicated that they did have loans reported total lengths of enrollment ranging from one to 18 semesters ( $M = 4.47$ ,  $SD = 2.96$ ). When the groups of students with loans ( $n=112$ ) and the students without loans ( $n=153$ ) were compared on their total number of semesters enrolled using the independent t-test procedure, those with loans were found to have significantly more semesters of enrollment ( $t_{(263)} = -2.490$ ,  $p < .01$ ).

Another characteristic on which subjects were described was their race. For the overall group, the largest number of respondents were White ( $n=197$ , 72.7%). Most of the remainder reported their race as African American ( $n=67$ , 24.7%). Among the group of students without loans, 124 (80.5%) indicated that they were White, while within the group with loans, 73 (62.4%) were White. The Chi-square test of independence was used to determine if the variable race and whether or not the student had loans were independent. Results of this test ( $\chi^2_{(3)} = 14.06$ ,  $p = .003$ ) reveal that the variables were not independent. The nature of the association was such that a higher percentage of students without loans were White while a higher percentage of the students with loans were African American (See Table 4.2).

**Table 4.2: Race of Students Enrolled in a 2-Year State College.**

Race	Without Loans		With Loans		All Student	
	N	Percent	N	Percent	N	Percent
African American	25	16.2	42	35.9	67	24.7
American Indian	3	1.9	1	.9	4	1.5
Hispanic	2	1.3	1	.9	3	1.1
White	124	80.5	73	62.4	197	72.7
<b>Total</b>	<b>154</b>	<b>100</b>	<b>117</b>	<b>100</b>	<b>271</b>	<b>100</b>

**Note:** ( $\chi^2_{(3)} = 14.06$ ,  $p = .003$ ).



A third characteristic on which subjects were described was their gender. For the overall group, the largest number of respondents were females ( $n=204$ , 75.6%). The remainder of the group reported their gender as male ( $n=66$ , 24.4%). Among the group without loans, 112 (73.2%) indicated that they were female, while within the group with loans, 92 (78.6%) were female. The Chi-square test of independence was used to determine if the variables gender and whether or not the student had loans were independent. Chi-square test results ( $\chi^2_{(1)} = 1.058$ ,  $p = .304$ ) revealed that the variables were independent (See Table 4.3).

**Table 4.3: Gender of Students Enrolled in a 2-Year State College.**

Gender	Without Loans		With Loans		All Students	
	N	Percent	N	Percent	N	Percent
Female	112	73.2	92	78.6	204	75.6
Male	41	26.8	25	21.4	66	24.4
<b>Total</b>	<b>153</b>	<b>100</b>	<b>117</b>	<b>100</b>	<b>270</b>	<b>100</b>

**Note:** ( $\chi^2_{(1)} = 1.058$ ,  $p = .034$ ).

Current marital status was another characteristic on which subjects were described. Overall, the largest number of respondents were single ( $n=193$ , 72.0%), followed by those who indicated they were married ( $n=55$ , 20.5%). Of the subjects who did not have student loans, the majority ( $n= 125$ , 81.2%) indicated that they were single, while among the group with loans 68 (59.6%) were single. To determine if current marital status and whether or not the student had loans were independent, the Chi-square test of independence was performed on the variables. Test results indicated that ( $\chi^2_{(4)} = 17.416$ ,  $p = .002$ ) the variables were not independent. The nature of the association revealed that a higher percentage of students without loans reported they

were single. In contrast, a higher percentage of students who had student loans indicated that they were married (See Table 4.4).

**Table 4.4: Marital Status of Students Enrolled in a 2-Year State College.**

Marital Status	Without Loans		With Loans		All Students	
	N	Percent	N	Percent	N	Percent
Married	24	15.6	31	27.3	55	20.5
Single	125	81.2	68	59.6	193	72.0
Widowed	0	0	1	.9	1	.4
Divorced	3	1.9	8	7.0	11	4.1
Separated	2	1.3	6	5.3	8	3.0
<b>Total</b>	<b>154</b>	<b>100</b>	<b>114</b>	<b>100</b>	<b>268</b>	<b>100</b>

Note: ( $X^2_{(4)} = 17.416, p = .002$ ).

Regarding the variable how many children or other dependents you are financially responsible for other than yourself, the range was from zero 0 to 8 dependents for respondents without loans and zero 0 to 9 dependents for respondents with loans. The mean number of dependents reported by students without loans was 1.88, ( $SD = 1.49$ ). The group of students who indicated that they had loans reported a mean number of dependents of 1.86, ( $SD = 1.24$ ). When the groups of students with and without loans were compared on reported number of dependents using the independent t-test procedure, results revealed there was no significant difference ( $t_{(98)} = .050, p = .960$ ).

When subjects were asked to estimate their 1999 total family income, the largest group ( $n=66, 25.7\%$ ) among all respondents reported that their family income was in the less than \$15,000 category. For participants in the study who indicated that they did not have student loans, the largest group ( $n=28, 19.7\%$ ) reported their family income to be between \$15,000-\$25,000. In contrast, the largest group of students with

loans ( $n=42$ , 36.9%) reported their family income was less than \$15,000. Since both family income and whether or not the student had loans were measured as categorical data, the most appropriate method of comparing family income was to use the Chi-square test of independence to determine if the variables of interest were independent. Calculation of this statistic ( $\chi^2_{(7)} = 29.686$ ,  $p < .001$ ) revealed that the variables were not independent. The nature of this association was such that more students without loans reported their family income to be between \$55,001-\$65,000, and more than \$75,000, while more students with loans reported family income to be less than \$15,000 (See Table 4.5).

**Table 4.5: Estimated Annual Family Income of Students Enrolled in a 2-Year State College.**

Family Income	Without Loans		With Loans		All Students	
	N	Percent	N	Percent	N	Percent
<\$15,0000	24	16.9	42	36.9	66	25.7
\$15,000-\$25,000	28	19.7	27	23.5	55	21.4
\$25,001-\$35,000	18	12.7	17	14.8	35	13.6
\$35,001-\$45,000	16	11.3	11	9.6	27	10.5
\$45,001-\$55,000	20	14.1	13	11.3	33	12.8
\$55,001-\$65,000	11	7.7	1	.9	12	4.7
\$65,001-\$75,000	8	5.6	3	2.6	11	4.3
>\$75,000	17	12.0	1	.9	18	7.0
<b>Total</b>	<b>142</b>	<b>100</b>	<b>115</b>	<b>100</b>	<b>257</b>	<b>100</b>

**Note:** ( $\chi^2_{(7)} = 29.686$ ,  $p < .001$ ).

Another variable used to describe the study subjects was the highest educational level of parent/guardian. Of the total group of respondents, the largest group ( $n=131$ , 48.3%) indicated the highest level of education of their parent/guardian was a high

school diploma. Likewise, the largest group of those who had student loans ( $n=57$ , 48.7%) indicated the highest educational level of parent/guardian was a high school diploma. The Chi-square test of independence was used to determine if the variables highest educational level of parent/guardian and whether or not the student had loans were independent. Results of this test ( $X^2_{(4)} = 9.898$ ,  $p = .042$ ) revealed that the variables were not independent. The nature of the association between the variables was such that a higher percentage of students without loans reported their parent/guardian educational level as bachelor degree and graduate degree. In contrast, more of those students who did have loans reported their parent/guardian educational level as less than a high school diploma (See Table 4.6).

**Table 4.6: Educational Level of Parent/Guardian of Students Enrolled in a 2-Year State College.**

Educational Level	Without Loans		With Loans		All Students	
	N	Percent	N	Percent	N	Percent
< High School	19	12.3	27	23.1	46	17.0
H S Diploma	74	48.1	57	48.7	131	48.3
Associate Degree	22	14.3	16	13.7	38	14.0
Bachelor Degree	25	16.2	14	12.0	39	14.4
Graduate Degree	14	9.1	3	2.6	17	6.3
<b>Total</b>	<b>154</b>	<b>100</b>	<b>117</b>	<b>100</b>	<b>271</b>	<b>100</b>

Note: ( $X^2_{(4)} = 9.898$ ,  $p = .042$ ).

Regarding financial aid, subjects in the study were asked about selected forms of financial aid received, including grants, loans, and other types of aid. In reference to grants, of the total group of respondents, the largest group reported that they did have grants ( $n=154$ , 56.8%). Of those respondents in the study with loans, 84 (71.8%) had

grants, while 84 (54.5%) of the students without loans reported that they did not have grants. The Chi-square test of independence was used to determine if the variables were independent. Results from the statistic ( $\chi^2_{(1)} = 18.802, p < .001$ ) revealed that the variables were not independent. The nature of the relationship between the variables was such that a higher percentage of students without loans did not have grants, while a higher percentage of students with loans received grants (See Table 4.7).

**Table 4.7: Whether or not Students Enrolled in a 2-Year State College Received Financial Aid (Grants).**

Grants	Without Loans		With Loans		All Students	
	N	Percent	N	Percent	N	Percent
Grants (No)	84	54.5	33	28.2	117	43.2
Grants (Yes)	70	45.5	84	71.8	154	56.8
<b>Total</b>	<b>154</b>	<b>100</b>	<b>117</b>	<b>100</b>	<b>271</b>	<b>100</b>

**Note:** ( $\chi^2_{(1)} = 18.802, p < .001$ ).

College work-study is another form of financial aid examined in this study. Of the total group of respondents, the largest group ( $n=251, 92.6\%$ ) indicated that they did not receive work-study. Among the study participants who did not have loans, the largest group, 145 (94.2%) did not have college work-study. Likewise, the largest group ( $n=106, 90.6\%$ ) with loans did not have work-study. In further describing the subjects in the study, the variables whether or not the student had work-study and whether or not the student had loans were examined for independence using the Chi-square test of independence ( $\chi^2_{(1)} = 1.231, p = .267$ ). Results of the test indicated that they were independent (See Table 4.8).

Subjects in the study who indicated that they received “other” type of financial aid were asked to specify what that financial aid was. Thirteen types of financial aid

**Table 4.8: Whether or not Students Enrolled in a 2 Year State College Received Financial Aid (Work-Study).**

Work-study	Without Loans		With Loans		All Students	
	N	Percent	N	Percent	N	Percent
Work-study (No)	145	94.2	106	90.6	251	92.6
Work-study (Yes)	9	5.8	11	9.4	20	7.4
<b>Total</b>	<b>154</b>	<b>100</b>	<b>117</b>	<b>100</b>	<b>271</b>	<b>100</b>

**Note:** ( $X^2_{(1)} = 1.231, p = .267$ ).

were identified by 38 respondents including: Bank; GI Bill; National Guard; JTPA; Job; Savings; TOPS (Tuition Opportunity Program for Students); Indian Tribe; Tuition Exemption; VA Benefits; Vocational Rehabilitation and Work-study. Of the total group of respondents, the largest group reported that they received TOPS ( $n=19, 50\%$ ). Among the study participants who indicated that they did not have loans, the largest group ( $n=16, 55.2\%$ ) indicated TOPS as their “other” type of financial aid. Of the group who did have loans, the most frequently reported “other” types of financial aid were TOPS ( $n=3, 33.3\%$ ) and JTPA ( $n=3, 33.3\%$ ). Due to the large number of different responses and the small number of respondents specifying a type of “other” financial aid, the groups with and without loans could not reasonably be statistically compared on their responses to this question (See Table 4.9).

Another characteristic on which subjects were described was their use of a personal credit card to help pay for college tuition. For the overall group, the largest group of respondents indicated that they did not use a credit card to help pay tuition ( $n=245, 91.8\%$ ). The remainder ( $n=22, 8.2\%$ ) indicated that they did use a credit card to help pay college tuition. Among the group who indicated that they had loans, 106

(93.0%) did not use a credit card to help pay their tuition, while 139 (90.8%) who did not have loans also did not use a credit card to help pay tuition.

**Table 4.9: Whether or not Students Enrolled in a 2-Year State College Received Financial Aid (Other).**

Other	Without Loans		With Loans		All Students	
	N	Percent	N	Percent	N	Percent
TOPS	16	55.2	3	33.3	19	50.0
JTPA	4	13.8	3	33.3	7	18.4
National Guard	2	6.8	0	0	2	6.8
Bank	0	0	1	11.1	1	2.6
GI Bill	0	0	1	11.1	1	2.6
Job	1	3.4	0	0	1	2.6
Parents	1	3.4	0	0	1	2.6
Savings	1	3.4	0	0	1	2.6
Tribe	1	3.4	0	0	1	2.6
Tuition Exemption	1	3.4	0	0	1	2.6
VA Benefits	0	0	1	11.1	1	2.6
Voc. Rehabilitation	1	3.4	0	0	1	2.6
Work-study	1	3.4	0	0	1	2.6
<b>Total</b>	<b>29</b>	<b>100</b>	<b>9</b>	<b>100</b>	<b>38</b>	<b>100</b>

To determine if the variables were independent, the Chi-square test of independence ( $\chi^2_{(1)} = .393$ ,  $p = .531$ ) was used. Results of the test revealed that the variables were independent (See Table 4.10).

Regarding the variable, estimate your credit card debt, amounts ranged from \$80 to \$10,000. The mean for students who did not have loans was \$840 ( $SD = 455.09$ ). For the group of students who indicated that they had loans, the mean was \$1,698 ( $SD = 3074.71$ ). When the group of students without loans ( $n=10$ ) and students

with loans ( $n=10$ ) were compared on their estimated credit card debt using the independent t-test procedure, no significant difference was found ( $t_{(18)} = -.873$ ,  $p = .394$ ).

**Table 4.10: Whether or not Students in a 2-Year State College used a Credit Card to Help Pay College Tuition.**

Credit Card	Without Loans		With Loans		All Students	
	N	Percent	N	Percent	N	Percent
No	139	90.8	106	93.0	245	91.8
Yes	14	9.2	8	7.0	22	8.2
Total	153	100	114	100	267	100

Note: ( $X^2(1) = .393$ ,  $p = .531$ ).

When subjects in the study were asked if they carried a monthly balance on a credit card, of the total group of respondents, the largest group reported that they were not carrying a monthly balance on their credit card ( $n=171$ , 69.85%). For those respondents who indicated they did not have student loans, the largest group ( $n=104$ , 73.8%) were not carrying a balance on their credit card. In contrast, of the group who indicated that they had loans, 67 (64.4%) were not carrying a credit card balance. To further describe subjects on characteristics of carrying a monthly balance on their credit card, the Chi-square statistic was used to determine if the variables whether or not they carried a monthly balance and whether or not they had loans were independent. When this statistic was calculated, the resulting measurement ( $X^2_{(1)} = 2.475$ ,  $p = .116$ ) revealed that the variables were independent (See Table 4.11).

Subjects were asked to report their total student loan debt incurred during their college enrollment. The responses ranged from \$400 to \$30,000.



**Table 4.11: Whether or Not Students Enrolled in a 2-Year State College Carried Monthly Balance on a Credit Card.**

Monthly Balance	Without Loans		With Loans		All Students	
	N	Percent	N	Percent	N	Percent
No	104	73.8	67	64.4	171	69.8
Yes	37	26.2	37	35.6	74	30.2
Total	141	100	104	100	245	100

**Note:** ( $X^2_{(1)} = 2.475$ ,  $p = .116$ ).

The mean of the student loan total for those with loans was \$6,192.37 ( $SD = 5756.63$ ).

Respondents with loans were asked what they expected their yearly income to be after graduation. They were asked to select the most appropriate category from eight available responses that included \$15,000 or less and \$75,000 or more as the lowest and highest response categories. The range for each category was \$10,000. The largest group of respondents ( $n=39$ , 34.8%) reported their expected yearly income to be between \$25,001 and \$35,000 (See Table 4.12).

Students were also asked to respond to the question, while enrolled in school what is the interest on your student loan(s)? Half (50.0%) of the respondents indicated that they had subsidized loans. The next largest group of respondents to this item were those who indicated that they “do not know” ( $n=21$ , 18.8%) (See Table 4.13).

If respondents were receiving a loan that was not subsidized, they were asked if they were paying interest on the loan while enrolled in college. Thirty-one of the 35 students who reported having unsubsidized loans responded to this item. The largest group of these students reported that they were not paying interest on their loan(s) during enrollment ( $n=21$ , 67.7%) (See Table 4.14).

**Table 4.12: Expected Yearly Income After Graduation of Students Enrolled in a 2-Year State College.**

Expected Income	With Loans		All Students	
	N	Percent	N	Percent
Less than \$15,000	3	2.7	3	2.7
\$15,001-\$25,000	28	25.0	28	25.0
\$25,001-\$35,000	39	34.8	39	34.8
\$35,001-\$45,000	19	17.0	19	17.0
\$45,001-\$55,000	10	8.9	10	8.9
\$55,001-\$65,000	9	8.0	9	8.0
\$65,001-\$75,000	4	3.6	4	3.6
<b>Total</b>	<b>112</b>	<b>100</b>	<b>112</b>	<b>100</b>

**Table 4.13: Interest on Loans of Students Enrolled in a 2-Year State College.**

Loan(s)	With Loans	
	N	Percent
<b>Subsidized</b>	56	50.0
<b>Do Not Know</b>	21	18.8
<b>Both</b>	20	17.9
<b>Unsubsidized</b>	15	13.4
<b>Total</b>	<b>112</b>	<b>100</b>

Another characteristic on which subjects were described was if they were receiving any scholarships. Of the total group of respondents, the largest group reported that they were not receiving any scholarships ( $n=216$ , 81.2%). Among those respondents who indicated that they did not have student loans, the largest group ( $n=112$ , 73.7%) reported that they did not have scholarships. Likewise, the largest

group of those who indicated that they did have student loans ( $n=104$ , 91.2%) received no scholarships.

**Table 4.14: Whether or not Students were Paying Interest on Loans While Enrolled in A 2-Year College.**

With Loans		
Paying Interest	N	Percent
No	21	67.7
Yes	10	32.3
<b>Total</b>	<b>31</b>	<b>100</b>

To compare those without loans and those with loans on whether or not they were receiving any scholarships, the Chi-square test of independence was used to determine if the variables were independent. When the statistic was calculated ( $\chi^2_{(1)} = 13.136$ ,  $p < .001$ ) the results revealed that the variables were not independent. The nature of the association between the variables was such that a higher percentage of students with loans were not receiving scholarships, while a higher percentage of student without loans were receiving scholarships (See Table 4.15).

**Table 4.15: Whether or not Students Enrolled in a 2-Year College Received Scholarships.**

	Without Loans		With Loans		All Students	
	N	Percent	N	Percent	N	Percent
Scholarships (No)	112	73.7	104	91.2	216	81.2
Scholarships (Yes)	40	26.3	10	8.8	50	18.8
<b>Total</b>	<b>152</b>	<b>100</b>	<b>114</b>	<b>100</b>	<b>266</b>	<b>100</b>

Note: ( $\chi^2_{(1)} = 13.136$ ,  $p < .001$ ).

Regarding the variable, estimate the total amount of scholarships received per year at the current institution, the mean for those student who indicated they did not

receive student loans was \$1,414.06 ( $SD = 622.21$ ). For those students who did receive student loans, the mean was \$1,244.44 ( $SD = 536.45$ ). When students with loans ( $n=9$ ) and students without loans ( $n=35$ ) were compared on the total amount of scholarships received per year using the independent t-test procedure, no significant difference was found ( $t_{(42)} = .739, p = .464$ ).

## **Objective 2**

The second objective of this study was to determine the perceptions of currently enrolled two-year college students who have loans regarding the system and procedures of the financial aid process. A 21-item Likert-type scale was used to measure the perceptions of subjects who have student loans and their knowledge of the student loan process in a two-year college. The response scale utilized with these perception statements was a five-point Likert-type scale with the following choices:

1 = "Strongly Agree;" 2 = "Somewhat Agree;" 3 = "Uncertain;" 4 = "Somewhat Disagree;" and 5 = "Strongly Disagree." To assist in the interpretation of this data, the researcher established an interpretive scale, which corresponded with the response categories on the five-point Likert-type scale. The response categories were as follows:

1.00 to 1.50 = "Strongly Agree;" 1.51 to 2.50 = "Somewhat Agree;" 2.51 to 3.50 = "Uncertain;" 3.51 to 4.50 = "Somewhat Disagree;" and 4.51 to 5.00 = "Strongly Disagree."

The items with which respondents most strongly agreed included, "I have a clear idea of how much money I spent last semester on college" (mean = 1.80,  $SD = 1.03$ ) and "I believe the monetary benefits of my education will be worth the cost of my student loans" (mean = 1.83,  $SD = 1.02$ ). Both of these items were classified in the

“Somewhat Agree” (1.51 to 2.50) category according to the interpretive scale established by the researcher. Overall, a total of eight items received mean ratings in the “Somewhat Agree” response category. By contrast, the items with which respondents most strongly disagreed included “My high school counselor helped me find out about financial aid options” (mean = 3.77, *SD* = 1.14) and “I would not recommend the student loan process to other students” (mean = 3.51, *SD* = 1.17). These were the only two items rated in the “Somewhat Disagree” response category. The remaining 11 items received overall mean ratings which were classified in the “Uncertain” response category (See Table 4.16).

To further summarize the information regarding the subjects’ perceptions and knowledge of the student loan process, the researcher used factor analysis to determine if underlying constructs existed in the data. The factor analysis was used on the twenty-one scaled items from the survey instrument.

The factor analysis conducted was a principal component analysis with a varimax rotation. The first step in conducting the factor analysis was to determine the optimum number of factors to be extracted. This determination was made using a combination of the latent root technique and the scree plot technique. Using these procedures, the most appropriate number of factors was determined to be five. The sub-scale labels are as follows: Factor 1 (Understanding the Loan Process) contained seven items that dealt with the students’ understanding of the student loan process. Factor 2 (Utilizing the Loan Process) contained three items that expressed perceptions regarding the students’ use of loans. Factor 3 (Perceptions of the Loan Process as a Last Resort) contained three items that related to the necessity of student

loans to attend college. Factor 4 (Decision-Making in the Loan Process) contained five items, which reflected the decision students made in using student loans and the perceived impact of loan utilization on their lives. Factor 5 (Acquiring Information on the Loan Process) had three items, which referenced how students with loans acquired information about the student loan process before they begin utilizing loans as a means of paying for higher education services.

**Table 4.16: Perception Responses of Students with Loans.**

Items	N	Mean <sup>a</sup>	SD	Response <sup>b</sup>
I have a clear idea of how much money I spent last semester on college.	113	1.80	1.03	Somewhat Agree
I believe the monetary benefits of my education will be worth the cost of my student loans.	113	1.83	1.02	Somewhat Agree
I know how much total student loan debt I have incurred so far during my college enrollment.	113	1.96	1.17	Somewhat Agree
I made the decision to get a student loan after carefully considering my other financial aid options such as grants and work-study.	112	2.04	1.25	Somewhat Agree
I feel the only way I could afford to attend this university is by using student loans.	112	2.28	1.45	Somewhat Agree
I first learned about student loans for financing my college education through the financial aid department at my university.	113	2.35	1.32	Somewhat Agree
Student loan debt will impact my life style choices; for example, being able to purchase a home or car after graduation.	113	2.40	1.21	Somewhat Agree
I do not have any idea how long it will take me to pay off my student loans.	113	2.47	1.32	Somewhat Agree
I understand the interest payments on my student loans.	113	2.51	1.30	Uncertain
Student loans are my main source of funding my college education.	112	2.54	1.50	Uncertain

(Table 4.16 continued)

I know what interest rates are allowed on my student loans.	113	2.56	1.34	Uncertain
I can explain the difference between subsidized and unsubsidized Stafford Loans.	113	2.61	1.31	Uncertain
I can explain the penalties for defaulting on my student loan.	113	2.90	1.34	Uncertain
I have a clear idea how much my monthly student loan payments will be after graduation.	113	2.95	1.29	Uncertain
I could explain the student loan process to other students.	113	2.96	1.31	Uncertain
My family helped me make the decision to use student loans to pay for my education.	111	2.99	1.59	Uncertain
Although I have student loans, the process involved in acquiring student loans is confusing to me.	112	3.00	1.38	Uncertain
I understand student loan consolidation options.	113	3.19	1.33	Uncertain
Financial aid information at Freshmen Orientation did help me to make a decision on how to finance my college education.	110	3.21	1.33	Uncertain
I would not recommend the student loan process to other students.	113	3.57	1.17	Somewhat Disagree
My high school counselor helped me find out about financial aid options.	112	3.77	1.14	Somewhat Disagree

<sup>a</sup>Mean values correspond to the response scale: 1=Strongly Agree; 2=Somewhat Agree; 3=Uncertain; 4=Somewhat Disagree and 5=Strongly Disagree.

<sup>b</sup>Response Categories: 1.00-1.50=Strongly Agree; 1.51-2.50=Somewhat Agree; 2.51-3.50=Uncertain; 3.51-4.50=Somewhat Disagree; 4.51-5.00=Strongly Disagree.

The first factor identified in the scale was labeled “Understanding the Loan Process.” Items in this factor related to understanding interest payments, explaining the penalties for defaulting, knowing what interest rates were allowed, explaining the difference between subsidized and unsubsidized loans, loan

consolidation options and explaining the loan process to other students. Loadings on this factor ranged from .824 to .559 (See Table 4.17).

**Table 4.17: Factor Analysis 1: Understanding the Loan Process.**

<b>Perception</b>	<b>Factor 1</b>	<b>Factor 2</b>	<b>Factor 3</b>	<b>Factor 4</b>	<b>Factor 5</b>
<b>Factor 1: Understanding the Loan Process</b>	<b>25.235% of Variance</b>				
I understand the interest payments on my student loans.	<b>.824</b>	.187	-9.036E-02	4.846E-02	.179
I can explain the penalties for defaulting on my student loans.	<b>.793</b>	-2.881E-02	-.154	.123	3.779E-2
I know what interest rates are allowed on my student loans.	<b>.746</b>	.226	-.171	7.425E-02	.143
I can explain the difference between subsidized and unsubsidized Stafford Loan.	<b>.666</b>	.404	.220	-3.797E-02	-.168
I understand student loan consolidation options.	<b>.664</b>	-.223	-6.205E-02	.161	.126
I could explain the student loan process to other students.	<b>.597</b>	.512	-3.942E-02	-1.393E-02	9.176E-02
I have a clear idea of how much my monthly student loan payments will be after graduation.	<b>.599</b>	7.046E-02	-.113	.117	7.767E-02

The second factor in the scale was labeled by the researcher as “Utilizing the Loan Process.” Items in this factor expressed the students’ perceptions regarding the use of loans by whether or not they would recommend the student loan process to other students, learning about student loans through the financial aid office at the university



they attend and having loans even though the process is confusing. Item loadings on this factor ranged from -.771 to -.526 (See Table 4.18).

**Table 4.18: Factor Analysis 2: Utilizing the Loan Process.**

<b>Perception</b>	<b>Factor 1</b>	<b>Factor 2</b>	<b>Factor 3</b>	<b>Factor 4</b>	<b>Factor 5</b>
<b>Factor 2: Utilizing the Loan Process</b>		<b>9.796% of Variance</b>			
I would not recommend the student loan process to other students.	-4.971E-02	-.771	.170	-.102	-.141
I first learned about student loans for financing my college education through the financial aid office at my university.	1.113E-02	.595	.192	.197	-.100
Although I have student loans, the process involved in acquiring student loans is confusing to me.	-.411	-.526	2.819E-02	.165	4.141E-02

The third factor was labeled by the researcher as “Perceptions of Loan Process as a Last Resort.” Three items in this factor reflect students’ perceptions that the only way they can afford to attend this university was to take out student loans. The remaining two items in the factor were how students perceived using student loans as a main source of funding college, and not knowing how long it would take to pay off their loans after graduation. Loadings on this factor ranged from .805 to .448 (See Table 4.19).

The fourth factor was labeled by the researcher as “Decision-Making in the Loan Process.” Items in this factor included students taking loans after carefully considering other aid options, how much money they spent in a semester, the

**Table 4.19: Factor Analysis 3: Perceptions of the Loan Process as a Last Resort.**

Perception	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
<b>Factor 3: Perceptions of the Loan Process as a Last Resort</b>			<b>8.082% of Variance</b>		
I feel the only way I can afford to attend this university is by using student loans.	-.182	.129	<b>.805</b>	.101	-7.911E-02
Student loans are my main source of funding my college education.	2.360E-02	-6.096E-02	<b>.778</b>	3.44.E-02	.144
I do not have any idea how long it will take me to pay off my student loans.	-.292	-2.231E-02	<b>.448</b>	1.186E-02	-2.821E-02

impact of their debt on their ability to purchase, total loan debt, and believing that the monetary benefits of education will be worth the cost of taking out student loans.

Loadings on this factor ranged from .736 to .408 (See Table 4.20).

**Table 4.20: Factor Analysis 4: Decision-Making in the Loan Process.**

Perception	Factor 1	Factor 2	Factor 3	Factor 4	Factor 4
<b>Factor 4: Decision-Making in the Loan Process.</b>				<b>7.318% of Variance</b>	
I made the decision to get a student loan after carefully considering my other financial aid options such as grants, and work-study.	-1.050E-02	.142	.173	<b>.736</b>	-.112
I have a clear idea of how much I spent last semester on college.	.301	.150	-.246	<b>.537</b>	-6.358E-03
Student loan debt will impact my life style choice; being able to purchase a home or car after graduation.	6.511E-03	-.167	.150	<b>.534</b>	.266

(Table 4.20 continued)

I know how much total student loan debt I have incurred so far during my college enrollment.	.462	.275	-.171	<b>.508</b>	-.177
I believe the monetary benefit of my education will be worth the cost of my student loans.	.374	.400	8.061E-03	<b>.408</b>	9.089E-02

The fifth factor was labeled by the researcher as, “Acquiring Information on the Loan Process.” Items in this factor include finding out about financial aid options through the high school counselor, freshmen orientation, and seeking family advice to use student loans. Loadings on this factor ranged from .772 to .597 (See Table 4.21).

**Table 4.21: Factor Analysis 5: Acquiring Information on the Loan Process.**

<b>Perception</b>	<b>Factor 1</b>	<b>Factor 2</b>	<b>Factor 3</b>	<b>Factor 4</b>	<b>Factor 5</b>
<b>Factor 5: Acquiring Information on the Loan Process.</b>					<b>6.394% of Variance</b>
My high school counselor helped me find out about financial aid options.	.236	-1.255E-02	-4.483E-02	-1.856E02	<b>.772</b>
Financial aid information at Freshmen Orientation did help me make a decision on how to finance my college education.	.238	-5.933E-02	.270	7.999E-03	<b>.664</b>
My family helped me make the decision to use student loans to pay for my education.	-.335	.316	-.308	8.124E-02	<b>.597</b>

After identifying the five factors and assigning sub-scale labels to each, the researcher computed sub-scale scores to correspond with the response scale. The sub-scale scores were identified as the overall mean rating of the items in each of the

identified factors. The first sub-scale (Understanding the Loan Process) included seven items, and had an overall mean scale score of 2.81, ( $SD = .9722$ ). This sub-scale received an overall response rating of Uncertain. The second scale (Utilizing the Loan Process) included three items and had an overall mean of 2.95, ( $SD = .6837$ ). This sub-scale received an overall response rating of Uncertain. The third sub-scale (Perceptions of the Loan Process as a Last Resort) had three items with an overall mean of 2.44, ( $SD = 1.0807$ ). This scale received a response rating of Somewhat Agree. The fourth sub-scale (Decision-Making in the Loan Process) identified five items with a mean of 2.00, ( $SD = .6941$ ). The response rating for this scale was Somewhat Agree. The fifth sub-scale (Acquiring Information on the Loan Process) had three items with a mean of 3.34, ( $SD = 1.0529$ ). This scale received a response rating of Uncertain (See Table 4. 22).

**Table 4.22: Sub-Scale Label Scores on Five Factor Analyses.**

Sub-Scale Labels	Items	Mean <sup>a</sup>	SD	Response <sup>b</sup>	Range
Understanding of Loan Process	7	2.81	.9722	Uncertain	2.51 – 3.50
Utilizing the Loan Process	3	2.95	.6837	Uncertain	2.51 – 3.50
Perceptions of the Loan Process as a Last Resort	3	2.44	1.0807	Somewhat Agree	1.51 – 2.50
Decision-Making in the Loan Process	5	2.00	.6941	Somewhat Agree	1.51 – 2.50
Acquiring Information on the Loan Process	3	3.34	1.0529	Uncertain	2.51 – 3.50

<sup>a</sup> **Mean** value correspond to the response scale: 1= Strongly Agree; 2=Somewhat Agree; 3=Uncertain; 4=Somewhat Disagree; 5=Strongly Disagree.

<sup>b</sup> **Response** categories: 1.00-1.50=Strongly Agree; 1.51-2.50=Somewhat Agree; 3=2.51-3.50 Uncertain; 4=3.51-4.50 Somewhat Disagree; 5=4.51-5.00 Strongly Disagree.

### Objective 3

The third objective of the study was to determine if a model exists that can explain a significant portion of the variance in selected aspects of the students'

perceptions regarding the system and procedures of the financial aid process from selected personal and educational demographic characteristics. To accomplish this objective, each of the five sub-scale scores (1. Understanding the Loan Process, 2. Utilizing the Loan Process, 3. Perceptions of the Loan Process as a Last Resort, 4. Decision-Making in the Loan Process and 5. Acquiring Information on the Loan Process) identified in the factor analysis of the perception scale were entered as dependent variables in separate multiple regression analysis, and the following selected personal and educational demographic characteristics were used as independent variables in each of the analyses:

- a. enrollment status;
- b. total number of semesters enrolled at a two-year college;
- c. race;
- d. gender;
- e. marital status;
- f. number of dependents;
- g. total family income;
- h. highest level of education completed by parent/guardian;
- i. whether or not selected forms of financial aid were received;
- j. whether or not a credit card was used to help pay college expenses;
- k. total student loan debt incurred during college enrollment;
- l. anticipated yearly income after graduation;
- m. nature of student loans (subsidized, unsubsidized, both, do not know);
- n. whether or not interest is being paid on unsubsidized loans;

- o. amount of credit card debt;**
- p. whether or not a monthly balance is being carried on credit cards;**
- q. whether or not student received scholarships;**
- r. amount of scholarship monies received to attend college.**

**Variables, which were measured on a categorical scale of measurement (especially nominal), were dummy coded so that a separate variable was created for each level of the variable of interest. These variables were created so that the presence of the characteristics was coded a “1” and the absence of the characteristic was coded as “0.” Additionally, to avoid excess multicollinearity among the dummy coded variables entered (which included all of the categorical variables that had more than two possible response categories) the researcher omitted one of the newly created variables. If this procedure were not followed, each of the created variables would be perfectly collinear with the remaining created variables. For example, the variable marital status included the categories married, single, divorced, separated, and widowed. A separate dichotomous variable was created for each of these five variables with a code of “1” assigned to indicate the presence of the characteristic (such as married) and a code of “0” assigned to indicate the absence of this property. Among these five variables, one must be omitted from the analysis to avoid the creation of perfect collinearity among the independent variables in the analysis. The selection of the specific variable to omit was made using the bivariate correlation between the dummy coded variable and the dependent variable. The dummy coded variable with the lowest bivariate correlation with the dependent variable was selected for omission**

since this variable has the least promise of adding significantly to the percentage of explained variance.

The multiple regression analyses were conducted in this study on the five factors identified from the factor analysis responses to the scaled items. The regression analysis for the first factor, "Understanding the Loan Process," identified a significant four-factor explanatory model. The first variable to enter the regression model was whether or not the student indicated "Do not know" in response to the question, "While you are enrolled in school, what is the interest on your student loan(s)?: subsidized, unsubsidized, both or do not know." Considered alone, this variable explained 19.0% of the variance in Factor 1, "Understanding the Loan Process," of students' perceptions regarding the system and procedures of the financial aid process. The second variable to enter the regression model was "Whether or not students expected their income after graduation to be in the "\$65,000 - \$75,000 category." This was one of the categorical responses to the question, "What do you expect your yearly income to be after graduation?: This variable added 1.6% to the cumulative amount of explained variance (20.6%) regarding responses to the items in the factor "Understanding the Loan Process." The third variable to enter the regression was the response to the item (yes or no), "If you have a loan that is not subsidized, are your paying the interest while you are attending school? This variable increased the cumulative explained variance by 1.2% (21.8% total) in the dependent variable. Finally, the fourth variable to enter the regression model was whether or not "The highest level of education attained by the students' parent was less than a high school diploma." This variable added 1.0% to the

explained variance and increased the total to 22.8% of the variance explained for the factor "Understanding the Loan Process" (See Table 4.23).

**Table 4.23: Multiple Regression Analysis for Factor 1: Understanding the Loan Process.**

Source of Variation	df	Ms	F-ratio	p	
Regression	4	6.027	19.611	<.001	
Residual	266	.307			
Total	270				

Variables in Equation					
Variables	R <sup>2</sup> Cumulative	R <sup>2</sup> Change	F Change	P Change	Beta
Interest "Do Not Know"	.190	.190	63.266	.000	.405
Expected Income 65k to 75k	.206	.016	5.391	.021	-.113
If loan not subsidized, are you paying interest?	.218	.012	3.939	.048	-.119
Less than High School Education	.228	.012	3.939	.067	.100

Variables not in Equation		
Variables	t	Sig. t
SINGLE	1.768	.078
Expected Income >15k	1.596	.112
Family Income 15k to 25k	1.542	.124
How many semester(s) enrolled at LSUE?	1.386	.167
Graduate Degree	1.027	.305
HISPANIC	.826	.409
What is your gender?	.824	.411
Family Income 65k to 75k	.728	.467
Are you using a personal credit card to pay college tuition?	.580	.563
SOPHOMOR	.515	.607
If yes, estimate your credit card debt?	.419	.676
American Indian	.399	.690
Interest "Subsidized"	.371	.711
Are you carrying a monthly balance on your credit card?	.259	.796
Are you receiving any scholarships?	.230	.818
WHITE	.205	.838

(Table 4.23 continued)



Types of financial aid you have received at LSUE (Scholarships)	.182	.856
Family Income >75k	.181	.857
How many children or other dependents are you financially responsible for other than yourself?	.134	.893
Expected Income 25k to 35k	.095	.925
Family Income 45k to 55k	.060	.952
Expected Income 55k to 65k	-.026	.979
Expected Income 15k to 25k	-.125	.900
Associate Degree	-.198	.843
Expected Income 35k to 45k	-.198	.843
Family Income 25k to 35k	-.303	.762
Family Income 55k to 65k	-.519	.604
High School Diploma	-.541	.589
Expected Income 45k to 55k	-.590	.556
FRESHMAN	-.690	.491
Total loan debt incurred so far during college enrollment	-.706	.481
Types of financial aid you have received while at LSUE (Work-study)	-.717	.474
Family Income < 15k	-.803	.423
Family Income 35k to 45k	-.895	.372
DIVORCED	-1.016	.311
MARRIED	-1.154	.249
Types of financial aid you have received while at LSUE (Grants)	-1.162	.246
Interest "Subsidized and Unsubsidized"	-1.535	.126
If yes, estimate total scholarships received per year?	-.574	.566

**Note: Explanation of variables provided in Appendix D.**

The nature of the relationship between the significant explanatory variables and the dependent variable was such that students who indicated "Do not know" as their response to the item "While you are enrolled in school, what is the interest on your student loan(s)?" reported lower levels of agreement with the items in the factor "Understanding the Loan Process" which indicates that they felt they understood less about the loan process. Therefore, those who did not know the types of loan(s) they had tended to report lower levels of perceived understanding of the student loan process. The second significant explanatory variable to the dependent variable was such that students who indicated \$65,000 to \$75,000 thousand as their response to the

item, "What do you expect your yearly income to be after graduation?" tended to report lower levels of agreement with the items in the factor "Understanding the Loan Process." The third explanatory variable to the dependent variable was students' response (yes or no) to the item, "If you have a loan that is not subsidized, are you paying the interest while you are attending school?" The nature of influence of this item was such that individuals who indicated "yes" in response to the item tended to have lower levels of agreement with the items in the factor, "Understanding the Loan Process." The fourth explanatory variable to the dependent variable was whether or not students indicated "Less than high school" in response to the item highest level of education completed by parents. Those who indicated that their parents' highest level of education was less than high school tended to have higher levels of agreement with the items in the factor "Understanding the Loan Process."

The multiple regression analysis for the second factor, "Utilizing the Loan Process," identified a significant six factor explanatory model. The first variable to enter the regression model was whether or not students indicated that their expected income after graduation was "Less than \$15,000" in response to the question, "What do you expect your yearly income to be after graduation?" This variable explained 5.4% of the variance in the students' perceptions regarding the items in "Utilizing the Loan Process." The second variable to enter the model was whether or not students indicated that their expected income after graduation to be between "\$45,000 to 55,000 category" in response to the question, "What do you expect your yearly income to be after graduation?" This variable added 4.3% to the cumulative amount of explained

variance (9.7%) regarding responses to the items in the factor “Utilizing the Loan Process.”

The third variable to enter the regression model for Factor 2, “Utilizing the Loan Process” was the students’ response to the request that they estimate their credit card debt accrued to help pay college expenses. This variable increased the cumulative explained variance by 2.9% (12.6% total) in the dependent variable. The fourth variable to enter the regression for Factor 2 was whether or not the student indicated that their family income was between \$45,000 to \$55,000 category.” This was one the categorical responses to the question, “Please estimate your total family income for 1999.” This variable provided an additional 2.1% increase to the cumulative explained variance of 14.7%. The fifth variable to enter the regression model was the total number of children or other dependents reported in response to the question, “How many children or other dependents are you financially responsible for other than yourself?” This variable increased the cumulative explained variance in the dependent variable by 1.1% (15.8%). The sixth and final variable to enter the regression model for Factor 2, “Utilizing the Loan Process” was the response provided to the item, “Total student loan debt incurred so far during college enrollment: Estimate.” This variable added another 1.0% to the explained variance and increased the total to 16.85% of the variance explained in the factor “ Utilizing the Loan Process” (See Table 4.24).

The nature of the relationship between the significant explanatory variables and the dependent variable was such that students who indicated “Less than \$15,000” as their response to the item, “What do you expect your yearly income to be after graduation?” reported higher levels of agreement with the items in the factor “Utilizing

the Loan Process.” The second significant explanatory variable to the dependent variable was such that students’ who indicated “\$45,000 to \$55,000” as their response to the item expected income after graduation tended to report higher levels of agreement with the items in the factor, “Utilizing the Loan Process.”

**Table 4.24: Multiple Regression Analysis for Factor 2: Utilizing the Loan Process.**

Source of Variation	df	Ms	F-ratio	P
Regression	6	1.463	8.865	<.001
Residual	264	.165		
Total	270			

<b>Variables in the equation</b>
----------------------------------

Variables	R <sup>2</sup> Cumulative	R <sup>2</sup> Change	F Change	P Change	Beta
Expected Income <15k	.054	.054	15.229	.000	-.216
Expected Income 45k to 55k	.097	.043	12.819	.000	.223
If yes, estimate your credit card debt?	.126	.029	8.781	.003	-.197
Family Income 45k to 55k	.147	.021	6.633	.011	.141
How many children or other dependents are you responsible for other than yourself?	.158	.011	3.545	.061	.105
Total student loan debt incurred so far during college enrollment	.168	.010	3.046	.082	-.098

<b>Variables not in the equation</b>
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Variables	t	Sig. t
DIVORCED	1.396	.164
Types of financial aid you have received while at LSUE (Grants)	1.314	.190
Interest “Subsidized”	1.222	.223
Bachelor Degree	1.133	.258
Types of financial aid your have received while at LSUE (Scholarships)	1.064	.288
African American	1.016	.311
What is your gender?	.976	.330

(Table 4.24 continued)

Family Income 55k to 65k	.826	.410
Are you receiving any scholarships?	.791	.429
Expected Income 25k to 35k	.738	.461
Expected Income 55k to 65k	.717	.474
Graduate Degree	.682	.496
Family Income 65k to 75k	.653	.514
MARRIED	.539	.590
Expected Income 65k to 75k	.488	.626
Family Income > 75k	.179	.858
Associate Degree	.140	.889
Family Income 25k to 35k	.113	.910
Are you using a personal credit card to help pay college tuition?	.033	.974
Family Income < 15k	-.023	.982
Family Income 35k to 45k	-.060	.952
American Indian	-.247	.805
FRESHMAN	-.547	.585
If yes, estimate the total amount of scholarships received per year?	-.584	.560
Interest "Unsubsidized"	-.642	.521
Expected Income 15k to 25k	-.653	-.040
Types of aid you have received while at LSUE (Work-study)	-.833	.406
Interest "Do Not Know"	-.851	.395
HISPANIC	-.888	.375
Family Income 15k to 25k	-.901	.369
How many semester(s) enrolled at LSUE?	-.909	.364
Expected Income 35k to 45k	-.949	.343
Are you carrying a monthly balance on your credit card?	-1.077	.282
While you are enrolled in school, what is the interest on your student loans?	-1.089	.277
UNCLASSIFIED	-1.243	.215
SINGLE	-1.311	.191
High School Diploma	-1.412	.159

**Note: Explanation of variables provided in Appendix D.**

The third explanatory variable to enter the regression model for Factor 2, "Utilizing the Loan Process" was the students' response to total accrued credit card debt if used for college expenses. Students who reported higher levels of credit card debt tended to report lower levels of agreement with the items in Factor 2. The fourth explanatory variable to the dependent variable was whether or not students indicated "\$45,000 to \$55,000" in response to the item, "Please estimate your total family income." Those

who indicated the \$45,000 to \$55,000 level of family income tended to report higher levels of agreement with the item in the factor “Utilizing the Loan Process.”

The fifth explanatory variable “How many children or other dependents are your financially responsible for other than yourself?” influenced the response to Factor 2, “Utilizing the Loan Process,” such that students who reported more dependents tended to have higher levels of agreement with the items in the factor. The sixth explanatory variable to the dependent variable in Factor 2, “Utilizing the Loan Process” was such that students who indicated lower values in their responses to the item, “Total student loan debt incurred so far during college enrollment,” tended to report higher levels of agreement with the items in the factor.

The multiple regression analysis was conducted on Factor 3, “Perceptions of the Loan Process as a Last Resort,” which identified a significant nine factor explanatory model. The first variable to enter the regression model was their estimate of the “Total student loan debt incurred so far during their college enrollment.” This variable explained 6.8% of the variance in Factor 3, “Perceptions of the Loan Process as a Last Resort,” of students’ perceptions regarding the system and procedures of financial aid. The second variable to enter the regression model was whether or not the students indicated that their race was “African American.” This was one of the categorical responses to the question, “Which race do you most closely identify?” This variable added 4.1% to the cumulative amount of the explained variance (10.9%) regarding responses to the items in factor 3. The third variable to enter the model was whether or not students expected their income after graduation to be in the “\$35,000 to \$45,000” response category. This was a categorical response to the question, “What do you

expect your yearly income to be after graduation?" This variable increased the cumulative explained variance by 3.6% (14.5% total) in the dependent variable.

The fourth variable identified in Factor 3, "Perceptions of the Loan Process as a Last Resort" was whether or not students expected their income after graduation to be "\$65,000 to \$75,000." This variable added 2.9% to the cumulative amount of explained variance (17.4% total) regarding responses to the items in the factor, "Perceptions of the Loan Process as a Last Resort." The fifth variable to enter the regression model was whether or not students reported their total family income to be "\$35,000 to \$45,000" response category. This was one item in the available responses to the question, "Please estimate your total family income for 1999." This variable increased the cumulative explained variance by 1.8% (19.2% total) in the dependent variable. The sixth variable to enter the regression model was whether or not students expected their income after graduation to be "\$25,000 to \$35,000." This variable further increased the cumulative explained variance by 1.6% and increased the total to 20.8% of the explained variance for the factor, "Perceptions of the Loan Process as a Last Resort." The seventh variable to enter the regression model for Factor 3 was the estimated total amount of credit card debt accrued in response to the question about the amount of credit card debt they have accrued as a result of using their personal credit card. This variable increased the cumulative explained variance by 1.6% (22.4% total) in the dependent variable. The eighth variable to enter the regression model was the response to the item (yes or no), "Are you receiving any scholarships?" This variable increased the cumulative explained variance by 1.6% (24% total) in the dependent variable. Finally, the ninth variable to enter the regression model was whether or not

students indicated “Grants” in response to the question, “Types of financial aid you have received while at LSUE.” This variable added 1.2% to the cumulative amount of explained variance (25.2%) regarding responses to the items in the factor, “Perceptions of the Loan Process as a Last Resort” (See Table 4.25).

**Table 4.25: Multiple Regression Analysis for Factor 3: Perceptions of the Loan Process as a Last Resort.**

Source of Variation	df	Ms	F-ratio	p
Regression	9	3.661	9.766	<.001
Residual	261	.375		
Total	270			

**Variables in the equation**

Variables	R <sup>2</sup> Cumulative	R <sup>2</sup> Change	F Change	P Change	Beta
Total student loan debt incurred so far during college enrollment	.068	.068	19.498	.000	-.251
African American	.109	.041	12.383	.001	.208
Expected Income 35k to 45k	.145	.036	11.220	.001	-.258
Expected Income 65k to 75k	.174	.029	9.391	.002	.140
Family Income 35k to 45k	.192	.018	5.985	.015	.131
Expected Income 25k to 35k	.208	.016	5.172	.024	-.143
If yes, estimate your credit card debt?	.224	.016	5.527	.019	-.147
Are you receiving any scholarships?	.240	.016	5.596	.019	.136
Types of financial aid received while at LSUE (Grants)	.252	.012	4.099	.044	.116

**Variables not in the equation**

Variables	t	Sig. t
Interest “Subsidized”	1.705	.089
MARRIED	1.688	.093
Family Income > 75k	1.445	.150
Expected Income 15k to 25k	1.431	.154
Are you carrying a monthly balance on your credit card?	1.339	.182

(Table 4.25 continued)



What is your gender?	1.194	.234
Family Income 25k to 35k	1.107	.269
Types of financial aid you have received while at LSUE (Work-study)	1.083	.280
If yes, estimate the total amount of scholarships received per year?	1.057	.292
Associate Degree	.907	.365
How many children or other dependents are you financially responsible for other than yourself?	.875	.383
Expected Income 45k to 55k	.700	.484
Family Income 65k to 75k	.478	.633
How many semesters have you been enrolled at LSUE?	.338	.736
Family Income 55k to 65k	.284	.777
UNCLASSIFIED	.126	.900
High School Diploma	.118	.906
Family Income 45k to 55k	-.017	.986
Bachelor Degree	-.044	.965
WHITE	-.068	.946
If yes, what is your monthly payment?	-.118	.906
Interest "Do Not Know"	-.128	.899
Graduate Degree	-.162	.871
Are you using a personal credit card?	-.275	.784
DIVORCED	-.340	.734
FRESHMAN	-.754	.452
If you have a loan that is not subsidized, are you paying the interest while you are attending school?	-.793	.429
Family Income 15k to 25k	-.877	.381
SEPARATED	-.963	.337
Family Income <15k	-1.271	.205
Interest "Subsidized and Unsubsidized"	-1.569	.118
Expected Income <15k	-1.867	.063

**Note: Explanation of variables provided in Appendix D.**

The nature of the relationship between the significant explanatory variables and the dependent variable in Factor 3, "Total student loan incurred so far during college enrollment," reported higher levels of agreement with the item in the factor, "Perceptions of the Loan Process as a Last Resort." The second significant explanatory variable to the dependent variable was such that students who indicated that their race was "African American" reported lower levels of agreement with the items in Factor 3.

The third explanatory variable to enter the regression model for Factor 3 was whether or not students expected their income after graduation to be "\$35,000 to \$45,000. Those who marked this response category tended to report higher levels of agreement with the items in this factor. The nature of the association between the explanatory variable (whether or not student marked \$65,000 to \$75,000 as their expected income) tended to report lower levels of agreement with the items in the factor "Perceptions of the Loan Process as a Last Resort."

The fifth explanatory variable to enter the regression model and the nature of its relationship between the significant explanatory variables to the dependent variable was such that students who reported that their total family income was "\$35,000 to \$45,000" tended to report lower levels of agreement with the items in the factor. The sixth explanatory variable to the dependent variable was such that students who indicated "\$25,000 to \$35,000" as their response to the item, "What do you expect your yearly income to be after graduation?" tended to report higher levels of agreement with this items in the factor, "Perceptions of the Loan Process as a Last Resort." The seventh explanatory variable to the dependent variable, "If yes, estimate your credit card debt," the nature of the influence of this item was such that individuals who indicated "yes" in response to the item tended to have lower levels of agreement with the items in the factor, "Perceptions of the Loan Process as a Last Resort." The eighth explanatory variable to the dependent variable (yes or no) to "Are you receiving scholarships?" tended to report lower levels of agreement with the items in this factor. The ninth explanatory variable to the dependent variable was such that students who indicated they received "Grants" as a type of financial aid tended to report lower levels

of agreement with the items in the factor, “Perceptions of the Loan Process as a Last Resort.”

The multiple regression analysis was conducted on Factor 4, “Decision-Making in the Loan Process.” A significant five factor explanatory model was identified. The first variable to enter the regression model was whether or not the students indicated “Do not know” in their response to the question, “While you are enrolled in school, what is the interest on your student loan(s)?: subsidized, unsubsidized, both or do not know.” Considered alone, this variable explained 15.3% of the variance in Factor 4, “Decision-Making in the Loan Process.” The second variable to enter the regression model was “Total student loan debt incurred so far during college enrollment: Estimate.” This variable increased the cumulative explained variance by 2.4% and increased the total to 17.7% of the variance explained in Factor 4. The third variable to enter the regression was the response to the item (yes or no) “If you have a loan that is not subsidized, are you paying the interest while you are attending school?” This variable added 2% to the cumulative explained variance (19.7% total) in the dependent variable. The fourth variable to enter the regression model was whether or not students expected their income after graduation to be “\$15,000 or less.” This was one of the categorical responses to the question, “What do you expect your yearly income to be after graduation?” This variable added 2.2% to the cumulative amount of explained variance (21.9%) regarding responses to the items in the factor, “Decision-Making in the Loan Process.” The fifth and final variable to enter the regression model was whether or not students indicated that they “Are carrying a monthly balance on your credit card?” This variable increased the cumulative explained variance by 1.2% in the

amount of explained variance and increased the total to 23.1% of the variance

explained for the factor, "Decision-Making in the Loan Process" (See Table 4.26).

**Table 4.26: Multiple Regression Analysis for Factor 4: Decision-Making in the Loan Process.**

Source of Variation	df	Ms	F-ratio	P
Regression	5	2.491	15.9005	<.001
Residual	265	.157		
Total	270			

**Variables in the equation**

Variables	R <sup>2</sup> Cumulative	R <sup>2</sup> Change	F Change	P Change	Beta
Interest "Do not know"	.153	.153	48.777	.000	.384
Total student loan debt incurred so far during college enrollment	.177	.023	7.4292	.007	-.167
If you have a loan that is not subsidized, are you paying the interest while you are attending school?	.197	.020	6.775	.010	-.151
Expected Income <15k	.219	.022	7.530	.006	.159
Are you carrying a monthly balance on your credit card?	.231	.012	4.072	.045	.109

**Variables not in the equation**

Variables	t	Sig. T
Family Income 45k to 55k	1.506	.133
UNCLASSIFIED	.815	.416
How many semesters have you been enrolled at LSUE?	.745	.457
Family Income 65k to 75k	.607	.544
African American	.596	.552
Expected Income 25k to 35k	.537	.592
If yes, what is your monthly payments?	.420	.675
FRESHMAN	.393	.695
MARRIED	.304	.762
SINGLE	.251	.802
If yes, estimate your credit card debt?	.238	.812
Bachelor Degree	.210	.833

(Table 4.26 continued)

HISPANIC	.033	.974
Are you receiving any scholarships?	.027	.979
Expected Income 45k to 55k	.012	.990
DIVORCED	-.036	.971
Family Income 55k to 65k	-.039	.969
Expected Income 15k to 25k	-.070	.945
What is your gender?	-.078	.938
High School Diploma	-.101	.920
How many children or other dependents are you financially responsible for other than yourself?	-.116	.908
Types of financial aid you have received while at LSUE (Grants)	-.116	.908
Family Income 35k to 45k	-.203	-.012
Graduate Degree	-.298	.766
Expected Income 55k to 65k	-.355	.723
Associate Degree	-.478	.633
Family Income 25k to 35k	-.506	.613
Interest "Subsidized and Unsubsidized"	-.524	.601
Are you using a personal credit card to help pay college tuition?	-.712	.477
Family Income 15k to 25k	-.775	.439
American Indian	-.833	.406
If yes, estimate the total amount of scholarships received per year?	-.928	.354
Expected Income 35k to 45k	-1.033	.303
Interest "Subsidized"	-1.082	.280
Types of financial aid you have received while at LSUE (Work-study)	-1.721	.087

**Note: Explanation of variables provided in Appendix D.**

The nature of the relationship between the significant explanatory variables and the dependent variable was such that students who indicated "Do not know" as their response to the item, "While you are enrolled in school, what is the interest on your student loan(s)?" reported lower levels of agreement with the items in Factor 4, "Decision-Making in the Loan Process." Therefore, those who indicated that they did not know the types of loans they had or the interest rates on them reported lower levels of decision making involved in the loan process. The second significant explanatory variable to the dependent variable in Factor 4 was such that students who indicated lower level values in their response to the item, "Total student loan debt incurred so far

during college enrollment” tended to report higher levels of agreement with the items in Factor 4. The third significant explanatory variable to the dependent variable was such that students’ response (yes or no) to the item, “If you have a loan that is not subsidized, are you paying the interest while you are attending school?” The nature of the relationship of this item was such that those who indicated “yes” in response to the item tended to have lower levels of agreement with the items in Factor 4, “Decision-Making in the Loan Process.” The fourth significant explanatory variable to the dependent variable was such that students who indicated “Less than \$15,000” as their response to the item, “What do you expect your yearly income to be after graduation?” tended to report higher level of agreement with the items in the factor. The fifth explanatory variable to enter the regression model for Factor 4, “Decision-Making in the Loan Process” was such that students’ response (yes or no) to the item, “Are you carrying a monthly balance on your credit card?” They tended to report higher levels of agreement with the items in the factor, “Decision-Making in the Loan Process.”

The multiple regression analysis was conducted on Factor 5, “Acquiring Information on the Loan Process.” Eight significant explanatory variables were identified in the regression model. The first variable to enter the regression model was whether or not students indicated, “How many semesters have you been enrolled at LSUE?” This variable explained 3.2% of the variance in the students’ perceptions regarding the processes and procedures of financial aid. The second variable to enter the model was whether or not the students’ responses to current college enrollment was “Unclassified.” This variable added 3.3% to the cumulative amount of explained variance (6.5% total) regarding responses to the items in the factor, “Acquiring

Information on the Loan Process.” The third variable to enter the model was whether or not the students indicated their expected income to be \$45,000 to \$55,000.” This variable increased the cumulative explained variance by 3.1% (9.6% total) in the dependent variable.

The fourth variable to enter the regression model was the responses to the item (yes or no), “If you have a loan that is not subsidized, are you paying the interest while you are attending school?” This variable increased the cumulative explained variance by 3.7% (13.3% total) in the dependent variable. The fifth variable to enter the regression model was whether or not students expected their income after graduation to be “Less than \$15,000.” This variable added 3.5% to the cumulative explained variance (16.8% total) in the dependent variable. The sixth variable to enter the regression model was whether or not the students indicated that they knew the “Interest on unsubsidized loan.” The variable increased the cumulative by 2.3% of the explained variance (19.1% total) in the dependent variable. The seventh variable to enter the regression model was whether or not students’ response was “\$25,000 to \$35,000” to the question, “What do you expect your yearly income to be after graduation?” This variable increased the cumulative explained variance by 1.6% to a total explained variance of 20.7%. The eighth variable to enter the regression model was whether or not the students indicated that their family income was “Less than \$15,000.” This was one of the categorical responses to the question, “Please estimate your total family income for 1999.” This variable added 1.1% to the cumulative explained variance of 21.8% to Factor 5, “Acquiring Information on the Loan Process” (See Table 4.27).

The nature of the relationship between the significant explanatory variables and the dependent variable was such that students who responded to the question, “How many semesters have you been enrolled at LSUE?” reported lower levels of agreement

**Table 4.27: Multiple Regression Analysis for Factor 5: Acquiring Information on the Loan Process.**

Source of Variation	df	Ms	F-ratio	P
Regression	8	3.378	9.112	<.001
Residual	262	.371		
Total	270			

**Variables in the equation**

Variables	R <sup>2</sup> Cumulative	R <sup>2</sup> Change	F Change	P Change	Beta
How many semesters have you been enrolled at LSUE?	.032	.032	8.877	.003	.226
UNCLASSIFIED	.065	.033	9.526	.002	-.17
Expected Income 45k to 55k	.096	.030	8.962	.003	.177
If you have a loan that is not subsidized, are you paying the interest while you are attending school?	.133	.038	11.508	.001	-.25
Expected Income <15k	.168	.035	11.210	.001	.176
Interest “Unsubsidized”	.191	.023	7.477	.007	.156
Expected Income 25k to 35k	.207	.016	5.404	.021	-.13
Family Income <15k	.218	.010	3.434	.065	.102

**Variables not in the equation**

Variables	t	Sig. t
Expected Income 35k to 45k	1.654	.099
American Indian	1.562	.119
HISPANIC	1.418	.157
MARRIED	1.156	.249
Total student loan debt incurred so far during college enrollment	.985	.325
Less than High School	.901	.368

(Table 4.27 continued)



If yes, estimate your credit card debt?	.892	.373
Interest "Do Not Know"	.866	.387
Types of financial aid you have received while at LSUE (Grants)	.807	.420
Family Income 15k to 25k	.661	.509
Family Income >75k	.577	.564
Types of financial aid you have received while at LSUE (Work-study)	.564	.573
If yes, what is your monthly payment?	.522	.602
Are you using a personal credit card to help pay college tuition?	.421	.674
What is your gender?	.388	.698
Are you receiving any scholarships?	.371	.711
Family Income 55k to 65k	.365	.715
Graduate Degree	0.15	.988
How many children or other dependents are you responsible for other than yourself?	.058	.954
SOPHOMOR	-.120	.905
Family Income 45k to 55k	-.132	.865
Associate Degree	-.209	.834
SEPARATE	-.222	.825
DIVORCED	-.371	.711
Bachelor Degree	-.403	.668
Are you carrying a monthly balance on your credit card?	-.445	.657
Interest "Both"	-.502	.616
Expected Income 15k to 25k	-.679	.498
WHITE	-.702	.483
Expected Income 55k to 65k	-.809	.419
If yes, estimate the total amount of scholarships received per year?	-.843	.400
Family Income 65k to 75k	-1.067	.287
Family Income 25k to 35k	-1.277	.203

**Note: Explanation of variables provided in Appendix D.**

with the items in the Factor 5, "Acquiring Information on the Loan Process." The second explanatory variable to the dependent variable was such that students indicated their current enrollment status as "Unclassified" as their response to the item, "What is your current college enrollment status?" tended to report higher levels of agreement with the items in Factor 5. The third explanatory variable to the dependent variable was such that students who indicated "\$45,000 to \$55,000" as their response to the

item. "What do you expect your yearly income to be after graduation?" tended to report higher levels of agreement with the items in the factor, "Acquiring Information on the Loan Process." The fourth explanatory variable to the dependent variable was the students' response (yes or no) to the item, "If you have a loan that is not subsidized, are you paying the interest while you are attending school?" The nature of influence of this item was such that individuals who indicated "yes" in response to the item tended to have lower levels of agreement with the items in Factor 5. The fifth explanatory variable to the dependent variable was such that students who indicated "\$15,000 or less" as their response to the item, "What do you expect your yearly income to be after graduation?" tended to report higher levels of agreement with the items in the factor "Acquiring Information on the Loan Process." The sixth explanatory variable to the dependent variable in Factor 5 was such that students who indicated "Interest on the unsubsidized loan" as their response to the item, "While you are enrolled in school, what is the interest on your student loans(s)?" tended to report higher levels of agreement with the items in Factor 5. The seventh explanatory variable to the dependent variable was such the students who indicated "\$25,000 to \$35,000" as their response to the item, "What do you expect your yearly income to be after graduation?" tended to report lower levels of agreement with the items in the factor, "Acquiring Information on the Loan Process." The eighth explanatory variable to the dependent variable was such students who indicated "Less that \$15,000" as their response to the item, "Please estimate your total family income for 1999" reported higher levels of agreement with the items in Factor 5, "Acquiring Information on the Loan Process."

## **CHAPTER 5**

### **Qualitative Findings**

The qualitative section of this study involves a series of case studies and focus group interviews with two-year college students from a selected two-year state college. The focus group interviews were conducted with students who received associate degrees in Nursing and Allied Health and Business and Technology in Spring 2000. The third focus group interview was conducted in the Fall of 2000 with students who commuted to campus from surrounding areas utilizing the university sponsored van transportation service. The fourth focus group interview was conducted after commencement practice with students who graduated in Fall 2000.

The researcher selected five case study participants who borrowed excessively from federal student loan programs:

Respondent A) is a single mother with three children, three associate degrees, and student loan debt over \$60,000.

Respondent B) is a single mother with three children, three associate degrees and \$37,500 in student loan debt; she will file bankruptcy in Year 2002.

Respondent C) is a single male with two associate degrees and over \$23,000 in student loans.

Respondent D) is a single female, an elementary school teacher with \$35,000 in student loan debt. She started at LSUE and transferred to a four-year institution in the Louisiana State University System.

Respondent E) is a married female with two children; she is also the wife of a high school teacher with over \$20,000 in student loans at another four-year institution in Louisiana.

### **Focus Group Interviews**

#### **Business and Technology Graduates-Fall 2000**

The focus groups used to gather data on student loan indebtedness were conducted with the Spring 2000 graduates. These students received associate degrees, either Business and Technology or in Nursing and Allied Health. Approximately twenty Business and Technology students gathered in a selected section awaiting instructions for commencement practice. Seven students agreed to participate in the focus group interview. The researcher proceeded with the following questions:

1. Are you the first student in your family to go to college?

All the students responded they were the first in their family to go to college.

2. Did you take out loans to attend college?

Three of the seven students responded they took out loans to pay for college.

3. If you did not take loans, how did you pay for college?

Mary said, "My parents paid for my schooling using the money they saved for me."

Sue replied, "The government paid my tuition through JPTA." Betty said, "My employer paid my tuition through an employer reimbursement program. I paid the tuition to LSUE and bring the receipt to the accounting office at the job and they cut me a check for the amount I paid."

4. Did you use credit cards to pay for college?

None of the Business and Technology students used credit cards to pay for college.

Bobby responded, "The interest rates are too high-ridiculous! Loans are ridiculous!" All students responded by nodding their heads in agreement to Bobby's comments.

5. What were your thoughts about taking out loans at the time you took loans? How do you feel about loans now?

Johnny said, "I didn't really want it, but I needed it if I was going to attend college." Christine said, "I am a single parent and I had to take the loans to attend college. I needed them to help with living expenses while I attended school."

Myra said, "My feelings about loans now are the same as they were when I started taking them out. I have over \$10,000 in loans now which gave me an opportunity to benefit from my education. I will pay the loans back to give other students a chance."

6. Is student loan debt a issue for you?

Sue replied, "I'm worried about it." Johnny responded, "I'm not too worried right now because the payments are reasonable." Christine said, "I have a friend who owed \$75,000 in student loans at LSUE and did not graduate. She told me her monthly payments are \$550 per month for 30 years. She'll be paying that back the rest of her life. That's a house note!"

7. Do you know how much money you owed in student loans and the interest rate?

Six of seven responded they knew the interest rate they would pay on their loan and how much they owed. Myra said, "I was given a letter in my exit interview with

the Financial Aid Office at LSUE.” Annie said, “ I don’t know my interest rate because I did not go to the exit interview because I had to go to work that day, but the financial aid office will work with me.”

8. Is there anything else you think we should know about student loan debt?

Sue said, “The financial aid office at LSUE should let more students know about the unsubsidized Stafford Loan program, generally they do a good job. Students don’t know they can pay the interest while they are in school.” Johnny replied, “It’s easy to apply on the web, students don’t know about FASFA on the web.” Myra responded, “The financial aid office at LSUE is good, they work with you, but they really need to hire more counselors to help students with financial management.”

In summary, students in Business and Technology were first generation college students and the first in their family to graduate from college. They were apprehensive about taking student loans for college. They tended to seek other resources such as parents, savings, employer payroll deduction plans and working to help with college expenses. Even those who took out loans showed some reluctance to do so, but took the loans because they had some adverse situation, such as a divorce or they were single parents with children. As for their understanding of their level of indebtedness and knowledge of the interest rate they would pay on their loan, they were generally well informed and they gave credit to the LSUE financial aid office for providing information relative to repayment options. They agreed the financial aid office needed more counselors to help student with financial management.

## **Nursing and Allied Health**

The second focus group was students receiving the associate degree in Nursing and Allied Health in Spring 2000. Since this group is generally larger, there were twenty students seated awaiting commencement instructions. The researcher asked for volunteers to participate in the focus group interview and ten students agreed to respond to the following questions:

1. Are you the first student in your family to go to college?

Eight of the ten students responded they were the first in their family to attend college.

2. Did you take out loans to attend college?

Seven of the ten students in nursing indicated they had taken out loans to attend college.

3. If you did not take loans, how did you pay for college?

Bob said, "I worked part-time." Caroline said, "I used some savings I had to pay for college." Lois responded, "My employer paid my tuition through payroll deduction."

4. Did you use credit cards to pay for college?

Five of the ten students indicated they used credit cards to pay for college. Ashley responded, "I don't see using credit cards as debt, it's something you use." Most nodded in the affirmative on Ashley's response.

5. What were your thoughts about taking out loans at the time you took loans?

Cheryl said, "They were a good thing to help with my education." Pearl said, "If I had to do it all over again, I would take out loans," Most of the participants nodded their head in the affirmative to Pearl's comment.

6. Is student loan debt an issue for you?

Pearl responded, "It was an issue for me when I entered nursing clinical. My loans were reduced because I wasn't full-time. Although I registered part-time hours, I believed because my clinical hours are more than full-time, I should be able to receive the full loan amounts. I took the cut and made it the best way I could, minus the additional money." Cammie asked, "Can something be done about the problem of not getting all my loan check because I'm in clinicals?" These responses seem to resonate with all the participants when they entered clinical training. However, Tonia was worried about her loan debt; she approached the researcher after the interview and said, "I thought about the loan debt question afterwards and I think my loan debt will be a problem for me even though I'm graduating with an associate degree in nursing. My student loans total over \$20,000 and I worry about paying that amount of money back with interest. It is going to be stressful to pay the loans with all my other bills at the same time. I'm not going to have much money left to live on after that."

7. Do you know how much money you owe in loans and the interest rate?

Eight of the ten students said they knew the interest rate and how much money they owed in loans. Two students said they did not know how much they owed or the interest rate. Kara indicated, "I know how much I owe in loans and I also know what interest rate I will pay thanks to the financial aid office at LSUE, which



provided that information to me at my exit interview.” Kara’s response initiated affirmative gestures from other participants.

8. Is there anything else you think we should know about student loans?

Betsy said, “Paying them back will be difficult, I believe.” Katy responded, “Sallie Mae was not nice to deal with. I started paying my loans back a year ago and I missed a few payments. If you’re late paying them, they call your house each month. I feel like I’m being harassed.”

The graduates with the Associate Degree in Nursing and Allied Health took out more student loans to pay for college than did those in Business and Technology. Eight of ten students who participated indicated they had loans. Like Business and Technology graduates, nursing graduates worked, some relied on parents, spouse, and employers to pay for tuition. Their comments about repaying students loans tended to be negative, especially toward their loan servicer, Sallie Mae. Overall, they seemed to understand the level of indebtedness they have incurred, and the interest rate charged, and they credit that knowledge to the exit interview conducted by the financial aid office at LSUE. Unlike Business and Technology graduates, Nursing graduates did not think of using credit cards to pay tuition as debt, which may shed some light on why they used credit cards more often to pay for tuition than their peers.

University Van Transportation Service

LSUE sponsors a van transportation program that provides service to students within a thirty-mile radius of campus. Students using the van service pay \$3.00 per day to ride the van. These students used the van service as their primary mode of

transportation to and from school. The researcher conducted the focus group interview with six students.

1. Are you the first student in your family to go to college?

Four of the six were the first in their family to attend college.

2. Did you take out loans to attend college?

Three of six student took out loans to attend college. One student was on an academic scholarship.

3. If you did not take out loans, how did you pay for college?

Kim said, "I was a good student in high school and I got TOPS." Bill responded, "I also got TOPS and several private scholarships." Rosemary said, "I got a grant."

4. Did you use credit cards to pay for college?

Besty, a transfer student said, "I used a credit card to pay for text books. I don't want to get into a bind with credit card debt. I wouldn't use credit cards whatsoever." John commented that, "Students should use credit cards wisely." Monique said "I owe \$300 on my Stage credit card and they charge 22 percent interest."

5. What were your thoughts about taking out loans at the time you took loans? How do you feel about loans now?

Monique commented, "Buy now, pay later." Roxie said, "They are disgusting, leave them alone, big responsibility and can't drop out or you will be penalized."

6. Is student loan debt an issue for you?

All six students said yes. Norris said, "I may have to take out loans when I transfer because the tuition is higher at the school I plan to attend." Kristi said, "I'm trying to hold down my loans here as much as possible. I'm working part-time."

7. Do you know how much money you owe in loans and the interest rate?

Three of the six knew how much they borrowed and the interest rate. Monique replied, "I know how much I borrowed, so far around \$3,000 and I also know my interest rate."

8. Is there anything else you think we should know about student loans?

Kim commented, "Since we are students, there should be no interest charged to us."

Monique responded, "There shouldn't be a loan program. They need to put more money into the Pell Grant program. I'm using loans to pay my parents' bills and I may not be able to pay back my loans. If I can't pay back my loans, I'm afraid the IRS will take it out of my check when I start working." Kristi said, "Loans will turn into a trap when economic conditions change at home. I have a definite fear of borrowing money." Kristi said, "You can't be married or buy a car." Kim commented, "You need the loans, so you can't boycott the student loan program. People depend on the money, they live on it." Monique said "If you must borrow, borrow wisely and educate yourself! They (lenders) know we live off the money. When the woman asked me what I do with the loan money, I told her none of her damn business. They make the money back when they charge interest on the damn loan."

The students riding the vans to campus generally had more negative comments relative to student loans. They feared not finishing school and having a student loan

debt to repay. Generally, this group tried to limit their loan exposure by working part-time, using Pell Grants, and borrowing sparingly. They admitted they used the loans to live on, yet they feared the consequences of carrying large student loan debt.

### Graduating Class of Fall 2000

The final focus group consisted of seven students from the graduating class of Fall 2000. This group was composed of students from different academic divisions practicing for fall commencement.

1. Are you the first student in your family to go to college?

All seven students indicated they were the first in their family to attend college.

2. Did you take out loans to attend college?

Two of seven students took out loans to attend college.

3. If you did not take loans, how did you pay for college?

John said, "I got a scholarship." Britney said, "JTPA paid my tuition and the Single Parents Program really helped me out." Cheryl said, "The Single Parents Program paid my tuition and helped with child care expenses." Carrie commented, "I borrowed money from my family and my employer paid a portion of my tuition," and Bob replied "I got my tuition paid through the Louisiana State Fireman Association."

4. Did you use credit cards to pay for college?

Annie said, "I used a credit card to pay my tuition, but I paid it back in full to keep the interest down."

5. What were your thoughts about taking out loans at the time you took loans? How do you feel about loans now?

Patricia replied, "I hate it! I don't like it. I worried that I won't get a top-paying job in Louisiana. If my salary is close to the minimum wage, necessities come first. I don't know if I will have enough money to pay bills and my student loans.

Something will have to give, probably the loans." The others nodded in agreement.

6. Is student loan debt an issue for you?

They all responded with a verbal yes. Cheryl said, "I worry about paying the loans back."

7. Do you know how much you owe in loans and the interest rate?

Cheryl responded, "I learned about it in the exit interview." Patricia said, "The financial aid office was very helpful. They contacted the lender by phone each time I applied for a loan. The lender sent the information with the promissory note and itemized statement on my loans."

8. Is there anything else you think we should know about student loans?

Cheryl commented, "I entered LSUE through the Single Parents Program. I was a high school dropout, no skills and no self-esteem. Because of the Single Parents Program, I gained confidence in myself. While pursuing the degree in Paralegal Studies, I borrowed \$22,000 in student loans in two years. I lived on the loans and also used the money to pay for my education. I know it's going to be hard to pay it back because I will continue to pursue the bachelor degree, but I won't take out loans to finish. I'll work. Without the loans, achieving my education goals would have been more difficult than it already has. The Single Parents Program gave me what I needed to be successful. I will pay my loans back so that other students will have the benefits I received." Britney commented, "I was also in the Single

Parents Program and I borrowed \$25,000 in two years for my degree in Fire Science. I used my loans for school and miscellaneous living expenses.” Patricia said, “I borrowed over \$30,000 to get three associate degrees. Borrowing from the student loan program is a balancing act. If you raise your income with a good job, the benefits outweigh the negative aspects of the loan debt even though you have a degree. I do have a fear of defaulting, and I also feel the debt burden. If I go to get the bachelor degree, I’ll probably have to continue borrowing from the student loan program because the tuition and fees are much higher than they are at LSUE.” Cheryl commented that, “My student loan debt will probably cause me not to re-marry so quickly. I’ll probably not be able to afford a new car. I’ll have to buy a used one instead because I won’t be able to afford it. I won’t borrow money again, I’ll work and go to school part-time.” Patricia said, “It’s natural to borrow. We live in a society where borrowing is not viewed as a negative. Everybody borrows and goes into debt; that’s life.”

The focus group in Fall 2000 seem to be more realistic about their indebtedness with student loans. All indicated they were the first in their families to attend college. Student loans were the main source of funds used to pay for college. Although they cited the use of the Single Parents program as motivating factor for helping them stay in school by paying their tuition, they used student loans for things other than the cost of education. Like the other focus groups, they knew how much they owed on their loans, and their interest rates, knowledge that they attributed to the Financial Aid Office at LSUE.

Unlike the other focus groups, they spoke openly about the amount of loan debt they incurred. One student indicated that she borrowed \$30,000 over several semesters, and she indicated that she feared not getting the type of job she needed to pay back the loans and going into default on her loans. One female in the group indicated that she might have a problem re-marrying as a result of her loan debt. Another indicated she would have a problem purchasing a new car. The most cogent comment was made when one student indicated “It’s natural to borrow. We live in a society where borrowing money is not viewed as a negative. Everybody borrows and goes into debt; that’s life.” That statement sums up the idea that borrowing money and incurring debt is perceived to be a social process that is acceptable because it’s so pervasive in everyday living. Thus, student loan indebtedness may be on equal par with household debt in terms of how society views debt in the social context of acceptability.

### **Case Studies**

#### **Respondent A is a 33 year old divorced mother of three children**

“After fighting a battle with cancer for approximately five years, I received a clean bill of health following thirteen surgeries. Afterwards, I returned to work only to discover I could not work in retail management due to the effects the medication and chemotherapy had on the veins in my legs; they were destroyed. In retail, you’re always on your feet, walking and working with customers. So standing for long periods created other adverse health conditions.

“After leading a productive work life since I was fifteen years old, I had to make a career change as a result of my illness. However, before making the decision to

go to school, I found myself in a devastating separation and divorce from my husband. He walked out on my three small children and me. There was no money saved because most of it had to be used for medical treatment and hospital bills. With this situation, I decided to enroll at LSUE in Fall 1995 and qualified for a Pell Grant and vocational rehabilitation for the first two years, but I also needed student loans to act as a source of income. Student loans paid for rent, food, and miscellaneous items for my household. Using the loans did provide my family and me a menial financial existence; we still lived below the poverty level. Without student loans, I could not be in school.

“Since 1995, I’ve been taking out loans now for six years. The loans have sustained my family and me. Primarily, I use the loans to pay for books and supplies and the rest of the money is used to buy food, pay bills, and pay electricity. The loans are used strictly as a necessity; there’s no fun time with the loan money. As financial times have gotten harder for me, I’ve even resorted to taking out personal loans from my bank to buy Christmas presents for my children. It takes a year to pay those loans back; then I’ll borrow another loan for the next year’s Christmas presents for my children.

“In 1983, I was registered at USL, now called the University of Louisiana at Lafayette, as an eighteen-year-old freshman student. I took out a loan there, but I wasn’t ready for college. I discovered I had some learning disabilities that I didn’t know how to deal with. As a result, I failed miserably and dropped out of school. I subsequently paid off that student loan before enrolling at LSUE. Once I enrolled at LSUE, I declared academic bankruptcy and cleared my transcript so that I could get a



fresh start in my academic studies. Even today, I'm still using student loans to help me get my third associate degree in management.

“As I've already indicated, student loans have been a big help to me. Although the loan program is somewhat complex, my understanding of the types of loans I have is not that good. I really don't know the differences between subsidized and unsubsidized loans. I know from my last correspondence from my lender I owe approximately \$45,000 in loans at 8.25 percent interest rate which should be about \$60,000 when I finally complete my degree. This debt distresses me a lot and I carry this stress and burden with me every day. I don't know if other students carry the same stress as I do, but finances is one thing that I take very seriously. I'll pay back my loans if I'm working; however, I can't guarantee that I'll be employed and nobody can guarantee me employment as soon as I step off this campus. The thought of finding work just really worries me. Even when I get a job, my credit report has all the loans listed and it will be a definite problem to purchase things on credit, such as a car or home. I know that you cannot lapse the monthly payment while paying the notes for the loans. They immediately contact you for payment or garnish wages, or keep income tax refunds. Once I start working, I would like to pay the loans back in ten or fifteen years, but I regrettably must say it will probably take more like thirty or forty years to pay all my loans back. Again, that depends on how good a job I can land once I leave school.

“Currently, I have three associate degrees from LSUE. I am presently working on a bachelor degree and still taking out student loans. Student loans have been helpful to me. Without them, I could not have achieved the academic success I've worked

through; including cancer, learning disabilities, and divorce. However, I believe that my situation is not unique. There are many students using loans, mostly to live on. Someone should re-evaluate the system and change it. With the recession at hand, more people are being laid off and companies are downsizing, the job market is flooded with people that can work and are willing to work. Maybe the financial aid program can go back to a system that, for the first five years, once a student graduates and leaves school, they could be on a program that allows them to pay their loans based on their salary, not just give them a payment book so they can start paying. It doesn't matter how big the job, it could be a minimum wage job, it's not going to pay \$500 a month student loan note plus living necessities. Yet, they could take into account how much your take home pay is and base the first two years of notes according to that. This would allow you to venture out and move up the ladder to get a better job in the corporate field and then move the loan payments to a higher pay billing that would be very nice. It would also be nice if the government considered increasing Pell Grants and putting more scholarships out there for older, non-traditional students. Younger students have an advantage and do well, if they succeed, they do get TOPS; that's a big help. However, if you're an older student like me, returning to school, it's very hard to find other grants and scholarships unless you're in a specific field. I've done searches and found scholarships for students in the military, for example, but those types of scholarships go to specific schools, under specific majors. I have yet to find one in the degree I'm graduating in: Personnel Management.

“Given the same scenario, I would borrow from the student loan program. In my situation, with three young children, a single mother with disabilities, I was not the

type of student who could work and carry a full load of courses and be a full-time mother, not to mention my health condition, which has weakened my immune system considerably. I had to make a decision to live in poverty and hopefully better my family by working at a minimum wage job. Instead, I chose to come to college and yes, I would do it all again by taking out loans. I know there are those who would be critical of my situation, especially as I have used loans to live on and as a form of income. But, it would be detrimental to students such as myself not having loans at all. That's how my family has survived. It would hurt lots of students out there who have parents that are not paying their way through school. They're not living at home and the loans act as standby-subsidized income and you know it's there every semester.

“Finally, at the beginning of the spring semester of 2001, I attempted to purchase a used car. My old car had basically turned into a money pit. Each time it broke down, it cost me more to pay to get it fixed. This past winter, my car's transmission went out. I was shocked to see the amounts on several estimates to rebuild the transmission. It would cost me more money to fix the car than to buy another one. I found an earlier model car with fewer miles that seemed to be more dependable. It cost a little more than the cost to fix my old car. I thought surely that since I had over half of the purchase amount that I would be able to finance the remaining balance of the car. Sadly, I was turned down due to the “projected debt” of my student loans. This is very distressing. If I do not have a dependable vehicle and live in a state that has little or no public transportation in place, how can you find work? Today, transportation is a must, I am not sure what I would do should I find

work and something happens to my old car that would cause me to miss work or to be late....just how long would they allow me to stay employed?"

Respondent B is a 49 year old divorced mother of three children

"My first experience with student loans was in 1986. At that time, I was enrolled at the Lafayette Regional Vocational Technical College. I enrolled when my husband left to go to work in Africa. I remained for three months in Lafayette Regional and changed my curriculum and re-applied to get the remainder from my loan. I was 34 years old at that time and I don't know if I really understood a whole lot about the financial aid program. I knew I just needed to get an education. Our income wasn't good because at that time my husband had been out of work for a while prior to going to work in Africa. For me, honestly, taking student loans was a way to get money and get an education because of the situation I was in at the time.

"At the Lafayette Vo-tech, I went two quarters. After the second quarter, I had an opportunity to go meet my husband in Africa, so I quit school and traveled to where he was working. After a period of time, I started making payments on the past loan and I didn't use student loans again until I was enrolled at LSUE for a year. In August of 1996, I started to apply for a loan and I've used them since then; at least eleven semesters. I've used them for different things during the semester whether it's for school or household needs. Now, I'm not as dependent on loans as I was when I initially started at LSUE because I don't have any small children, but I can tell you that it was a source of income to compensate for alimony and child support, and to make sure everything was taken care of during that period of the semester, such as house payments, electricity, gas, telephone, or whatever I needed it for. I used loans as mode

of living, cost of living. Other students are doing the same thing, or they wouldn't be able to go to school. If they had a job, they would be able to make enough money at the level of education they have to compensate for the difference in not having an education and getting a job with an education. There is a big difference in the kinds of jobs you can get. I'm still taking out loans but, I don't know if I'll continue at this point because I do have a part-time job now. I don't know if I'm going to continue to go to school at a full-time level after this semester.

"In terms of the total amount of student loans, I know that in October of 2000, I had taken out \$30,000, but then I got loans for fall and spring. My total now is about \$37,500 without the interest. I'm not sure exactly the differences between the loans I have right now, but I do know that I can pay the interest on my loans while I'm enrolled. I'm not sure which interest on which loan is deferred. At first, I paid the interest, but as time went on, I wasn't able to pay it anymore. I tried to let them know I was still in school, so I deferred them again. The loan I got in 1986, I stayed in touch with my lender and I never really had a problem. I figured if I'm really honest in telling them what's really going on with me then, I really don't have any reason to be upset or scared about calling them to defer it, but it won't be forever, you know.

"As far as my understanding of my indebtedness, I understand what I need to do. I have to do the exit interview. I really don't know all the repayment options because I haven't looked into them because I'm still in school. After I finish, then it will become another story. I think my student loan debt will impact my ability to buy things. Let's see how I can put this? In my view of things, I would always have to have this above all the other stuff, so I guess it would affect my choices in that instead

of getting a new car, if that was an option, I would get a used car as opposed to a new one. I would have to put my loan repayment above everything else. The loan will have to be paid first, then the other stuff will come later. I can always do with something of a lesser value at that time. I mean, I don't put a big price on material things, I guess.

“Because of divorce, children, and other issues in my life, I'm having to file bankruptcy but not on my student loans. Thus, I believe by having a fresh start will help me pay back my loans. I really have no idea or conception of the time span it's going to take me to pay my loans back. I never even thought about it until that day you and I were talking about it. (Respondent laughs.) I guess I figured it would take me ten or fifteen years, but I never actually thought about the fact I am almost fifty years old, you know. It's the truth because I just don't or didn't see it as being that big of a burden. I know that you know, like we had talked about it, I'm filing for bankruptcy, and I'm going to see my lawyer next week. I never thought about bankrupting my loans. I will put them on my list of things I owe. I guess I never thought of it as being excused. No, I just guess for me today, if I don't file bankruptcy, then my ability to pay back my student loans in particular will be a lot harder. Therefore, for me at this point, it's like as an approach to getting into the world of a career, I have to file bankruptcy to be able to pay my student loans, basically. Not only because of the life changes that I have going on, but I think because I've put a priority on education, you know, instead of other things that are not as important to me as my education has been.

“Like everything else, bankruptcy is serious. I don't know yet how my attorney is going to handle my bankruptcy as far as my student loans are concerned. I'm not saying I would go for bankrupting the loans. I guess maybe it would be nice if I could,

but I don't know that my obligation to my moral self would feel OK with that. I don't know any other way to put it. If I had the opportunity to borrow from the student loan program, I would do it differently. (Respondent laughs again.) I would have started when I was younger. Until I came to school at LSUE, I had no concept of what a student loan was like, even in 1986. I still don't fully understand. I didn't have any counseling before. I just knew I could get the money I needed the money and I needed the education. It fit my schedule, so it worked for me because I would go to LSUE at the time. I took the maximum amount of loans each time because it was the amount I could get. Well, I would like to see more that they would maybe handle part of it for you-make sure tuition and books are paid, you know. I mean, they do that a little bit over here, but they actually give you the check then they get a check from you. But, they should look at it differently. I would think that most people that get loans need it in some way, also to make their expenses for that period of four months that a person is in school. So I could be wrong, and I don't know if people could come to school if they didn't have that extra money to carry them through. You can break it down into books, supplies, and tuition as far as what you need for school. There are many things you need for school that cost a lot of money, like calculators and stuff that off the top are \$100 or more. A lot of the supplies are expensive and many times, you can't get them right then. That would be one thing, that every student have everything they need right when they start school and then, maybe disperse the rest of the money monthly, I think. Knowing they're going to use it for expenses, well, if you dole it out on a monthly basis that's fine. "This much goes for gas," this kind of thing. I think it could

be monitored. I didn't have that. I had no financial understanding nor special background about the business world and how finances work.

"Until I came to school, I had no financial understanding at all. I still have a hard time managing money, but I'm doing a lot better because I'm starting to understand a lot better how it works. Had I known what I know today, I could have utilized it when I was younger. I wish the university could have helped me early on with financial planning and money management. It's taken me five years at LSUE to realize it. In the last two years, I've become more involved in it and want to know more about it. It wasn't until I became an orientation leader; I'm not kidding. All I knew was sign some papers, get some checks until the next time. Sorry, you can call me ignorant. It's not a thing I'm proud of, but it's the truth. I'm sure many people are like that. Honestly, I've thought about it: had I known I had this available to me when I was in high school, then I wouldn't have allowed myself to be controlled by my family. What I mean is, I would have steered my own course to my future, and I would not have been locked into social aspects of what other people think. I'm sorry, but that's true. If I knew I had this money to go to school, I would have done that when I finished high school because I wanted to be a nurse and I had the ability to be one then, but you have no control over the family you come from. Nevertheless, they also have a way of controlling your ability to maneuver your life until you learn how to make a break for it. I didn't start making my break from my family until I was 38 years old because in Louisiana they raise you locked into a lot of this behavior to be the opposite, you have to really walk over that. (Respondent laughs.) That's the only way I see it through my experience.



**“But I wish I had known clearly in high school. I wish in my senior year they would have had a time they sat down and told us what our options are when we got out of school. Parents should have some control, but the kids should have some ability to be able to maneuver their careers the way they want but they have to understand it in high school. You can’t wait until you’re 38 years old, I can tell you that. Yes, it would be easy for anybody to sit here and say I’d love to bankrupt my loans but then nobody feels the way I do. I guess for me, it’s something priceless. Therefore, the amount of money I will pay back is hardly nothing. I don’t care about the interest because the interest is reasonable, I mean, as far as that goes. I don’t care how long I live, it’s something that I’ll keep giving and giving and giving as long as I’m willing to put out the ability to practice what I’ve learned. Education wasn’t important to me just out of high school. It was something I was told to do. So, today, it’s something I chose to do; it makes a big difference.**

**“Overall, I really don’t know if I understand the impact these loans will have on me. I wish I truly did understand. This is a Mama telling you that. However, it’s true, I’m not ashamed of what I got here For me, just like LSUA or a small school like that, this is where I needed to be. From here, I’ll continue to grow and gain more individuality. It’s so different when you go to bigger schools. You have to be grown up when you leave high school. The place to go is a community college; you get a little of both. By the time you get two or three years under your belt, you’re ready to deal with the aspects of a large school and then the antics of career stuff. That’s it!”**

**Respondent C is a 45 year old single male Technical Services Representative**

“I came to LSUE in 1994, 38 years old, single and unemployed. All the jobs, which interested me, required some degree of computer literacy. Since I could not turn on a personal computer, I decided to return to school. At the time, I was not sure what to do about financing college. I was entitled to a certain amount of student financial aid. Some of this money would be in the form of grant money. For the rest of my student aid, I had to choose between work-study and outright student aid. I chose outright student aid for a number of reasons:

“First, any job I might get at this time was going to be minimum wage. I believed that my time would be better spent studying the subject matter, rather than earning minimum wage at a job that had nothing what-so-ever to do with business technology.

“Second, I knew from experience that a college course tended to be a broad overview of the subject. The more time I had to spend studying, the more in depth I could get on the subject matter.

“Third, because of health problems, I did not know if I would be physically able to handle both working and attending classes.

“Fourth, by taking all available (after grant) funds as student loans, I would be able to have money up front for emergencies and be able to spend more time on my subject matter and be able to spend any spare time on acquiring and improving my technology skills. Therefore, I took out student loans from fall 1994 to spring 1997 until I graduated from LSUE. I used the loans as a source of income because I didn’t work and to pay the cost of education.

**“At the time I began taking out student loans, I knew the difference between a subsidized and unsubsidized Stafford Loan. On the subsidized loan, the government pays the interest while the student is enrolled. On the unsubsidized loan, the interest is being rolled over to the total loan. Since I took out both types of loans when I was enrolled, I consolidated the subsidized, unsubsidized and Perkins federal student loans into one package. Presently I owe \$21,508 in Stafford and \$2,000 in Perkins loans after consolidation, totaling \$23,508. I understand the massive debt I owe, but the interest rates are low as opposed to credit cards, which are massive debt and high interest. I think that the LSUE Office of Financial Aid and the LSUE Business Office did an excellent job of explaining the consequences of compound interest on long-term loans. As far as I’m concerned, any loan is a calculated risk because it will impact my life style because it means making sure there will be enough at the end of the month to make my student loan payment. My student loans have allowed me to get two associate degrees, one in office administration and one in computer information technology. However, I never really stopped to think about how long it’s going to take me to pay back my loans. Considering that I can stop repayment whenever I am a half-time student, total repayment should take several years.**

**“Although I took student loans, the program was positive for me. I was well informed by the Financial Aid Office at LSUE about the choices and consequences of various student aid programs. Both the Director and her assistant take extraordinary care to make sure that all aspects of the student loan programs are understood. Because of my experience, if I had the opportunity to borrow from federal student loan**

programs again I would do it, absolutely! Student loans under 10 percent interest are a much better buy than credit cards over 20 percent interest.”

Respondent D is a 25-year-old single female elementary school teacher

“I was enrolled at LSUE first but I didn’t have to take out student loans because the tuition was very reasonable. I was in such a rush to get to the main campus, I probably could have stayed at LSUE a little longer, but I didn’t. When I got to LSU I began taking out student loans from the fall of 1995 until December of 1999, about eight semesters. When I began taking student loans, I took the money and used it just for the cost of education. I knew other students who used student loans for things other than the cost of education; they brought cars and other stuff. For example, if any student really wanted a loan, they can go to Campus Federal Credit Union and get a loan from them; it’s real easy. Students I know use loan money for cars, shopping, anything you can think of.

“Loans are expensive. I’m not using loans anymore because I’ve learned. Presently, I’m a schoolteacher and I’ve come to the realization that on my teaching salary, it’s going to take me a very long time to pay back my student loans. After seeing my pay check and knowing my bills each month and adding in that student loan, I’ve come to the realization that if I continue making this amount of money, it will probably take me even longer to pay back my student loans. After a certain time my cost each month is going to rise, the price I’m paying now will not be the payment I will pay in 2002, because I had to consolidate my loans, my payment will increase from \$200 to \$385.

“The problem with student loans is knowing exactly what you have. I did not know the difference between subsidized and unsubsidized Stafford loan when I was in college, but I certainly do now. Had I gotten subsidized loans in college, I would be able to get some of those paid off by the school system, but instead, I got unsubsidized loans and I cannot get those discharged because I’m working in a public school. But as for knowing the difference between the two loan programs, I’m not really sure. I owe a total of about \$35,000 in student loans. I understand the repayment options because six-months later, after the grace period is over, they find you. I didn’t think they would. (Respondent laughed.)

“Since I’ve been teaching school over the last year and a half, I’ve come to realize very quickly that my student loan debt will impact my life style choices. My student loan debt is more than my annual teaching salary that I’m making per year; that does make a big difference. It’s such a high debt to owe. I mean, I don’t know, I’m not sure I don’t really know the whole process of buying a home, but I certainly wouldn’t want to have to do this again and not be able to pay it off sooner. Paying on a house could take some people ten to fifteen years, I think, to pay off a house. Paying back my student loans could possible take longer depending on how much money you make. For me, I’m looking at possibly seven to ten years or longer, and with what I’m paying now, it could be much longer. I don’t have much to say about my payment options. They set up my payment plan, that’s what I’m looking at now. If for some reason I do get a better position and a better salary or if I ever get hold of any kind of money, the first thing I’m going to do is to pay off my student loans.

**“In terms of student loans, I think the whole process should be changed. This is my problem, and I think it is a problem for lots of students. When I started taking out loans, I was 19 years old. They give you this money to blow, and they don’t teach you how to use the money; they think you know already. I had to sit and watch this little film, thinking all the while, this is not going to work. All I really wanted was the money, so I wasn’t really taught ahead. I think they need to go back as far as high school and teach students if they’re going to get a student loan from a university, they need to know the process because all they have is a tape showing you this and you’re sitting in a little room barely paying attention to what’s going on anyway. They have you filling out forms and watching the film at the same time, who can do that? That’s what they made me do at LSU.**

**“Student loans are one thing, but credit cards are another story. The credit card companies were there too as soon as I got to campus. They were sitting there waiting on you to sign-up and get them. It was easy; they just send it to you in the mail like nothing I’ve ever seen before. Right now, I’m just too smart for that kind of stuff, I’ve learned. I’ve truly learned, but I didn’t know those things when I was 18 or 19 years old. The credit card people are there on campus, explaining the stuff to you, such as annual rates, and you’re a freshman. You have no clue what is an annual rate or stuff like that. All you know is how to use the credit card; you simply go to the store and make purchases, and that’s it.**

**“In hindsight, if I had to borrow money from the student loan program, I wouldn’t do it again. First, it’s just hard to pay it back and I would not want to do it. Second, that could be bad in ways because that could limit you to the amount of**

education you can get. When I go to graduate school at U-Mass in Fall 2001, I'm trying this time to get financial aid, work, stipends; no loans. I do not want to take out loans, that's my last option. It's too hard and the interest never stops. They just threw that at me when I was 18 or 19 years old when I first entered college there, that's tough especially when you never really managed money before. I never really managed money at home, you only get to manage money when you go away to college, that's when you really start managing it. When they gave me that student loan check for \$1,000 in September, you better believe the next semester I was waiting for my \$1,000 to come because I didn't know or realize that it was going to take me a very long time to pay the money back.

"If I did not understand my student loan debt, I know my friends don't understand theirs either. All I know is I got to keep paying on it. That's the only thing I really, really, understand. Like I said, when I first started paying back my loans, they wanted \$385, so I consolidated and reduced my payment to \$200, and in 2002, I'll be paying \$385. I don't know why it's going up by \$185. I don't know. I have no clue, not the slightest clue. Up to this point, I know I took out student loans, but that's the extent of it. I still truly do not understand. I mean, I know about the interest and things like that, you know. However, I still do not understand how it truly works. You know, to have \$1,000 in August and January was great, especially to have in college. That's why I think students continue getting the loans; it easy, very easy. Why would I go out there and work an extremely hard job when I can get a loan and live off-campus. Everybody wants to live off-campus. The life style off-campus is a totally different life style than living on campus, but twice as expensive. To me, that was the best thing, I

wanted to be off-campus because you feel like you have more freedom when you're off campus, which is actually more expensive. However, there're paying you this money, and you manage it so that you can pay bills, rent and all that stuff.

"When I look at my student loan debt as compared to others, I'm not too bad. My sister and brother-in-law go to school at U-Mass. They told me they know plenty of people there who owe over \$250,000 in student loan debt. I'm think my \$35,000 is a lot for me to pay back. I just can't imagine having that much student loan debt and how long it could possibly take to repay the loans even if I made a nice salary. It would still take years to pay back \$300,000 in student loans, but they do it all the time up there. It's just expected. It's part of their culture. They would rather go to Yale and spend huge sums in student loans than go to another university. As for me, I would not take out student loans again. I would not. If I go to U-Mass, students loans would be my last, last, last option if I had to take out loans. In a year and a half of teaching schools, I have not yet made the salary I presently have in student loan debt. It's sad, really sad!"

Respondent E is a 30-year-old female student and spouse of a teacher with student loans

"My husband and I dated for five years before we got married. We were together the whole time he was in school, and all that time he didn't have a job. He lived solely on student loans and Pell Grant money. At that time, he received the maximum amount of Pell Grant money a student could receive. He used that to pay tuition, room and board, and buy books; he used the loan money to pay whatever he had left over, and he lived on the rest instead of getting a job. So I can specifically



remember him saying whenever he got out of school and started working as a teacher, he had big plans, he was going to buy this brand new truck that he wanted. Well, when he got out of school we got married and he got a job as a teacher. I didn't know how much student loan debt he actually had. It wasn't until we got married that I really learned how much debt he had until we had to begin paying it back. You get a bill each month, and it has the amount on it; that's when I really knew. I mean, it wasn't something that I kept up with while he was in school or for that matter he kept up with while he was in school that I know of. He would just borrow the maximum amount and live on that, rather than having to ask his parents for money.

“So when he did get out of school, we got married. Of course, we had to find a place to live, we both had vehicles that we owed on. Then I got pregnant with our first child and I was working too. But after that, I had to quit work. The amount of money he was making was barely enough to pay for a place to live, two car notes, electricity, insurance, and monthly necessities. Therefore, I had to defer those student loans for about a year. Before the deferment, that's a new loan for every year he was in school, and they sold each loan to a different agency. He had three different payments he had to make and he even had two loans with Sallie Mae, but they had them separated into two separate accounts although they were with the same institution. He still had to pay two separate amounts. We were paying about \$375 per month and I cannot tell you how many times my husband said, “I wish I could just stop paying these” because it was really, really creating a big burden on us at that time, and still is. So, after I deferred them, everything we had to have, clothes, anything like that went solely on credit cards because we could not and did not have the money to pay for those things.

We ran up quite a bit of debt on our credit card, over \$5,000, it adds up easily when you're trying to clothe two adults and a baby and just day to day things.

"There are also things that happen that you don't expect like getting into an automobile accident and having to pay your insurance deductible, which did happen to us, to him actually. That \$275 to \$300 you have to pay for a deductible is hard when you don't have the money. So, with the high credit card debt, I went back to work when the baby got a little older, and we started paying on the student loans again. We paid the original amount of \$375 per month. My working is helping pay that. Instead of being able to stay home with my child, I had to go back to work in order to pay the student loans so we could live somewhat normally.

"When I went back to work, I had to get a new car. Then the expenses go up. Before buying a new car, the old car had to be repaired, so every time you get into a jam and you think, "I wish I could stop paying these student loans. They're getting to be a problem." We had been married now about five years. Then I decided to consolidate all the loans and create just one note rather than having to pay three notes together. We contacted the United States Department of Education and they have a program that will help you consolidate your loans. That process was the hardest thing I think I've ever done. It took about a year and a half to complete the entire process. It was ridiculous! Most students I know they're saying, "if they sell my loan, I'll consolidate." Working in the Financial Aid Office at LSUE, I hear this all the time from students that I talk with. I always tell them, this is not an easy process. Just trying to get through to them on the telephone is not easy. You stay on hold forever; then there is a series of press one, press two, every time you call. They lose things.

That was a nightmarish situation. Finally, when we finished the consolidation of his loans, we are now on a graduated repayment system where we pay a lower amount in the beginning and every two years it goes up. We started our payments at \$125 per month and I think now we are up to \$150 per month and none of that money is going toward the principal. Every single bit of that money is going toward paying the interest. When I look at the overall amount of the loan for the last nine years we've been married, he's been paying on those for about eight years. In eight years time, we've only chipped off about \$3,000 of the principal. That's not good for that period of time. We have it set-up now to where we'll be well into our fifties before we get his loans paid off. By the time we get ready to retire, we'll have all this taken care of. That's why I'm working to try to pay off all my expenses. Another thing that I didn't mention was when I went back to work, I didn't had to pay for day care. That would have been another thing. My mother-in-law took care of the children. I wouldn't have been able to afford to work without any kind of a college degree myself because you just can't make any money. What a lot of students don't realize is that with an associate degree, they're still not going to make enough money to pay \$400 per month for student loans and \$500 or more per month for a place to live, a car note and all the other things that go with that. At the point we consolidated my husband's student loans, we were paying those huge amounts every month. The situation was so bad that we couldn't go anywhere. We stayed home all the time because we had no extra money to do anything. It was so bad we had to wait for income tax money to come in before we could buy big ticket items, like a new piece of furniture or even clothing once we got our credit card debt over \$5,000, we realized that paying the minimum

payment every month was not doing anything. The interest was still adding up, and we weren't chipping away at the principal at all. At that point, we realized we had to do something different, so we decided to go and take a loan from my husband's credit union to pay out the credit cards.

"The credit union gave us the loan and we paid out the credit card debt. We should have the credit union loan paid off in about a year. After that, we'll have no credit card debt. You see, most students don't think to do that, they just keep digging themselves deeper and deeper into debt. I just can't even imagine those students with debt upwards of \$50 to \$60 thousand; they're never going to get that paid off-never! Even at \$400 per month (that's what ours was on approximately \$18,000 to \$20,000), their note is going to be huge-huge! I can't even imagine how they're going to live paying that note, trying to pay for a place to live, paying for a vehicle and, heaven forbid, they want to have a family. Kids are expensive, they cost lots of money, and then there are doctors you have to pay. When they get sick, that's just another thing. I realize health insurance is a luxury, but you have to have it when you have children and that's yet another expense. I tell my child all the time that he doesn't have to worry about paying bills, but for me, it's a constant worry. I worry about it all the time. My husband and I still to this day, instead of building a house, we had to buy a trailer because we couldn't afford a house because he just doesn't make enough money to provide us with that kind of life. So, we had to cut the cost. We also had to put off buying a vehicle until he got a raise. That was very difficult trying to make do with a car that was ten years old. I had to travel with the children everyday, hoping every time I got in the car, it wouldn't die on me. It was a really bad time. This is why I'm

back in school because I'm hoping that when I finish, we will be able to double-up, hopefully, on those student loans and I can get them behind me and start saving for my children's education so that they will not have to endure what I've had to. It's amazing to me that people have absolutely no concept of what they have borrowed. I know my husband did not. I also know my husband would have never borrowed this money. I cannot tell you how many times he has told me, "I wish I had gotten a job and not taken out those student loans."

"As for now, I work to pay my baby-sitter and I also pay for my expenses and day to day things I need for myself. But we kept saying all those years that I couldn't go back to school because we couldn't afford it. We needed my income, even though it is small, to pay for student loans, car notes, just to make ends meet. We couldn't afford me not working; I could not go back to school right away, although I longed to go to college. Pell Grants saved my life because they paid tuition and books and gave me a little extra, which I always put aside because every time the seasons changed, I had to buy the children a new wardrobe, so that's what I put the money aside for and any additional school expenses I needed. If I come up short during the holidays when I'm not working and I don't get paid when I don't work, I'll have a little extra to pay the sitter. That's what Pell Grants have done for me.

"As for my education, I'm trying not to take out student loans at all. I realize that maybe in the future it may be unavoidable. But I'm going to do everything in my power not to increase the load we already have because it's tremendous and it's hard to overcome. People don't realize that the interest on student loans, oh my goodness, it will kill them! Don't even try to defer that because all that's going to happen is they'll

take all that interest and add it to your principal, and you'll be paying interest on interest. Once they get you that way, you'll never ever see the light of day again.

(Respondent laughs.) That's the way it seems anyway. It's like they just keep piling it on, piling it on, and piling it on and you feel helpless as though you're never going to get out from under them. It gets to be a tremendous burden, it's terrible. But, after you consolidate and if you have the endurance, you can do it. My husband didn't have anything to do with this, even though it's his loans; I had to do all of this.

"During the consolidation episode, the lender made it very difficult for me to deal with them because the loans were not mine; they were for my husband. They wouldn't talk to me about his loan because I was the spouse. My husband had to sign an authorization and mail it to them before I was given permission to deal with them. The process was very lengthy, but once you get it finished, you can lower your monthly payment. That's the only thing that kept us afloat by being able to reduce the amount of the payment we sent to them. But still, a \$150 per month payment just to give them just kills me. Every month I write that check, knowing that this doesn't really benefit me at all to give them this money. When you're struggling to survive, it's hard to say, it's like taking \$150 and putting it in the fire because it is not benefiting me at all. It's not like paying a bill; this money is kind of like hush money. I say each month, "here, take this money and just leave me alone!" They're still going to come back at me because I still owe \$15,000. In the next couple of years, I cannot get out from under student loan debt unless I start paying \$400 to \$500 per month. That's standard. What many students don't realize is and that's what my husband thought and what I originally thought whenever the loans were so prevalent: Everyone think the maximum

you have to pay is \$50 per month. They don't tell you it's not the ceiling; that's the floor. That's the very minimum you're going to pay. I'm assuming this; I don't know how small an amount of money you have to borrow to have a \$50 per month student loan payment.

"Students do not realize how much money they will have to pay back each month. I pay more on our student loans than we pay for our house and both vehicles combined. Student loans ruined our lives! It kept us from living at all. I don't know if we'll ever have the money we need to live on being teachers. But it kept us from living period! It took away from the money we needed for necessity items and that was very difficult. That was the reason why we sunk ourselves so deep in credit card debt. Five thousand dollars is not that much compared to a lot of people, but it's a lot to me because I do not like to be in tremendous debt that way. When I buy a house, I might not be able to sleep thinking about how I'm going to pay this off in 30 years. My husband is the same way. In fact, he may be a little worse than me. But I think that student loan debt is a problem. By working in Financial Aid, I see students with subsidized and unsubsidized loans. They defer the interest on the unsubsidized loans, and they don't realize that being in school to earn an associate degree, I don't care what your degree is in, when you get out of school, they're not going to make the kind of money needed to make student loan payments and live above the poverty level. It just can't be done. I know that from experience. It angers me sometimes, and it caused problems between my husband and me for a good long time because I kept blaming him for it. That can cause friction in any marriage. It did with us, but after a while, I realized that there is no point in arguing about it because it's not going to go away; it

creates a bigger problem. You just have to learn to live with it, which I did. However, it's really difficult to live knowing that I'm just giving away money. When students are in school, they think it's just free money. But, they don't realize it's going to come back and haunt them in the worse sort of way when they get out of school. I know this because I talk to them by the hundreds and perhaps thousands who come into the Financial Aid Office at LSUE.

“When they come into the Financial Aid Office, they tell us reasons why they need the loans. They say, “I need the additional unsubsidized loans because I have kids, so I need to pay daycare. I have all the bills I have to meet and a car note.” What most of the students who borrow from student loan programs lack is the experience that I have. They don't know because they haven't lived it yet. They don't know that when they get out of school, how difficult it's going to be to pay back their student loans. It's going to be more than they can handle; it was for me. It was definitely more than I could have thought I could handle at the time. Therefore, I just opted not to take out student loans while I'm in school and I'm hoping that I never have to do so. But in the event that I do, I'm going to try to consolidate my loans with my husband's loans and try to work it out that way or if I would get back a hefty income tax check, I would try to pay it all back at one time because that's the only way I am going to get a head is to pay big chunks of money at one time. When I started working, it kills me to know I'm not benefiting for giving them this money, other than it's keeping my husband out of default status. If he goes into default, his wages will be garnished every month; it's going to affect me because his income is my income. My income is for necessities only, that's all I work for. Garnished wages does not look good on your credit report.



It won't look good in a few years when I get ready to buy a house or build one. When the bank tries to loan me money, they'll say, "You're in default on a student loan," and I'm not going to be a very good risk because if I'm going to default on a student loan, then, what would keep me from not paying my house note? My good credit is very important to me-that's an asset-you have to have good credit in this world because the price of cars and other items are expensive. No one can go and pay cash for anything today; it's just too expensive. You have to have credit. People have to trust you are a good enough risk to loan money to in order for you to buy these things. It's gotten to be this way! I don't know if I'll ever have enough money to pay cash for a house, nor do I know many people who do. But, if you want a place to live, they may not even rent to you or people with bad credit. Then where are you supposed to live?

"Good credit rating is important to me, but student loans can destroy that, even if you pay everything else on time. If you default on a student loan, then you can hang it up. If you ever wanted to go back to school and you're in default, you certainly can't get any more financial aid without cleaning up the default. Student loans are definitely, definitely, (long pause) they're bad. They are really bad because they tempt students into thinking that this is going to help them with school, but most of them take the loans to live on, use as spending money and buying clothes. I've heard students come in the Financial Aid Office and ask, "When is my loan going to be here? I need it to buy a car." So, you can't do anything like that with student loans, that's not the way to do it. Even though, they are low interest. If you need to buy a car, you need to go to the bank and get a loan there. Whenever you do consolidate those, refinance, or however you do it, one of the only attractive things about students loans is low interest,

but when you consolidate, you give that up. Most people will have to consolidate their loans because the selling of student loans by lenders has become a very common practice. As a matter of fact, most of the banks will not keep students loans because they will sell them to someone else. In the event that happens, students' loan payments will come from two or three agencies after the six month grace period is over, either when you leave school or you graduate. Students think that by choosing the same lender every year, their loans are going to stay together. Each year you borrow from the student loan program that's a different loan and a different account. Even if the bank did not sell the loan, the student still has a different payment for every year they went to school. That's just the way it works. Every year it's a totally different loan. They just sign a new promissory note each year.

“In terms of really helping students to know exactly what they are getting into when they borrow money from federal student loan programs, there should be some type of seminar for students. I know the only way students will come if it were made mandatory. But before students loans are issued to students, they really need to know these things because none of them know what I know and have experienced. I certainly didn't know this, and I didn't know what it was going to be like, and they surely don't have a clue what it's going to be like for them when the time come to start repayment. By working in the Financial Aid Office, I see what students have to watch during the entrance and exit interview film. All it tells them is that they will have to repay the loans. The video is about seven minutes long, which in no way lets the students know exactly what they're going to be up against when they finally finish school. In a way, the video encourages students to take the loan money, yet it also tells them they have to

pay it back, but it's not going to be painful. In the year and a half I've been employed in the Financial Aid Office, I have not seen one student who comes in who knows how much money they borrowed from the student loan program. When you ask them, they say thing like, "Well I borrowed the maximum amount." They have no clue how much they've borrowed or how much they may have to borrow in the future. They have no clue! Students who will have to transfer out of LSUE to a larger university and having to pay double or triple the tuition cost of LSUE. They most certainly will have to take student loans. Why take out loans when they really don't need them? All of the students get Pell Grants. There are not a lot of students who attend LSUE who apply for financial aid that don't get some amount of Pell Grant money. There are some that do not get anything. But for the most part, they all are eligible for Pell Grants, which is more than enough to pay the tuition cost and buy books at LSUE. I know this is a low socioeconomic community, but most students get the maximum in Pell.

"For the last two years, Pell Grants have increased. I've been in school for the last year and a half and each year Pell increased by \$200 to \$300, which is good. The average student get approximately \$1,900 per semester in Pell Grant money, the tuition cost at LSUE is \$707, why are they taking out loans with that kind of money? Most of the students are still taking out loans with the Pell Grant; this is a common occurrence on this campus. The only thing I can see is that either they are living on student loans, or partying, or buying cars with the loan money. They don't actually need student loans for their school expenses. They can work. It won't kill them to work, I know, I'm doing it! It's not killing me to work, though it hasn't been easy because it is keeping me from doing as well in school as I would like to. I'll make a B every now

and then. I can live with a B to be able to keep myself in the black rather than in the red. I'm thinking of my future. What's the point in going back to school to earn a degree to work to pay back student loans. It's defeating the whole purpose. Yes, you have a college degree, but what good does it do you if you're mired in student loan debt? Most students don't realize that's it just makes no sense. It's sad, it's really, really, sad. I hate to say this, but students are ignorant as to what they are going to have forced on them in the future when the grace period is over and it time to pay back the money they borrowed. They're going to face financial hardship without a doubt, without a doubt because that's where I was, and I still am, just not as big of a degree as I was in the beginning because I consolidated my husband's student loans. Had I not, I wouldn't be in school, I'd be working somewhere to pay off student loans. If any student ever asked me, "Do you think I need a loan?" I always say no. I discovered that I don't know their financial and economic conditions and sometimes they listen, but for the most part, they don't. They take the student loans anyway. Sometimes, I feel I was placed in that office to steer students in the right direction. It's sad to know there are students who will get associate degrees and will be unable to live the way they want to because they're going to have such high student loan debt. In order to pay their student loans back, they will have to lower their standard of living, which many of them really don't expect to do. There's no way out. Once you get into student loan debt, you can't turn back. My husband didn't know and most students don't know. They just don't know. It's scary! It's been a rough road! A really rough road!"

### **Case Study Analysis**

Case study respondents were selected based on their reported student loan debt. Five respondents, four females and one male provided the researcher with their individual case histories of how they began borrowing money from the federal student loan program to pay for the higher education services. Common themes emerged from the case studies such as loan usage, types of loans ( subsidized and unsubsidized), interest on loans; loan worries and whether or not the respondent had the ability to repay their loans. In the category of the matrix labeled loan usage, the two divorced females (Respondents A and B) used student loans as income to maintain their family households while they were enrolled in school and to pay the cost of education. Because they were enrolled full-time and not employed, student loans were their main source of income. Neither Respondents A nor B knew what types of loans they had nor the interest on the loans. Respondents A and B were uncertain as to whether or not they could repay the loans after graduation.

Under the loan worries category, Respondents A and B generally worried about their loan indebtedness. They were concerned that they may not get the type of jobs that would provide the income that believe they needed to pay back their loans. They acknowledged that their student loan debt would affect their life style choices, whether or not they would be able to purchase a home or car after graduation. Respondent B is anticipating filing bankruptcy because of her tenuous financial condition. Respondents A and B referenced their need for financial management counseling to help them get control of their individual financial situations.

The single male (Respondent C) in the case study debt matrix was not unlike the two divorced females with regards to his student loan debt. Under the loan usage category, he was unemployed at the time he enrolled and made the decision to utilize student loans as a source of income, to maintain his household and pay for the cost of education while enrolled in college as a full-time student. Unlike the other four respondents (Respondents A, B D, and E), he knew the types of loan programs he borrowed from, the interest rates on his loans and he acknowledged that if he had to take student loans again, he would. Under loan worries, the single male indicated he believed his student loan debt would affect his life style choices to some degree. Since he was currently employed after graduation, he believed he could pay back his student loans.

The single female (Respondent D) in the loan debt matrix typically followed the patterns of the divorced females (Respondents A and B) and the single male (Respondent C) in the loan usage category. She borrowed from the federal student loan programs and used the loan money as income to maintain her household and pay the cost of education while enrolled in college full-time.

Like the divorced females (Respondents A and B), Respondent D did not know the types of student loans she had, nor did she know the interest rates. Under the loan worries category, she followed the patterns of Respondents A, B, C and E with regards to whether or not her life style choices would be affected as a result of her student loans; eg. purchase a home or car after graduation. She believed her student loan debt would be a hindrance to her life style in general because she lamented she had no idea how long it would take to repay her loans. Although Respondent D was employed

immediately after graduation, in the pay back category, she was uncertain as to whether or not she could pay back her student loans based on her current salary.

Respondent E is married to a spouse with student loans. Since she was not the loans recipient in this case study, she described the loan indebtedness of her spouse. Like Respondents A, B, C and D, Respondent E spouse used his student loans as source of income and to pay the cost of education while enrolled as a full-time student. Respondent E's spouse did not know the types of loans he had, nor did he know the interest being charged on his student loans at the time of enrollment. Throughout the case study, Respondent E continually commented that her spouse's student loan indebtedness affects their life style choices, as it did Respondents A, B, C, and D. Although Respondent E's spouse is employed, she indicated in the pay back category that they are paying on his loans, but the pay back has been very difficult to manage and it has caused considerable distress in their marriage. Respondent E believes that the student loans will be a continual financial burden on their household finances for years to come (See Table 5.1).

**Table 5.1: Case Study Commonality Loan Debt Matrix.**

<b>Respondent</b>	<b>Gender/ Marital Status</b>	<b>Loan Usage</b>	<b>Types of Loans</b>	<b>Interest on Loans</b>
A	Divorced female	Maintain household, income, cost of education	Do not know	Do not know
B	Divorced female	Maintain household, income, cost of education	Do not know	Do not know
C	Single male	Maintain household, income, cost of education	Does know	Does know
D	Single female	Maintain household, income, cost of education	Do not know	Do not know
E	Married female	Income, cost of education	Do not know	Do not know

**Table 5.1 continued)**

<b>Respondent</b>	<b>Loan Worries</b>	<b>Loan Debt</b>	<b>Repayment</b>
<b>A</b>	Lack of employment, need financial counseling, life style choices	\$60,000	Uncertain
<b>B</b>	Bankruptcy, lack of employment, need financial counseling, life style choices	\$37,500	Uncertain
<b>C</b>	Lifestyle choices	\$23,508	Yes
<b>D</b>	Lifestyle choices, need financial counseling	\$35,000	Uncertain
<b>E</b>	Lifestyle choices, marital problems	\$20,000	Yes



## **CHAPTER 6**

### **Discussions, Conclusions, and Recommendations**

#### **Purpose and Objectives**

This research study examined the perceptions of students at a two-year public college about their student loan debt management, knowledge of the processes and procedures of financial aid and their understanding of the level of indebtedness they have incurred as a result of using student loans to pay for educational expenses. Three research questions were addressed in this study as follows:

1. What are students' perceptions about their loan debt management?
2. What are students' perceptions of current financial aid practices at a two-year institutions and how are they used to prepare them for their loan responsibilities?
3. What percentage of students are accumulating additional educational debt through the use of credit cards?

The objectives established in this study included the following:

1. To describe and compare students enrolled in a two-year college on the following selected personal and educational demographic characteristics:
  - a. enrollment status;
  - b. number of semesters enrolled at a two-year college;
  - c. race;
  - d. gender;
  - e. martial status;
  - f. number of dependents;
  - g. total family income;

- h. highest level of education completed by parent/guardian;
  - i. whether or not selected forms of financial aid were received;
  - j. whether or not a credit card was used to help pay college expenses;
  - k. total student loan debt incurred during college enrollment;
  - l. anticipated yearly income after graduation;
  - m. nature of student loans (subsidized, unsubsidized, both, do not know);
  - n. whether or not interest is being paid on unsubsidized loans;
  - o. amount of credit card debt;
  - p. whether or not a monthly balance is being carried on credit cards;
  - q. whether or not student received scholarships;
  - r. amount of scholarship monies received to attend college.
2. To determine the perceptions of currently enrolled two-year college students who have student loans regarding the system and procedures of the financial aid process.
  3. To determine if a model exists that can explain a significant portion of the variance in selected aspects of the students' perceptions regarding the system and procedures of the financial aid process from the following selected personal and educational demographic characteristics:
    - a. enrollment status;
    - b. total number of semester enrolled at a two-year college;
    - c. race;
    - d. gender;
    - e. marital status;
    - f. number of dependents;

- g. total family income;
- h. highest level of education completed by parent/guardian;
- i. whether or not selected forms of financial aid were received;
- j. whether or not a credit card was used to help pay college expenses;
- k. total student loan debt incurred during college enrollment;
- l. anticipated yearly income after graduation;
- m. nature of student loans (subsidized, unsubsidized, both, do not know);
- n. whether or not interest is being paid on unsubsidized loans;
- o. amount of credit card debt;
- p. whether or not a monthly balance is being carried on credit cards;
- q. whether or not student received scholarships;
- r. amount of scholarship monies received to attend college.

### **Methods**

The researcher administered the survey instrument to 15 classes randomly selected from the Spring 2001 computed generated class schedule. The class schedule was generated from the Registrar's Office of a public two-year campus in the university system of a southern state. Student participation was completely voluntary and the researcher maintained anonymity. Two hundred seventy one (271) students participated in the study.

Quantitative data were collected using a 37-question survey instrument. The instrument included 15 selected personal and educational demographic characteristics. A 21-item five point Likert-type scale was used for loan recipients. The one

open-ended question was included for all respondents to make suggestions, which may be used to help other students make sound decisions about how they pay for college, and related educational expenses using loans. The 21-item Likert-type scale statements were used to measure student perceptions about the loan process. The response on the scale ranged from (1) Strongly Agree to (5) Strongly Disagree.

The qualitative section of the research study consisted of focus groups and case studies. Four groups of students were selected by the researcher to participate in focus group interviews. Two groups consisted of students who received associate degrees, one in Nursing and Allied Health and one in Business and Technology in Spring 2000. The third focus group was students who commuted to campus in Fall 2000, using the university sponsored van transportation service. The fourth focus group selected was students who graduated in Fall 2000. This group consisted of students from all degree programs. Seven open-ended questions were used to guide each of the focus group interviews.

Five case studies are profiled in this study revealing how student loan recipients accumulated excessive student loan debt. Three students attended LSUE, one attended LSU-Baton Rouge, and another attended Louisiana Tech University. In the case study interviews, each respondent was asked to tell how they started borrowing from student loan programs. They told their respective stories as they experienced the student loan process and their perceptions regarding the system and procedures of federal financial aid.

The one-open ended question in which students were asked for suggestions was analyzed and emerging themes and concepts were organized and labeled according to the five factor labels identified in the factor analysis.

### **Summary of Findings**

The first objective of this study was to construct a demographic profile of all survey respondents, those without loans, and those with loans.

#### **Objective 1: Demographic Profile (Loans vs. Non-Loans).**

Of all the respondents in this research study, the typical two-year college student was white (72.7%), 43.9% were freshmen and 75.6% were female with period of enrollment of three or more semesters. On average, college students in this study were single (72%) with one dependent and family income less than \$15,000 (25.7%). In terms of the educational level of parents, 48.3% had a high school diploma. The enrollment profile for Louisiana State University at Eunice for Spring 2001 indicated that 75.75% were white, 23.21% were African American, 73.52% were female, 26.48% were male. Enrollment classification indicated 44.05% were freshmen, 37.24% were sophomore, and 13.71% were unclassified. The sample data mirrors closely the enrollment profile of LSUE in Spring 2001, when this random sample was collected for analysis (Enrollment Summary, 2001).

With regard to the types of financial aid received by the average college student in this study, 56.8% had grants, 92.6% did not use the college work-study program as a source of income. Some 50% had TOPS (Tuition Opportunity Program for Students). Scholarships were not the predominant form of financial aid for college students at LSUE. 81.2% did not receive scholarships to help pay educational expenses.

Although this study revealed that the largest group of students (43.9%) without student loans were freshmen, more students in this study with loans were unclassified (20.5%). Unclassified means that these students had more than 59 credit hours. The associate degree at LSUE is conferred when a student has reached a minimum of 66 credit hours. The unclassified status also means that students are enrolled for longer periods. For those students with loans, their average length of enrollment is four semesters. White students (62.4%) with loans are the largest group. However, African Americans comprised 24.7% of the study sample and 23% of the enrollment at LSUE in Spring 2001, and are the predominated group with loans (35.9%). Thirty-percent of African Americans are also in default on student loans at LSUE. Seventy-nine percent of the students with loans are female in this study. This reflects the enrollment profile for Spring 2001, and it accurately reflects the 78% females who are in default on student loans at LSUE.

In terms of marital status, students with loans were single (59.6%) with one dependent and a family income of less than \$15,000 (36.9%) and they lived with parents who have a high school diploma (48.7%). However, a higher percentage of student with loans were married (27.3%).

Generally, students with loans had higher risk factors than students without loans. They were female, married, African American, with one or more dependents, longer periods of enrollment, lower family income and come from households with limited educational level of parents and limited financial resources. The lack of advanced education of their parents coupled with family income less than \$15,000, indicates that students may have made decisions to use loans without parental

involvement in the loan process because of the education level of parents. Due to complex rules and regulations associated with students loans, parents without advanced education will have difficulty understanding the financial aid process as it relates to student loans, interest charged, payment options and other issues associated with using student loans.

Other forms of financial aid used by students with loans in this study are: JTPA, and TOPS. The Job Training Partnership Act (JTPA) (18.4%) provides tuition assistance to displaced workers who lost their jobs through attrition, downsizing and plant or business closures (JTPA, 1995). Although JTPA recipients were also eligible for Pell Grants, 33.3% took student loans. The Tuition Opportunity Programs for Students (TOPS), provides free tuition to qualified Louisiana high school seniors who score at least a 20 composite ACT score and earn a 2.5 high school grade point average (LOSFA, 2001). Of the students at LSUE receiving TOPS (50%), 33.3% also received loans. With JTPA and TOPS students receiving loans, these monies did not significantly reduce the amount of loans being utilized by student with JTPA or TOPS.

While credit card use among college students figures prominently in higher education today, 69.8% of the all students in this study who used credit cards to help pay for tuition did not carry a balance on their credit card. However, for those students with loans, 35.6% carried a balance and the average credit card debt was \$1,698. This suggests that these students do not understand how interest rates apply to credit card balances and how making minimum monthly payments affects their ability to reduce the total credit card debt while also paying on student loans. With more than half of the loan respondents not making interest payments on their student loans, they are most

likely to make minimum payments on their credit cards as well. Coupled with student loan debt, credit card debt adds additional financial constraints on the students' ability to pay back their loans and also impacts their life style choices, such as the ability to purchase a home, car or other durable goods.

Understanding student loan interest rates is also problematic for students with loans. Fifty percent of the students in this study had subsidized loans, for which the government pays the interest on the loan while the student is enrolled in school. The unsubsidized loan program allows students (13.4%) to borrow money and pay the interest on a quarterly basis while enrolled. Yet, 67.7% of student did not pay any interest on their loans, 17.9% had both the subsidized and unsubsidized loans and 18.8% of the students in this study did not know what type of loan or loans they were receiving from the student loan program nor the interest rates associated with either.

Limited restrictions on the loan programs have not made student loans less difficult for students to understand. Reaching the maximum loan limit of \$24,000 on both the subsidized and unsubsidized loan programs and not knowing what types of loans they have suggest that students are not receiving the one-to-one personal and financial counseling needed to help them become more knowledgeable of their loan responsibilities. The financial aid office makes loan awards based on the students' financial needs, yet little or no consideration is given to the level of knowledge and understanding student borrowers bring into the loan process, particularly those students considered low income.

Although federal regulations prohibit financial aid offices from denying student loans based on the students' lack of understanding of the loan process, serious



consideration must be given to providing student loan borrowers with an enhanced special orientation session designed to demonstrate the pitfalls of paying back loans against their future earnings. For example, a student with an associate degree in Criminal Justice could expect to earn \$19,950 as a correctional officer/jailer and slightly more, \$21,000, as a gaming surveillance officer/gaming investigator (Occupational Employment Statistic, 1999). At a salary between \$19,950 to \$21,000 and student loan debt of \$15,000, coupled with credit card debt and other daily living expenses, the student will most likely have difficulty making student loan payments of approximately \$200 per month for ten years or more. This is a best case scenario, given the potential pitfalls experienced by students in the case studies and focus groups who are paying on their student loans.

With regard to scholarships received by students in this study, 91.2% of the students with loans received no scholarship monies and 8.8% with loans did receive scholarships. For those students who did not have loans, they received scholarships in the amount of \$1,414, while those with loans received \$1,244 in scholarships. An infusion of additional scholarship dollars targeted to students who are potential loan recipients, financially needy students, might be able to reduce their perceived dependence on student loans.

Finally, when respondents were asked to estimate their total student loan debt, responses ranged from \$400 to \$30,000, with the average loan debt being approximately \$6,000 for the respondents in this study. What they reported their loan debt to be was slightly lower than their actual loan debt. The researcher had the LSUE Financial Aid Office verify from the 15 classes surveyed all loan recipients and report

only the aggregate totals for each. Of the 360 student on the 15 class rosters used to administer the survey, 127 (64.7%) had student loans totaling \$987,842. The state of Louisiana distributed 63 percent of student aid in loans in 1998-1999 academic year. Thus, the actual student loan debt for the sample is \$7,793.88. Therefore, students under-reported their total loan debt by \$1,793.88. This suggests that most students do not know the actual dollar amount of their student loan debt. Since the average student in a two-year college takes three years to graduate, accumulating student loan debt over a period of time will perhaps cause “sticker shock” upon graduation when they are told in the exit interview what they actually owed in student loans. Without proper notification during the time span that students borrow from student loan programs while enrolled, they will not know how much money they have accrued in student loans. Since default rates are charged back to the university, monthly loan statements with explanations of interest rates, how to calculate them and more realistic monthly loan payments applied to future earning should be sent to each student loan recipient on a monthly basis as long as the student is currently enrolled in school. In addition, the university should require loan recipients to participate in a mandatory quarterly loan debt management seminar while they are enrolled, where students are provided information on loan payment options long before they graduate.

Furthermore, the entrance and exit interviews that loan recipients are required to attend are not realistic in helping students understand their student loan debt and the repercussions of borrowing more money than they need. Basic money and financial management seminars, which address student loan debt, credit cards, and household

finances, should be incorporated into the Freshmen Orientation Program and University 1000, the student success courses.

### **Objective 2: Loan Construct**

When the data from responses to the 21-item perception scale were analyzed, respondents did not select “Strongly Agree” or “Strongly Disagree.” Of the eleven items in which those with loans were “uncertain” in their responses, “Financial aid information at freshmen orientation did help me to make a decision on how to finance my college education” ( $M=3.21$ ). For those whose responses were “Somewhat Agree” to eight items, “I do not have any idea how long it will take me to pay off my student loans,” ( $M=2.45$ ). Two responses solicited “Somewhat Disagree” from those with student loans, “My high school counselor helped me find out about financial aid options” ( $M=3.77$ ).

The factor analysis conducted on the 21-item perception scale identified five factor models: Factor 1-Understanding the Loan Process; Factor 2-Utilizing the Loan Process; Factor 3-Perceptions of the Loan Process as a Last Resort; Factor 4-Decision-Making in the Loan Process; and Factor 5-Acquiring Information on the Loan Process.

### **Objective 3: Student Loan Process Model**

The five factors identified in the factor analysis perception scale were entered as dependent variables to explain students’ perceptions regarding the system and procedures of the financial aid process. Of the five models identified, Factor 3-Perceptions of the Loan Process as a Last Resort (25.2%) has the strongest explained variance. This model identified nine significant variables: 1-Total student loan debt incurred so far during college enrollment (6.8%), 2-Whether the student was African

American (4.1%), 3-Expected income after graduation to be \$35,000 to \$45,000 (3.6%), 4-Expected income after graduation to be \$65,000 to \$75,000 (2.9%), 5-Family income to be \$35,000 to \$45,000 (1.8%), 6-Expected income after graduation to be \$25,000 to \$35,000 (1.6%), 7-If yes, estimate your credit card debt (1.6%), 8-Are you receiving any scholarships (1.6%), 9-Types of financial aid received while at LSUE (Grants) (1.2%).

The second strongest model, Factor 4-Decision-Making in the Loan Process (23.1%) identified five significant variables: 1-Do not know the types of loans they had (15.3%), 2-Total student loan debt (2.4%), 3-If you have a loan that is not subsidized, are you paying the interest while you are attending school (2.0%), 4-Expected income after graduation to be less than \$15,000 (2.2%), and 5-Are you carrying a monthly balance on your credit card? (1.2%).

The third model with considerable strength is Factor 1-Understanding the Loan Process (22.8%) identifies four significant variables: 1-Do not know the types of loans they had (19.0%), 2-Expected income after graduation to be \$65,000 to \$75,000 (1.6%), 3-If you have a loan that is not subsidized, are you paying the interest while you are attending school? (1.2%) and the 4-Education level of parent less than high school (1.0%).

The fourth model to strengthen this study was Factor 5-Acquiring Information on the Loan Process (21.8%) with eight significant variables identified: 1-How many semesters have you been enrolled at LSUE? (3.2%), 2-Current enrollment status was unclassified (3.3%), 3-Expected income after graduation to be \$45,000 to \$55,000 (3.1%), 4-If you have a loan that is not subsidized, are you paying the interest while

you are attending school? (3.7%), 5-Expected income after graduation to be less than \$15,000 (3.5%), 6-While you are enrolled in school, what in the interest on your unsubsidized loan (2.3%), 7-Expected income after graduation to be \$25,000 to \$35,000 (1.6%) and 8-Family Income was less than \$15,000 (1.1%).

The fifth and final model was Factor 2-Utilizing the Loan Process (16.8%) identified six significant variables: 1-Expected income after graduation was less than \$15,000 (5.4%), 2-Expected yearly income after graduation to be \$45,000 to \$55,000 (4.3%), 3-If yes, estimate your credit card debt (2.9%), 4-Family income was \$45,000 to \$55,000 (2.1%), 5-How many dependent children or other dependents are you financially responsible for other than yourself? (1.1%) and 6-Total student loan debt incurred so far during college enrollment (1.0%).

It is significant that students in this study indicated they expected their income after graduation to be \$45,000 to \$55,000. This may be because they have an associate degree with excessive loan debt or that they have an inflated view of salaries in general. Therefore, they anticipate an income well above the realized income for their occupational and educational attainment in order to be able to live comfortably and pay back their student loans and related debts associated with consumer spending.

The results of this research study identified a number of significant items which were common to students with loans and those identified in the research literature who were most likely to default on student loans (Fossey, 1998; Volkwein and Cabrera, 1998; Somer and Bateman, 1997; King, 1997). These included family income, gender, race, parent level of education, and marital status. The common links among 11 items identified in the 5 factors were the overall strength of the factor analysis and the

linkage to the expansion of variables associated with student loan defaulters (See Table 6.1).

**Table 6.1: Commonality Factor Item Matrix: Variables Linked to Defaulters.**

<b>Item</b>	<b>Factors</b>	<b>Explained Variance</b>
"Do not know"	1 and 4	19% and 15.3%
"Income \$65,000 to \$75,000"	1 and 3	1.6% and 2.9%
"Paying interest"	1, 4 and 5	1.2%, 2.0% and 3.7%
"Income less than \$15,000"	2 and 5	5.4% and 3.5%
"Income \$45,000 to \$55,000"	2 and 5	4.3% and 3.1%
"Credit card debt"	2 and 3	2.9% and 1.6%
"Total debt"	3 and 4	1.0% and 2.4%
"African American"	3	4.1%
"Income \$25,000"	3 and 5	1.6% and 1.6%
"Income \$15,000"	4 and 5	2.2% and 3.5%

Factor 1-Understanding the Loan Process    Factor 2-Utilizing the Loan Process  
 Factor 3-Perceptions of the Loan Process    Factor 4-Decision-Making  
 Factor 5-Acquiring Information in the Loan Process

Of the 127 suggestions made by respondents to the one open-ended question asking them to make comments for changes in financial aid practices, they were coded to the factor labels and linked to the factors to determine common themes relevant to students' perceptions of the loan process. Factor 1-Understanding the Loan Process, 55 suggestions were relevant to understanding the process. Factor 2-Utilizing the Loan Process, there were 16 suggestions on utilizing loans. Factor 3-Perceptions of the Loan Process as a Last Resort, four suggestions related to loans as a last resort. Factor 4-Decision-Making in the Loan Process, 13 suggestions referenced the decisions students make in the loan process. Finally, Factor 5-Acquiring Information on the Loan Process, 39 items were suggested on acquiring information on the loan process.

Thus, respondents in this study with loans tended to be less knowledgeable in reference to understanding the loan process and acquiring information on the types of

loan programs, interest rates, payment options and whether or not they knew what loans they actually had (18.8%). Several respondents to the open-ended question suggested that more information be given to them in high school. While financial aid workshops are conducted each fall and spring in area high schools for students and parents, many workshops go unattended both at high schools and in public forums throughout the service area surrounding LSUE. Possibly filming the presentation for public television stations throughout the region may reach more households than other mediums presently being used.

The findings in this research study have led the researcher to the following conclusions: First, (18.8%) of the students with loans do not know the type of loan(s) they are utilizing, whether subsidized or unsubsidized. Second, on the perception scale, items which asked them to rate their knowledge about specific aspects of the loan process, students were uncertain on 11 items, which included the following:

1. Freshmen orientation help them make a decision on how to finance college;
2. Whether student loans were their main source of funding college;
3. Whether their family helped them make decisions to use loans;
4. The loan process is confusing to them;
5. I know what interest rates are allowed on my loans;
6. I understand the interest payment;
7. I can explain the difference between subsidized and unsubsidized loans;
8. I can explain the loan process to other students;
9. I have a clear idea how much my monthly loan payments will be after graduation;
10. I can explain loan consolidation options;

**11. I can explain the penalties for defaulting on student loans.**

The multiple regression models found several prominent variables, which entered models 1 and 4: “While you are enrolled in school, what is the interest on your student loan(s): subsidized, unsubsidized, both, do not know.” “Do not know” was significant in model 1 with a cumulative explained variance of 22.8% and 23.1% cumulative explained variance in model 4. “If you have a loan that is not subsidized, are you paying the interest while you are attending school?” The cumulative explained variance for model 1 was 22.8%, 23.1% for model 4 and 21.8% of the cumulative explained variance for model 5. Finally, when asked, “What race to you most closely identify?” African American was prominent in model 3 with a cumulative explained variance of 25.2%. Thus, students in this study lacked knowledge and information about the loans they were using to pay for their college education. Most lacked basic information on the impact of interest rates and how interest affected loan balances over long periods of enrollment. Because they did not know the types of loan programs and how they worked, students in this study could not explain the difference between a subsidized and unsubsidized loan; many are taking monies from one or both loans without knowing which program is most beneficial to their particular needs and using the monies to supplement life styles choices. They use student loans as a source of income, maintain households by paying household expenses and making major purchases such as cars. Further, respondents in this study did not receive adequate counseling on how to manage loan debt and their personal finances. More than half of the respondents in this study are not paying the interest on their loans while they are enrolled. Although White is the predominate race identified in this study (72.7%), it is



**African Americans (35.9%) who are the predominate recipients of student loans. They are the group most likely to have higher levels of accumulated debt, longer periods of enrollment, limited financial resources in terms of family income and most likely to default on their loans.**

**Focus groups, on the other hand, tended to shed a different light from the results of the quantitative methods. The focus groups in Business and Technology and Nursing and Allied Health reported that they understood the interest rates on their loans. Before graduating, students with loans are required to complete the exit interview with the financial aid office as part of the default management plan schools are required to do under federal law. Although they seemed knowledgeable about their loans, interest rates and loan payment options, most had not begun to pay their loans back as a result of the six month grace period allowed before the first loan payment is due. During the grace period, students should be receiving monthly updates on the status of their loan payment and allowed to consolidate multiple loans before their first payment is due.**

**Case study respondents provided additional information that coupled with the five models identified in this study. First, respondents did not know the interest rates on their loans; they believed their student loan debt would have a negative impact on their ability to purchase a home or car after graduation. More than one-third was uncertain whether they would be able to repay their student loans. These students, like the other respondents, need additional financial and debt management counseling and periodic intervention during enrollment to help them become more knowledge of their loan debt and management strategies for a smooth transition to repayment.**

Financial aid professionals, registrars, directors of admissions and university administrators must provide additional services over and above what is required by federal law; the entrance and exit interview. Students need one to one personal counseling in debt management, personal finances, and loan debt obligations before payments become due. It is this researcher's observation that financial aid offices on most college campuses are understaffed and overworked relative to the number of students they service with student loans, which continues to escalate each year as the number of new students enter the university applying for financial aid. In the best-staffed financial aid offices, too often student workers are the ones who interact with loan recipients on a daily basis. Additional professional staff must be hired to counsel students when they inquire about using student loans to help to minimize loan usage, particularly since students do not know nor do they understand the types of loans they have, or the obligations associated with them.

It is the researcher's opinion that financial aid offices must provide more work-study opportunities for students, especially encouraging those who take loans to work on campus. To minimize loan debt, students with loans in this study (90.6%) do not have college work-study. College work-study provides eligible students with jobs on campus; they can earn money during the semester without having to sacrifice their studies working a full-time job in the private sector. Generally, students are allowed to work 20 hours per week at minimum wage. If more students were made aware of the potential advantages of college work-study, some may be more inclined to work on campus rather than use loan as a source of income.

In terms of the types of financial aid received by students with loans, 71.8% had grants. Pell Grants are awarded to students with family income of less than \$30,000. Since students with loans at LSUE also received “free” Pell Grants averaging \$3,759, they are also eligible under federal financial aid regulations to receive loans and college work-study. When these students receive Pell Grants, they get half the grant, approximately \$1,875 per semester. Tuition at LSUE was \$582 per semester until Spring 2001 when it increased to \$707 per semester. When students with loans pay tuition charges of \$707 in Spring 2001 with grants, they received a refund of \$1,168. After paying approximately \$250 for textbooks, the final refund balance returned to the student is \$918. Even though students with loans at LSUE receive Pell Grants, they are taking loans without understanding the debt they are incurring as a result of loan usage.

With more counseling services geared toward helping students with debt issues, institutions must do more to reduce the number of students who may be prone to default on their loans. Student loan default occurs when students lack knowledge about the student loan process, borrow more than they need, and their anticipated income is not enough to cover their loan debt expenses associated with borrowing money in the pursuit of higher education.

Finally, those who responded to the one open-ended question on the survey (127 responses) provided further verification about the nature of the student loan process. One respondent said, “My spouse and I are currently paying over \$40,000 in student loans for a bachelor degree. The perception that students are not fully aware of the amount of debt they gain is accurate. I would suggest a mandatory orientation just for student loans (the big picture) for all students applying for student loans.” Other

suggestions offered included, "Explain to students about budgeting and how much our monthly notes will be after graduating." "Make sure that students understand the long term effects rather than the short term." One respondent echoed a common theme among student with loans and credit cards, "More counseling and debt management." Finally, 55 students lacked understanding of the loan process. Sixteen students identified problems with utilizing the loan process. Only four students had perceptions of the loan process as a last resort. Thirteen students identified decision-making in the loan process as a problem with financial aid. Thirty-nine students identified acquiring information on the loan process as problematic for them.

For future research in the area of student loan indebtedness, this study should be conducted at a regional university with open admissions and a historically black college where student loan default rates prompted Congress to provide waivers for those schools with default rates in excess of 25 percent. Although the Department of Education rings praises on the ninth straight year the nation default rate has declined to 5.6 percent in (1999), borrowing continues to escalate, with billions loaned and billions in default. This research is important to administrators because they need to know how much money is in default on their campuses and what are the implications of millions of dollars in default on student loans that are backed by taxpayers, particularly when tuition and fees are increasing nationwide.

Banks, loan servicers and those entities associated with the student loans have created an industry which has powerful influences over public policy decisions at the state, regional and national levels. Although banks and lenders have greater protection from default than the Savings and Loan debacle of the 1980s, the taxpayers in America

do not. When billions of dollars go into default each year, ultimately the taxpayers pay the default loans. Each year the volume of student loans increase as more students utilize federal student loan programs to access educational services. Sallie Mae, the nation largest servicer of student loans, alone distributed \$45 billion in 1999 and \$61 billion in 2000, a 26 percent increase in just one year (Greentree 2001). More important, with a downturn in the economy, an increasing unemployment rate, decline in durable goods and services, debt-laden American family and other financial and economic indicators could be problematic for students with loans. Given economic uncertainties, difficult financial instability may invade their lives for years to come making paying student loans and other debt associated with the pursuit of higher education problematic at best.

### **Conclusions and Recommendations**

#### **1. Student loan recipients do not understand the financial aid process.**

This conclusion is based on the findings, which indicated that 50% of the respondents in the study with subsidized loans were not paying the interest on their loans while enrolled, and 17.9% were not paying interest on the unsubsidized loans. Nineteen percent of respondents in the study did not know whether or not they were paying the interest on a subsidized or unsubsidized loan. Forty-three percent of the suggestions made by respondents to the one open-ended question revealed a lack of understanding of the financial aid process. These findings were consistent with Porter (1999) finding which revealed that 24% of respondents at LSU-Baton Rouge did not know the interest or the types of loans they were receiving from federal student aid programs.

Based on this conclusion, the researcher recommends that university administrators implement required student loan debt management and financial planning units in the student success course-University 1000. Units should include household finances, student loan debt, credit card debt and debt management strategies. Further, administrators should make Freshmen Orientation a mandatory one-credit hour requirement for all new freshmen and transfer freshmen. The orientation session should place special emphasis on student loan indebtedness and its effect on paying back student loans against future earning of prospective borrowers. In addition, administrators should make it mandatory that loan recipients participate in a quarterly loan debt management seminar while enrolled in school, where student borrowers are provided information on loan repayment options long before graduation.

The researcher further recommends that a financial counseling program be implemented in the Financial Aid Office. University administrators should commit financial resources to hire additional financial aid counselors to adequately service the growing number of students utilizing financial aid programs, especially student loans.

## **2. Students are using loans and credit cards to help pay educational expenses.**

This conclusion is based on the finding that 35.6% with student loans reported they were carrying a balance on their credit cards. Their credit card debt was reported to be \$1,698.

Based on this conclusion, the researcher recommends that financial aid counseling be implemented with academic advising so that students with loans are provided information on their loan debt at the beginning of early registration sessions. The institution should make every effort to keep credit card companies off the campus.

**3. Students do not understand the long-term impact of student loan debt on their financial future.**

This conclusion is based on the findings of the responses to the perception scale which ranged from “Uncertain” to “Somewhat Agree” to the following: mean = 2.95 “Uncertain” as to “I have a clear idea how much my monthly student loan payment will be after graduation.” Respondents indicated they “Somewhat Agree” that “Student loan debt will impact my life style choice; for example, being able to purchase a home or car after graduation,” mean = 2.40. Additionally, in the case study analysis, three of five respondents reported that they were “Uncertain” whether or not they could repay their student loans. Two respondents in the case studies who were in repayment were having difficulty paying their student loans. All five case study respondents and focus group participants reported that they worried their loan debt would impact their life style choice.

The researcher recommends that research be done to discern the attitudes and perceptions of students in repayment on their loans. Research needs to determine whether or not they would continue to borrow to pay for a master’s, doctorate or professional degree, particularly as they relate to repayment options, loan consolidation and the impact of paying student loans with other incurred debt, including credit card debt.

**4. A higher percentage of students with loans are African Americans.**

This conclusion is based on the findings that African Americans make up 23.1% of the enrollment and 24.7% of the study sample. Thirty-six percent of African Americans had student loans in this study. In the analysis of defaults at LSUE in June

2000, 30% of the students in default on student loans at LSUE were African American. Thus, African Americans, as suggested in the literature, default on student loans more than the majority. They tend to come from lower socio-economic status, have greater financial need and for many, the choice is to take student loans or not attend college. This study found that students with loans reported that their family income to be less than \$15,000 and their parent/guardian educational level was less than a high school diploma. Given the nature of the economic realities of African American students, particularly those with student loans, continued borrowing to pay for higher education services would be problematic and burdensome at best. The researcher recommends that counseling to African American students to make them aware of available scholarship programs.

The researcher recommends that further research be conducted to determine if there is a difference in the amount of student loan debt incurred by African Americans compared with the majority population with loans. Additional research should focus on comparing the minority and majority students on their attitudes and perceptions on loan debt levels.

**5. Students are using loan money as a source of income to pay living expenses rather than pay for the cost of education.**

This conclusion is based on the findings that focus groups and case study participants reported that they used student loans as a source of income. All five case study respondents used student loans as a source of income, as did focus group participants, particularly those in Nursing and Allied Health. The researcher



recommends that as part of loan counseling, students be made aware of the effects and long-term consequences of using student loans as a source of income.

**6. Loan recipients do not understand future potential income.**

This conclusion is based on the findings of the responses to the perceptions scale which ranged from “Uncertain” to “Somewhat Agree” to the following: mean = 2.47 “Somewhat Agree” that “I do not have any idea how long it will take me to pay off my student loans,” and they were “Uncertain” as to “I have a clear idea how much my student loan payments will be after graduation, mean = 2.95. In terms of expected income after graduation, students’ reported unrealistic earning expectations. In two multiple regression analyses, “Utilizing the Loan Process and Acquiring Information on the Loan Process,” students’ expected to earn between \$45,000 and \$55,000 with an associate’s degree. They reported higher levels of agreement with that item. The researcher recommends that as part of the loan counseling process, students are provided with information on occupational salaries to help them realize their potential earning capacity after graduation.

The researcher recommends that future research be conducted to determine students’ attitudes and perceptions on salary expectation after graduation and how their expectations of salary influence loan usage.

**7. Students with loans are more likely to be from low-income families.**

This conclusion is based on the findings that 36.9% of participants reported their family income was less than \$15,000. The fact that they come from families with limited financial resources, explains why they “Somewhat Agree” that “I feel the only way I could afford to attend this university is by using student loans,” mean = 2.28.

Four of the case study respondents reported that they came from lower socioeconomic backgrounds and limited financial resources to help them pay for educational expenses. These findings are slightly higher but consistent with Porter's (1999) finding that students with loans at LSU-Baton Rouge reported their family income (28%) to be less than \$15,000.

The researcher recommends that institutions increase funding to existing college work-study programs that provide on-campus employment opportunities for students. Financial Aid Administrators define a clear set of policies, which address issues of providing loans as a first resort versus work-study for economically disadvantaged students.

**8. Students with loans are more likely to have parents with lower educational levels.**

This conclusion is based on the findings that more students with loans reported their parent/guardian educational level as less than a high school diploma (23.1%). Porter's (1999) finding reported loan recipients (35%) parent/guardian had a high school diploma. With lower educational levels of their parents/guardians, students may be making decisions to use student loans without adequate guidance or support in their decisions from their parents.

The researcher recommends that Financial Aid Administrators recognize the demographic characteristics of loan recipients to help facilitate counseling and debt management seminars.

**9. Loan recipients do not understand cumulative effects of repeated loans.**

This conclusion is based on the findings that case study respondents who had

begun to pay back their student loans received multiple payment books for each year they received a loan. They did not understand that each loan was a separate loan with separate repayment options. They had to consolidate their loans into a single payment to make the payments lower than the initial payments on several loan payment books. The consolidation of multiple loans was confusing and difficult for case study respondents. They acknowledged that their payments were lowered as a result of consolidation, but they had no idea how long it would take them to repay their student loans as a result of the lack of understanding of how loans are distributed by their lenders.

The researcher recommends that Financial Aid Administrators expand the entrance interview requirements beyond the fifteen-minute videotape viewing required for new borrowers. Personal counseling sessions on loan repayment and consolidation options should be presented in quarterly sessions for all borrowers to help them better understand the cumulative effects of repeated loans.

Overall, this study found that many students did not understand the loan process, levels of indebtedness they accrued as a result of taking student loans, and students were borrowing money from loan program without adequate knowledge of the types of loans they had acquired nor the interest rates associated with each loan. Coupled with student loan debt, students accrued additional debt by using credit cards.

### **Summary**

This research study has implications for financial aid professionals, registrars, and directors of admissions, university administrators, public policy makers, and high school guidance counselors. Since many students do not know the types of loans they

have nor the amount of debt they are incurring as a result of using student loans, they may not view loans as debt because the pay back is several years away. They borrow with the tacit intent that they will pay the loans back once they realize graduation and prospects for employment.

With student loans now paying over 50 percent of the cost of education, more students will continue to borrow from federal student loan programs. With liberal lending and borrowing policies, plus leniency in securing a deferment or forbearance, students are borrowing not just to meet educational needs as it was intended, but are borrowing to meet their lifestyle needs, as well without any preconceived ideas of debt and debt management practices associated with managing student loan debt.

Student loans are good bargains for students! For more than forty years, students loans have helped many Americans realize the dream of securing a college education and opening access to educational services that may not have been otherwise realized. Yet, many students come into the student loan process and procedures ignorant to the realities of borrowing money and without realizing the long-term implications of accruing large amounts of loan debt and credit card debt as well. Both could lead to financial instability for years to come. With financial aid counseling, debt management, and financial planning, students can borrow from federal student loan programs in a reasonable manner without restricting access to future educational services due to excessive student loan debt, credit cards and other personal debt associated with the consumptive lifestyles into which they have been socialized.

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## **APPENDIX A: E-MAIL COVER LETTER**

**Dr.**

**As the cost of education higher education continues to rise, federal and state appropriations continue to decline. As a result, students are relying more on loans to pay for college. My dissertation research focuses on the rise of student loan indebtedness and the social processes involved in borrowing money and whether students understand the level of indebtedness they are incurring while taking out loans.**

**Through a random selection process, students in your\*\*\*, section\*\*\*\* were selected from the sample. The 37-question survey should take approximately 17 minutes to complete. With your permission, I would like to administer the survey between February 19 and March 2, 2001 to your class. Administering the survey during class time would help maintain anonymity of the respondent and ensure a higher response rate.**

**I will be contacting you next week to get your response to my request to administer the survey. Thank you for your consideration of this important request.**

**W. Wayne Brumfield  
wbrumfie@lsue.edu**

## **APPENDIX B: DISSERTATION RESEARCH FOCUS**

Over the past decade, tuition and fees at colleges and universities have continued to escalate. At the same time, federal financial aid in the form of Pell Grants (free money) has continued to decline, while student loans continue to skyrocket. With the decline in grants, loan now make up 57 percent of the cost of paying for a college education today. As loan volume increases, students are incurring more debt from taking out loans to pay for the cost of education.

In 1991, the student loan default rate peaked at 22 percent. The highest default rate recorded since 1987. With aggressive enforcement from the Department of Education, lending institutions and guarantee agencies, the default has declined into single digits; currently the default rate is 5.6 percent nationally. That is good news for the American taxpayer!

Although the default rate has declined precipitously, the amount of money students are borrowing as ballooned in recent years. With re-authorization of federal financial aid programs in 1992, the gates were opened, loan limits were raised, deferment and forbearance rules were relaxed and the default rate calculation was changed, student borrowing rose from \$18 billion in 1992 to \$38 billion in 1998 (Fossey, 1998). In fiscal year 2000-2001, students borrow over \$50 billion to purchase higher education services.

My dissertation research focuses on student loan indebtedness, students perceptions of the financial aid process, most importantly, whether or not student understand the level of indebtedness they are incurring as a result of taking out student loans. Because of the complexity of issues surrounding student loan indebtedness, this study use a survey, focus groups and case studies to triangulate the data, and examine common themes and trends within the various data points analyzed in this study.

**APPENDIX C: SURVEY INSTRUMENT OF STUDENT DEBT  
MANAGEMENT KNOWLEDGE PERCEPTIONS AT LOUISIANA STATE  
UNIVERSITY AT EUNICE**

**DEBT MANAGEMENT SURVEY**

**Directions:**

Your help is needed in gathering information about your knowledge of student loan debt management and level of indebtedness as it relates to student financial aid loan programs. Participation in this study is completely voluntary and you are free to withdraw at any time. By returning this survey, you are agreeing to provide valuable information, which will be reported in summary form. Surveys will be coded and strict confidentiality will be adhered to by the researcher. All survey forms will be kept in a locked file cabinet in my office until the study is completed and then shredded. They will be handled and viewed only by the researcher. If you would like a copy of the survey results, please e-mail your request to [wbrumfi@lsu.edu](mailto:wbrumfi@lsu.edu).

Unless otherwise requested, please check or write the ONE best response for each item. If you want to explain your answers further, please use the space at the end of the survey or attach another sheet of paper to clarify your answers.

**SECTION 1: DEMOGRAPHIC DATA**

1. What is your current college enrollment status?
  - ☐ A. Freshman
  - ☐ B. Sophomore
  - ☐ C. Unclassified (more than 59 credit hours).
2. How many semesters have you been enrolled at LSUE (count current semester)? \_\_\_\_\_ Semester(s)
3. Which race do you most closely identify?
  - ☐ A. African American
  - ☐ B. American Indian
  - ☐ C. Asian
  - ☐ D. Hispanic
  - ☐ E. White
  - ☐ F. Other (please specify)
4. What is your gender?
  - ☐ A. Female
  - ☐ B. Male

5. What is your current marital status (please mark only one)?
- ☐ A. Married
  - ☐ B. Single
  - ☐ C. Widowed
  - ☐ D. Divorce
  - ☐ E. Separated
6. How many children or other dependents are you financially responsible for other yourself? \_\_\_\_\_ Children/Dependents
7. Please estimate your total family income for 1999:
- ☐ A. less than \$15,000
  - ☐ B. \$15,000-\$25,000
  - ☐ C. \$25,001-\$35,000
  - ☐ D. \$35,001-\$45,000
  - ☐ E. \$45,001-\$55,000
  - ☐ F. \$55,001-\$65,000
  - ☐ G. \$65,001-\$75,000
  - ☐ H. greater than \$75,000
8. Indicate the highest educational level of parent/guardian
- ☐ A. Less than High School
  - ☐ B. High School Diploma
  - ☐ C. Associate Degree/Certificate
  - ☐ D. Bachelor's Degree
  - ☐ E. Graduate Degree
9. Types of financial aid you have received (check all that apply) while at LSUE.
- ☐ A. grants
  - ☐ B. loans
  - ☐ C. scholarships
  - ☐ D. work study
  - ☐ E. other (please specify) \_\_\_\_\_

**If you are NOT receiving student loans, go directly to  
Section 3 on Page 5 and continue answering questions.**

## **SECTION 2: STUDENT LOAN PROCESS**

**If you marked B in Number 9, please complete this section of the survey by  
indicating your level of agreement with each of the following items:**

- |     |  |                           |                  |                              |                              |
|-----|--|---------------------------|------------------|------------------------------|------------------------------|
| 10. | <b>My high school counselor helped me find out about financial aid options.</b>  |                           |                  |                              |                              |
|     | <b>Strongly<br/>Agree</b>  | <b>Somewhat<br/>Agree</b> | <b>Uncertain</b> | <b>Somewhat<br/>Disagree</b> | <b>Strongly<br/>Disagree</b> |
|     | _____  | _____                     | _____            | _____                        | _____                        |
| 11. | <b>Financial aid information at Freshmen Orientation did help me make a decision on how to finance my college education.</b>               |                           |                  |                              |                              |
|     | <b>Strongly<br/>Agree</b>  | <b>Somewhat<br/>Agree</b> | <b>Uncertain</b> | <b>Somewhat<br/>Disagree</b> | <b>Strongly<br/>Disagree</b> |
|     | _____  | _____                     | _____            | _____                        | _____                        |
| 12. | <b>I first learned about student loans for financing my college education through the financial aid department at my university.</b>       |                           |                  |                              |                              |
|     | <b>Strongly<br/>Agree</b>  | <b>Somewhat<br/>Agree</b> | <b>Uncertain</b> | <b>Somewhat<br/>Disagree</b> | <b>Strongly<br/>Disagree</b> |
|     | _____  | _____                     | _____            | _____                        | _____                        |
| 13. | <b>Student loans are my main source of funding my college education.</b>   |                           |                  |                              |                              |
|     | <b>Strongly<br/>Agree</b>  | <b>Somewhat<br/>Agree</b> | <b>Uncertain</b> | <b>Somewhat<br/>Disagree</b> | <b>Strongly<br/>Disagree</b> |
|     | _____  | _____                     | _____            | _____                        | _____                        |
| 14. | <b>My family helped me make the decision to use student loans to pay for my education.</b>   |                           |                  |                              |                              |
|     | <b>Strongly<br/>Agree</b>  | <b>Somewhat<br/>Agree</b> | <b>Uncertain</b> | <b>Somewhat<br/>Disagree</b> | <b>Strongly<br/>Disagree</b> |
|     | _____  | _____                     | _____            | _____                        | _____                        |
| 15. | <b>I made the decision to get a student loan after carefully considering my other financial aid options such as grants and work study.</b> |                           |                  |                              |                              |
|     | <b>Strongly<br/>Agree</b>  | <b>Somewhat<br/>Agree</b> | <b>Uncertain</b> | <b>Somewhat<br/>Disagree</b> | <b>Strongly<br/>Disagree</b> |
|     | _____  | _____                     | _____            | _____                        | _____                        |
| 16. | <b>I have a clear idea of how much money I spent last semester on college.</b>   |                           |                  |                              |                              |
|     | <b>Strongly<br/>Agree</b>  | <b>Somewhat<br/>Agree</b> | <b>Uncertain</b> | <b>Somewhat<br/>Disagree</b> | <b>Strongly<br/>Disagree</b> |
|     | _____  | _____                     | _____            | _____                        | _____                        |
| 17. | <b>Although I have student loans, the process involved in acquiring student loans is confusing to me.</b>                                  |                           |                  |                              |                              |
|     | <b>Strongly<br/>Agree</b>  | <b>Somewhat<br/>Agree</b> | <b>Uncertain</b> | <b>Somewhat<br/>Disagree</b> | <b>Strongly<br/>Disagree</b> |
|     | _____  | _____                     | _____            | _____                        | _____                        |

- |     |  |                   |                   |           |                      |                      |
|-----|--|-------------------|-------------------|-----------|----------------------|----------------------|
| 18. | I know what interest rates are allowed on my student loans.                                  | Strongly<br>Agree | Somewhat<br>Agree | Uncertain | Somewhat<br>Disagree | Strongly<br>Disagree |
|     |  | _____             | _____             | _____     | _____                | _____                |
|     |  |                   |                   |           |                      |                      |
| 19. | I understand the interest payments on my student loans.                                      | Strongly<br>Agree | Somewhat<br>Agree | Uncertain | Somewhat<br>Disagree | Strongly<br>Disagree |
|     |  | _____             | _____             | _____     | _____                | _____                |
|     |  |                   |                   |           |                      |                      |
| 20. | I can explain the difference between subsidized and unsubsidized Stafford Loans.             | Strongly<br>Agree | Somewhat<br>Agree | Uncertain | Somewhat<br>Disagree | Strongly<br>Disagree |
|     |  | _____             | _____             | _____     | _____                | _____                |
|     |  |                   |                   |           |                      |                      |
| 21. | I could explain the student loan process to other students.                                  | Strongly<br>Agree | Somewhat<br>Agree | Uncertain | Somewhat<br>Disagree | Strongly<br>Disagree |
|     |  | _____             | _____             | _____     | _____                | _____                |
|     |  |                   |                   |           |                      |                      |
| 22. | I believe the monetary benefits of my education will be worth the cost of my student loans.  | Strongly<br>Agree | Somewhat<br>Agree | Uncertain | Somewhat<br>Disagree | Strongly<br>Disagree |
|     |  | _____             | _____             | _____     | _____                | _____                |
|     |  |                   |                   |           |                      |                      |
| 23. | I know how much total student loan debt I have incurred so far during my college enrollment. | Strongly<br>Agree | Somewhat<br>Agree | Uncertain | Somewhat<br>Disagree | Strongly<br>Disagree |
|     |  | _____             | _____             | _____     | _____                | _____                |
|     |  |                   |                   |           |                      |                      |
| 24. | I do <u>not</u> have any idea how long it will take me to pay off my student loans.          | Strongly<br>Agree | Somewhat<br>Agree | Uncertain | Somewhat<br>Disagree | Strongly<br>Disagree |
|     |  | _____             | _____             | _____     | _____                | _____                |
|     |  |                   |                   |           |                      |                      |
| 25. | I have a clear idea of how much my monthly student loan payments will be after graduation.   | Strongly<br>Agree | Somewhat<br>Agree | Uncertain | Somewhat<br>Disagree | Strongly<br>Disagree |
|     |  | _____             | _____             | _____     | _____                | _____                |



26. I feel that the only way I can afford to attend this university is by using student loans.
- |                |                |           |                   |                   |
|----------------|----------------|-----------|-------------------|-------------------|
| Strongly Agree | Somewhat Agree | Uncertain | Somewhat Disagree | Strongly Disagree |
| _____          | _____          | _____     | _____             | _____             |
27. I would not recommend the student loan process to other students.
- |                |                |           |                   |                   |
|----------------|----------------|-----------|-------------------|-------------------|
| Strongly Agree | Somewhat Agree | Uncertain | Somewhat Disagree | Strongly Disagree |
| _____          | _____          | _____     | _____             | _____             |
28. I understand student loan consolidation options.
- |                |                |           |                   |                   |
|----------------|----------------|-----------|-------------------|-------------------|
| Strongly Agree | Somewhat Agree | Uncertain | Somewhat Disagree | Strongly Disagree |
| _____          | _____          | _____     | _____             | _____             |
29. I can explain the penalties for defaulting on my student loans.
- |                |                |           |                   |                   |
|----------------|----------------|-----------|-------------------|-------------------|
| Strongly Agree | Somewhat Agree | Uncertain | Somewhat Disagree | Strongly Disagree |
| _____          | _____          | _____     | _____             | _____             |
30. Student loan debt will impact my life style choices; for example, being able to purchase a home or car after graduation?
- |                |                |           |                   |                   |
|----------------|----------------|-----------|-------------------|-------------------|
| Strongly Agree | Somewhat Agree | Uncertain | Somewhat Disagree | Strongly Disagree |
| _____          | _____          | _____     | _____             | _____             |
31. Total student loan debt incurred so far during college enrollment.  
Estimate: \$ \_\_\_\_\_
32. What do you expect your yearly income to be after graduation?
- ☐ A. less than \$15,000
  - ☐ B. \$15,001-\$25,000
  - ☐ C. \$25,001-\$35,000
  - ☐ D. \$35,001-\$45,000
  - ☐ E. \$45,001-\$55,000
  - ☐ D. \$55,001-\$65,000
  - ☐ F. \$65,001-\$75,000
  - ☐ G. greater than \$75,000
33. While you are enrolled in school, what is the interest on your student loan(s)
- ☐ A. subsidized (you are not responsible for the interest while you are in school).
  - ☐ B. unsubsidized (you are responsible for the interest while you are in school).
  - ☐ C. both (subsidized and unsubsidized)
  - ☐ D. do not know

***IF* you have a loan that is not subsidized, are you paying the interest while you are attending school?**

- ☐ Yes
- ☐ No

### **SECTION 3: FUNDING SOURCES**

**34. Are you using a personal credit card to help pay college tuition?**

- ☐ Yes
- ☐ No

**If yes, estimate your credit card debt \$\_\_\_\_\_.**

**35. Are you carrying a monthly balance on your credit card?**

- ☐ Yes
- ☐ No

**If yes, what is your monthly payment \$\_\_\_\_\_.**

**36. Are you receiving any scholarships?**

- ☐ Yes
- ☐ No

**If yes, estimate the total amount of scholarships received per year  
\$\_\_\_\_\_.**

### **SECTION 4: SUGGESTIONS**

**37. What additional changes would you suggest in financial aid counseling practices to help students make good financial decisions about paying for their college education?**

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**Thank you very much for your help. Please place this survey form in the envelope  
at the front of the class before you leave.**

## **APPENDIX D: DEFINITION OF VARIABLES**

<b>Amind:</b>	<b>Whether or not the subject was American Indian.</b>
<b>Africam:</b>	<b>Whether or not the subject was African American.</b>
<b>Assocdeg:</b>	<b>Whether or not the subject had an Associate Degree.</b>
<b>Bachdeg:</b>	<b>Whether or not the subject had a Bachelor's Degree.</b>
<b>Divorced:</b>	<b>Whether or not the subject was divorced.</b>
<b>Freshman:</b>	<b>Current college enrollment status.</b>
<b>Graddeg:</b>	<b>Whether or not parent/guardian had a Graduate Degree.</b>
<b>Hispanic:</b>	<b>Whether or not the subject was Hispanic.</b>
<b>Intboth:</b>	<b>Whether or not the subject knew the interest on the subsidized, unsubsidized loans or both.</b>
<b>Intsub:</b>	<b>Whether or not the subject knew the interest on the subsidized loan.</b>
<b>Intunsub:</b>	<b>Whether or not the subject knew the interest on an unsubsidized loan.</b>
<b>I55to65:</b>	<b>Subject income after graduation.</b>
<b>I45to55:</b>	<b>Subject income after graduation.</b>
<b>I35to45:</b>	<b>Subject income after graduation.</b>
<b>I25to35:</b>	<b>Subject income after graduation.</b>
<b>I15to25:</b>	<b>Subject income after graduation.</b>
<b>I15Less:</b>	<b>Subject income after graduation.</b>
<b>Less 15:</b>	<b>Subject estimated total family income for 1999.</b>
<b>Married:</b>	<b>Whether or not the subject was married.</b>
<b>N15to25:</b>	<b>Subject estimated total family income for 1999.</b>
<b>N25to35:</b>	<b>Subject estimated total family income for 1999.</b>

**N35to45:** Subject estimated total family income for 1999.

**N45to55:** Subject estimated total family income for 1999.

**N55to65:** Subject estimated total family income for 1999.

**N65to75:** Subject estimated total family income for 1999.

**N75more:** Subject estimated total family income for 1999.

**Single:** Whether or not the subject was single.

**Sophomore:** Current enrollment status.

**Unclass:** Whether or not the subject was Unclassified (more than 59 credit hours).

**White:** Whether or not the subject was White.

## **APPENDIX E: DISSERTATION QUESTIONS FOR FOCUS GROUPS AT LSUE**

**Title:** Opening the Gates: The Rise of Student Loan Indebtedness and the Social Processes of Borrowing Money in the Pursuit of Higher Education

### **QUESTIONS:**

1. Are you the first student in your family to go to college?
2. Did you take out loans to attend college?
3. If you did not take loans, how did you pay for college?
4. Did you use credit cards to pay for college?
5. What were your thoughts about taking out loans at the time you took loans? How do you feel about loans now?
6. Is student loan debt an issue for you?
7. Do you know how much money you owe in loans and the interest rate?

**Key Points:** What do you think is going on with the student loan issue? Do you have any ideas about how student loan indebtedness will impact life style choices; purchase a home or car?

### **Focus Groups:**

1. Graduating Class of Spring 2000, LSUE-Nursing and Allied Health
2. Graduating Class of Spring 2000, LSUE-Business and Technology
3. Students who rode the vans to LSUE – Fall 2000
4. Graduation Class of Fall 2000, LSUE-all degree programs

## APPENDIX F: STUDENT SUGGESTIONS

### LEGEND

**F1 = Factor 1: Understanding the Loan Process**

**F2 = Factor 2: Utilizing the Loan Process**

**F3 = Factor 3: Perceptions of the Loan Process as a Last Resort**

**F4 = Factor 4: Decision Making in the Loan Process**

**F5 = Factor 5: Acquiring Information on the Loan Process**

**What additional changes would you suggest in financial aid counseling practices to help students make good financial decisions about paying for their college education?**

**(F5)** Tell us about how much our monthly payment will be when we get out of school.

**(F2)** Faster processes to help make timely decisions.

**(F5)** Everyone has been helpful.

**(F5)** None- they do a good job.

**(F2)** I think there should be ways for students to get financial aid, even if their parents have good salaries. Sometimes they are not always able to pay for college. Not a full grant, but even a small amount would help.

**(F1)** An in-depth hour or two explaining the different types of financial aid. Also, showing me how much I will have to pay per month and for how long.

**(F1)** To make everything very clear and simple.

**(F5)** I think the resources for assisting students are there, they just need to be advertised. More students need to know of scholarships and financial aid so they do not have to go into debt to pay for an education.

**(F1)** I think students need to think more about the future and how long they could be paying for things. I know when I first used my credit card, I didn't think of how long I would have to pay on it or how much it would cost me.

**(F5)** More literature on different possibilities of various resources; i.e. internet, banking, etc.

**(F5)** Give the students more information about financial aid in case they are not sure of how to receive it.

**(F2)** The Department of Education could assist students who have a certain grade point average with relief of some of the tuition.

**(F2)** Lower the interest rates and allows more money to each classification.

**(F4)** When they complete college, go directly to work and a find a good paying job.

**(F1)** Have a mandatory meeting for the students with financial aid to explain everything.

**(F1)** Let the students know in advance that if they borrow for example \$1500.00 per semester for the next 2 years or so, the total amount including interest that they are supposed to pay back.

**(F1)** Make clear what the loan process is and how it works to students.

**(F1)** In high school, students should be made more aware of financial aid. There should maybe be a course that will help students get an understanding of the debt financial aid can cause.

**(F1)** I think if you are a single parent, you should automatically get financial aid.

**(F1)** To talk to students before they start college so they understand exactly what is going on.

**(F5)** Let students know that there are ways to pay for college besides loans, grants, and being in debt.

**(F1)** Counselors need to explain to students that paying off this loan will take a long time. If they don't need a loan, do not get one, because it is only trouble.

**(F2)** I'm satisfied with the financial aid counseling at L.S.U.E.

**(F2)** Tell them if they don't need the money do not get it.

**(F1)** Sitting down with the students and making sure they know what they are getting into.

**(F5)** More counseling about it, and explain specially in detailed.

**(F4)** To go to the financial aid office first and be sure to know what you are getting yourself into. And be sure to talk to an advisor to help make your decision.

**(F2)** I think that if a student is off of their parents income tax for 2 years or more, they should be able to claim financial status on their earnings.

**(F1)** Just to ask questions to see what the student do know, and bring them to a higher understanding from there.

**(F1)** Explain the severity of loans. Make it clear that they have to be paid back.

**(F1)** One on one counseling with a future plan laid before them.

**(F1)** I think they should have meetings with the kids on financial aid so they can know more about financial aid.

**(F1)** Stress the severity of loans. They have to be paid back. USE THEM WITH CAUTION.

**(F5)** I think this is an issue that could be addressed to high school students to prepare them for the expenses of college.

**(F3)** If you don't really need and you get it just to have money. Please invest it wisely like into a saving account or something.

**(F1)** I need financial aid counseling myself.

**(F1)** Mandatory money management classes, prior to enrollment. Actual facts of students indebtedness and the amount of time in English, it will take to pay off their loans. A re-evaluation of state funds distributed and more government assistance for all races, not just Minorities! There are poor white people too!

**(F3)** I recommend everyone join the Armed forces as I did, to help pay for college. After 4 years of active duty, I now receive \$650 month to help with living expenses.

**(F4)** For me I honestly live on my own, but it is impossible for me to get a grant without SCREWING THE SYSTEM. Most grants that are given out are given to kids who do not live on their own and all they tell me to do is learn now to play the system, but that is unfair and also stealing. Even though I am not far from my mom's, I live on my own and have my own bills along with school and living expenses, but I can't get a grant.

**(F1)** Put a lot of emphasis on the importance of paying back loans so that students will know the consequences as far as future finance plans (buying a house) and be honest about the ridiculous interest rates.

**(F4)** More accurate direction by counselors in decision making when it comes to aid.

**(F2)** If you cannot pay for something in cash, then you do not need something.

**(F1)** To be more thorough and more understanding that students are unsure as of what to do.



**(F4)** Students must take into consideration that every aspect of college is costly. Not only are tuition and books expensive, but gas, food, and other necessities, such as calculators, compositions, paper,....also combine to make school a very rough task to go through.

**(F1)** I believe a student not receiving TOPS scholarship should get one after freshman year is complete if that student maintains a GPA of 3.0 or above.

**(F4)** The process of how much financial aid a person should receive should not include that persons parent income as long as they have a job and file taxes.

**(F4)** Each student who receives a loan should have a financial counselor hired by the college to help the student make wise financial decisions.

**(F2)** Students who are having to pay for their own schooling should definitely try to get all the classes. Many students I know are paying for their schooling and—yes they are in debt, but have repeated courses because of laziness on their parts. If you are taking out student loans be sure to take your classes seriously, so you will only be there once!

**(F1)** Let the student know that eventually they will have to pay back a loan so they need to do their best in class so they don't add semesters to their plans.

**(F5)** Let students know before they take the loans how much they will have to pay back. In other words the principal plus the interest.

**(F1)** Make them realize how much debt they could go into.

**(F2)** Make student attend a class if they want the money. Not just watch.

**(F5)** Explain the details of a loan during the high school level.

**(F4)** If one does not need a loan to please leave it alone. I don't suggest borrowing money for pleasure.

**(F5)** Students should be taught about budgeting time and money. I think many of the necessary subjects are already explained well.

**(F1)** They do ok, I haven't had any problems.

**(F1)** More financial aid workshops.

**(F1)** More counseling.

**(F5)** Have a class just on financial aid so students can learn.

**(F1)** I know you couldn't tell one by one that they need to be careful. But the word needs to get passed on. DEBT IS NOT FUNNY!

**(F4)** Always pay your debt, never know when you may need again.

**(F5)** I'm not familiar with financial aid counseling.

**(F1)** If a person does not have to take out student loans, I suggest that they don't. Make sure they understand clearly how borrowing works and how it is paid back because I borrowed and I'm still not exactly sure.

**(F1)** Straight answers on what to do. I applied for dependent grant and was denied. I'd like to know why and what I could do to get a grant.

**(F1)** Explain the good and bad choices.

**(F1)** Explain all about student loans from in college situation to after graduation.

**(F2)** Well, as someone that just last week did not even know if I was going to stay here at LSUE or resign from the University, I would say that one must make sure they have enough money to pay for school, books, fees and everything else before coming due.

**(F5)** Explain it better, so that first time college students know what to do and how to fill out the papers.

**(F5)** People in financial aid know what they are taking about.

**(F3)** People like me (middle class) get screwed out of everything. I can barely afford anything because I can't get any aid.

**(F5)** I receive a Pell Grant and TOPS to help pay for my college and I haven't had any problems thus far. Therefore, I can't think of any changes.

**(F1)** Explain in depth the restrictions of loans, scholarships and grants. Allow the student to know how much college actually costs beyond the tuition.

**(F5)** While students are in high school the university could send people to the schools to talk with students who are going to college. Also, talk to the high school counselors about setting meetings about financial aid.

**(F1)** More teaching and preparation to the loan process.

**(F5)** I think we should be more aware of what is financial aid.

**(F1)** I feel that student should be better informed on how much debt they are taking on by taking out loans instead of being encouraged to take out loans.

**(F1)** I think that student advisors should have some knowledge about financial aid to help students. I have never received financial aid so I really don't know much about it. However, I will soon have to take out a loan. Students need to realize what the interest is and what happens if they don't finish school.

**(F5)** Need more information about financial aid programs early on at the high school level. I had a wonderful counselor who let me know about all kinds of financial aid and scholarships out there.

**(F5)** Students should be informed of the financial aid available to them so they will not have so much to pay back in loans.

**(F5)** That scholarships are accessible to people with high GPA's and not just on courses one has taken.

**(F5)** Some students are not aware that different companies and employers will help pay or pay off student loans as a bonus when signing contracts.

**(F5)** Make things clearer.

**(F2)** Try not to get in too much debt.

**(F5)** I did not get financial because they said my parents make to much money. But they work hard for what we have and they have many bills to pay. Financial aid does not help the parents who work hard to make money they only help the poor families which is not fair at all. My parents pay all my bills and they are struggling.

**(F4)** Advise students exactly what aid should be applied and help them apply for it.

**(F2)** More people would get more money that they would not have to pay back. Everyone should get an education, but not everyone can afford it. Also, tuition should be lowered.

**(F2)** Make sure that all of their bills and other fees are paid out before they try and spend their money on unnecessary things.

**(F5)** Plan ahead for school money.

**(F5)** Make the students aware of what to do if they have a question about changing schools or information.

**(F1)** Consider other family or household issues other than their family income. Lots of families are financially in debt.

**(F1)** Lower interest rates.

**(F2)** I would suggest counseling on the interest payments and when we should be paying on the interest.

**(F5)** Let them know how much interest is involved and letting them know ahead of time how much their monthly payments will be after they finish school.

**(F5)** I think counselors should explain the pros and cons of receiving a loan and discuss everything associated with a loan fully.

**(F1)** Make them aware of the debt they will possibly be facing.

**(F1)** Make aid more available to all students, not only those from low income families.

**(F1)** Just make the whole process more clear, and to make sure students know that it will run out.

**(F5)** Students need to be made aware of their options regarding financial aid.

**(F5)** I think they need to go out to high school and talk to the up-coming college students about financial aid counseling.

**(F2)** I feel that the financial aid counseling should follow up on those who are abusing the system. The students who are handed grants are not appreciating and understanding what they have been given. It is those who have to pay back the loan who will understand the meaning of school.

**(F5)** I applied for a grant and I cannot receive on. I have no help from my parents or family. I'm on my own and have been for 5 years and this is my only alternative at this time.

**(F1)** Workshops.

**(F1)** I think a little more knowledge of what they are getting into.

**(F1)** Actually show how the debt that a student loan will affect you after graduation.

**(F1)** Make it easier and quicker to receive aid and payment. Process takes to long.

**(F4)** I would suggest that students like myself not take out any loans unless completely necessary because everything you're given you have to give back eventually.

**(F1)** Make students realize that borrowing money is very serious.

**(F5)** They should explain to students coming out of high school how loans work and give some type of examples of how it will be in the long run.

**(F1)** What will their yearly salary be and how will it effect them after graduation.

**(F4)** Give a meeting to help students make better decisions about loans.

**(F1)** Basically, explain to students any other options that there are besides grants and loans. Also, if students are not eligible for a grant, stop trying to persuade them to take out a loan.

**(F1)** Make sure that the student understands the long-term effects rather than the short-term.

**(F1)** My spouse and I are currently paying over \$40,000 in student loans for a bachelor's degree. The perception that students are not fully aware of the amount of debt they gain is accurate. I would suggest a mandatory orientation just for student loans (the big picture) for all students applying for student loans.

**(F5)** Educate students in high school before they reach the college of choice.

**(F4)** If you do not need to get a loan, please do not take one, you will have to pay it back.

**(F5)** All options should be presented to the students in literature form so they have time to study them. The literature should also be explained.

**(F1)** Show the student how to calculate their interest rate on loans and how to figure out how much they will owe on their loans.

**(F1)** Make sure the students understand everything about loans.

**(F3)** Take out all the riff-raff. Applying for financial aid is hard enough as it is. And exactly how low do you have to be to receive aid? My family is struggling and working hard enough as it is and we do not make much and I still do not qualify. Why go through the process if you will be refused.

**(F5)** Inform them better on how fast debt can accumulate. Also, let them know how hard it is to pay it off.

**(F5)** Study in high school so that you can qualify for TOPS.

**(F1)** Explain to students about budgeting and how much our monthly notes will be after graduation.

**(F1)** They are ok the way they are.

**(F5)** This is my 4<sup>th</sup> semester in college and I was never offered nor had any information about financial aid and this is my 2<sup>nd</sup> college I attended. I am very interested in obtaining financial aid for future years in college.

**(F1)** Counselors need to explain the entire process a little better and not just expect students to know everything that they do.

**(F5)** Perhaps give more literature pertaining to it and hold financial aid seminar once/twice a semester.

**(F1)** More counseling and debt management.

Student suggestions to the open-ended question in this study revealed that they felt they understood less about the loan process (43%). Only 13% reported suggestions that could help other students regarding the use of student loans. Students reported suggestions relative to their perceptions of the student loan process as a last resort to fund college (3.2%). Ten percent of student suggestions were directed to the types of decisions making skills used in considered financial aid. Finally, student suggestions revealed that 31% in this study reported that they needed help in acquiring information on the loan process (See Figure F2).

**Figure F2: Student Suggestions Commonality Matrix**

<b>Factor</b>	<b>Factor Label</b>	<b># of Suggestions</b>	<b>Percentage of Total Suggestions (127)</b>
<b>F1</b>	Understanding the Loan process	55	43%
<b>F2</b>	Utilizing the Loan Process	16	13%
<b>F3</b>	Perceptions of the Loan Process as a Last Resort	4	3.2%
<b>F4</b>	Decision Making in the Loan Process	13	10%
<b>F5</b>	Acquiring Information on the Loan Process	39	31%

## VITA

Wendell Wayne Brumfield lives in Opelousas, Louisiana with his wife Karen and their two daughters, Kristy and Ashley. He is the son of Tullos and Kathryn Brumfield of Hammond, Louisiana.

Wayne graduated from Hammond High School in 1976. He holds a bachelor of arts degree in history from The University of Southwestern Louisiana, now the University of Louisiana at Lafayette, which he received in 1980. In 1986, Wayne completed the master of arts degree in history from Southeastern Louisiana University in Hammond, Louisiana. In December 2001, Wayne will receive the degree of Doctor of Philosophy in Educational Leadership, Research, and Counseling from Louisiana State University.

Wayne is currently the Registrar and Director of Admissions at Louisiana State University at Eunice, where he has been employed since April 1999.

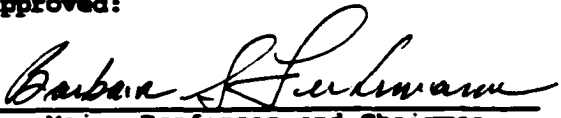
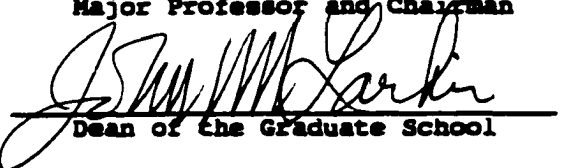
**DOCTORAL EXAMINATION AND DISSERTATION REPORT**

**Candidate:** Wendell Wayne Brumfield

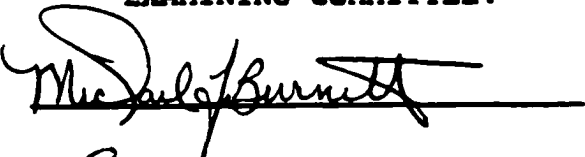
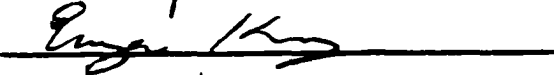
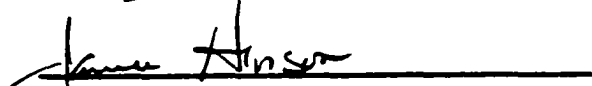
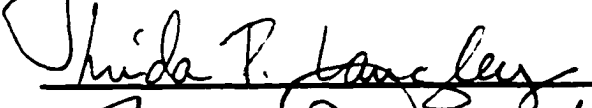

**Major Field:** Educational Leadership and Research

**Title of Dissertation:** The Open Gates: The Rise of Student Loan  
Indebtedness and the Social Processes of  
Borrowing Money in the Pursuit of Higher  
Education

**Approved:**

  
Major Professor and Chairman  
  
Dean of the Graduate School

**EXAMINING COMMITTEE:**

**Date of Examination:**

November 02, 2001