INTRODUCTION

Universities and colleges are handily named in the “blame game” as the cause for the increasing costs of attaining a college degree. Institutions of higher education are spotlighted for increasing tuition and fees, portraying a picture of the poor student saddled with the cost of keeping the doors of the higher education institution open (Carey, 2013). What is missing from this scenario is that the spotlight has missed the disappearing state appropriations for funding higher education (Kelderman, 2013), the losses that endowments and investments have taken, and the supporting numbers, that any respectable higher education institution can provide, showing that they are spending less to educate a student now, than they were spending a few years ago. With a decrease in the amount of funding an institution receives from the Federal and State governments, coupled with the poor returns...
on endowments, this has caused a decrease in revenue and left few places to turn for matching revenue, so that do not lead to the student and his or her support network. Institution of higher education are, for the most part, doing more with less and doing a good job.

The average student debt upon graduation is an increasingly alarming figure. The College Board’s report, Trends in Student Aid (2012) states that, of the 2,901-2013 graduates, who borrowed money to pay for their education, the average amount of debt upon graduating from a public four-year was $23,800. Assuming a four-year graduation rate, this equates to an average of $59,500 borrowed per year in addition to the grants and scholarships a student might receive. Contributing to this alarming student loan figure are some confounding institutional and student behaviors that need to be more thoroughly investigated. First, institutions as a means of admission policy might subject a student, who is in a situation with little or no financial support, to rely on loans for paying for his or her education. Second, financial aid departments need to adopt policies that require financial counseling for no-loans or at the most, limited-loans acquisition for any student who qualifies for student loans (Monks, 2012, Shaffer, 2013). Third, student spending behaviors have received little print time in the literature or media. There is some evidence that many students expect their college experience to resemble their home environment and therefore expect the same lifestyle they had when living at home. The student expects to continue to have amenities that a “poor college student” should not have. There is a disconnected reality between the fact that their college, Live Like a Student After Graduation” (de Baca, 2012) asked Dave’s Facebook fans about their spending behaviors with their student loans. Respondents posted, “party lifestyle”, “spring break trips”, “bunches of clothes” and most startling was “I took the student loans to buy a Corvette. I sold the car a year and half later and I still have the loans”. Not surprising, a Time: Health and Parenting magazine article (de Baca, 2012) also reported similar findings with a warning to parents to be vigilant over their children. An Angliss and Jenkins digital editor for a graph in the United Kingdom, Andrew Marszal, reported that one in six students spend all their money within the first week of being at school and spend their money on drinking and beauty treatments.

These spending behaviors are alarming and although not widely researched, appear to be a global and very real problem. As a response to the growing epidemic of excess in the manner of student loan debt, institutions of higher learning are adopting programs that will educate students and regulate student loan debt. Two such programs are at the University of Tennessee, one on the Knoxville campus and one on the Chattanooga campus. In Chattanooga, they are emphasizing living cheaply and to resist the urge for gratification that must be paid off over time. As of December 2012, Chattanooga was in its second year of a program they call “Live Like a Student” that really stresses the importance of stress the students financial responsibility (Flaherty, 2012). In Knoxville, they have created an online course that every freshman will have to complete. The course will cover financial aid, budgeting, credit cards and alcohol education (www.wbir.com). In response to the expected lifestyles that students have, universities are attempting to respond to this more “excess” problem by creating a more enviable atmosphere. They are building recreational facilities that go beyond the college experience to resemble their home environment. The email was sent to all enrolled students (n=7700) requesting their participation in the survey. Data was collected over a two month period.

The survey was launched, a campus Constituency Resource Management (CRM) system was used to design of invitation to participate in the survey. Once the survey is closed, a total of 962 students had attempted the survey with 925 (96.2%) completing it. Students were asked to identify what year they were in school, as defined by academic standing. Figure 1 shows the response rate by academic standing. Of the 962 respondents, 24.8% (n=239) were freshmen, 18.3% (n=176) were sophomores, 18.0% (n=173) were juniors, 29.4% (n=283) were seniors and 9.5% (n=90) reported their academic standing as a graduate student. After identifying academic standing, students were asked about the types of amenities (luxuries) they have. This data is reported in Figure 2. The question was, “do you currently: (check all that apply)”, so students will have selected more than one item on the list. The most common

Student Loan Debt: How Are The Funds Spent?

Janet M. Wilbert & Mahmoud Haddad

LITERATURE REVIEW

A part of the American dream is to send your child to college using monies that have been saved over a lifetime. Although the dream, in Sally Mac’s What America Saves for College 2013, is not the reality. Families, although well-meaning, do not have a plan in place for paying for college, nor are many of them saving enough to cover the rising cost of higher education. According to the College Board, the overall rate for completing a degree for College

Student Loan Debt: How Are The Funds Spent?
item selected by the students was a smart phone (65.9%, n=613). The second most selected item was discount clothing and shoes at 52.9% (n=492). Other luxuries that the students selected included, having a basic cell phone 34.3% (n=319), designer clothing 27.3% (n=254), name brand shoes 33.1% (n=308), car payment 26.6% (242), going out to eat more than 2 times per week 27.3% (n=242), commuting 46.5% (432), live off campus with roommates 22.9% (n=213) and a television gaming system 23.8% (n=221). Reported in Figure 2 as “All other responses”, are the results of personal pampering items such as pedicures/hair coloring, and buying designer clothing. Supporting this theme is the data that clothing purchased at a discount store increased from the freshman year to the senior year, having a car payment (n=37 to n=75), going to a vacation spot (n=28 to n=31), buying clothing from a discount store (n=119 to n=144), commuting (n=69 to n=160), living off campus without a roommate (n=35 to n=66), living off campus with a roommate (n=17 to n=90), having a gaming system (n=52 to n=68) and eating out (n=57 to n=81). The spending behaviors that decreased across the freshman to senior years are, getting regular haircuts and/or weaves (n=51 to n=46), having hair colored/highlighted (n=22 to n=16), purchasing clothing with a designer label (n=88 to n=66), purchasing name brand shoes (n=91 to n=85).

It appears that the spending behaviors that reflect convenience, such as a car, phone, eating out, living off campus and going to a vacation spot during breaks from school, all increased from the freshman year to the senior year. The spending behaviors that appear to have decreased are those that relate to outward appearance such as haircuts, hair coloring, and buying designer clothing. Supporting this theme is the data that clothing purchased at a discount store increased from the freshman year to the senior year, lending one to believe that outward appearance became less important as the student progressed through his/her degree program.

DISCUSSION

Although the data for this research comes from a limited representation of college students, the results are startling that student loan money is being used by some students to pay for amenities and luxuries that are not tied to educational success. Student loans, as the name implies, should be used to support educational efforts. Students are living outside their means, seeking to maintain a lifestyle that is not realistic for a person who is in a post-secondary education. If the parents cannot provide this type of counseling, then the university should. All attempts should be made to keep the students as close to debt free as possible. Institutions of higher education are being “blamed” for the excessive student loan debt that students are graduating with. They need to take an active role in curtailing this debt, educating the student about financial responsibility, and spending less on costly buildings and athletic programs.

President Obama’s recently proposed overhauling changes to the federal student aid program brings this discussion to the table. This plan links federal dollars to a new Education Department, which would be responsible for ranking colleges and universities and providing students who are attending better-ranked schools with less expensive loans or bigger grants.

President Obama’s plan represents only one part of what is needed to work in a coherent fashion to carve down the excessive student loans to maintain an amenity filled lifestyle. If the parents cannot provide this type of counseling, then the university should. All attempts should be made to keep the students as close to debt free as possible.

Institutions of higher education are being “blamed” for the excessive student loan debt that students are graduating with. They need to take an active role in curtailing this debt, educating the student about financial responsibility, and spending less on costly buildings and athletic programs. President Obama’s recently proposed sweeping changes to the federal student aid program brings this discussion to the table. This plan links federal dollars to a new Education Department, which would be responsible for ranking colleges and universities and providing students who are attending better-ranked schools with less expensive loans or bigger grants.1

In reviewing the data by academic standing, clearly a phone (n=932) is an amenity that is of high priority for all the students regardless of standing. Additionally, across the standings, the following spending behaviors increased from the freshman to senior year, having a car payment (n=37 to n=75), going to a vacation spot (n=28 to n=31), buying clothing from a discount store (n=119 to n=144), commuting (n=69 to n=160), living off campus without a roommate (n=35 to n=66), living off campus with a roommate (n=17 to n=90), having a gaming system (n=52 to n=68) and eating out (n=57 to n=81). The spending behaviors that decreased across the freshman to senior years are, getting regular haircuts and/or weaves (n=51 to n=46), having hair colored/highlighted (n=22 to n=16), purchasing clothing with a designer label (n=88 to n=66), purchasing name brand shoes (n=91 to n=85).

It appears that the spending behaviors that reflect convenience, such as a car, phone, eating out, living off campus and going to a vacation spot during breaks from school, all increased from the freshman year to the senior year. The spending behaviors that appear to have decreased are those that relate to outward appearance such as haircuts, hair coloring, and buying designer clothing. Supporting this theme is the data that clothing purchased at a discount store increased from the freshman year to the senior year, lending one to believe that outward appearance became less important as the student progressed through his/her degree program.

DISCUSSION

Although the data for this research comes from a limited representation of college students, the results are startling that student loan money is being used by some students to pay for amenities and luxuries that are not tied to educational success. Student loans, as the name implies, should be used to support educational efforts. Students are living outside their means, seeking to maintain a lifestyle that is not realistic for a person who is in a post-secondary education. Students are seeking the quick gratification and not considering the long term financial burden that excessive student loans will present in the future. Parents need to become the pace setters for students and prepare them to “live like a student” and forego all the luxuries that they had before. It will be important that the parents emphasize financial responsibility and not encourage the use of excessive student loans to maintain an amenity filled lifestyle. If the parents cannot provide this type of counseling, then the university should. All attempts should be made to keep the students as close to debt free as possible. Institutions of higher education are being “blamed” for the excessive student loan debt that students are graduating with. They need to take an active role in curtailing this debt, educating the student about financial responsibility, and spending less on costly buildings and athletic programs.

President Obama’s recently proposed sweeping changes to the federal student aid program brings this discussion to the table. This plan links federal dollars to a new Education Department, which would be responsible for ranking colleges and universities and providing students who are attending better-ranked schools with less expensive loans or bigger grants.1
refrain from luring more students by providing luxurious living quarters, sports arenas and recreational facilities. They also need to educate prospective students and their parents about the benefit and cost of loans. The Federal Government alone cannot solve the students’ loan dilemma; we need everyone to tackle this problem. Last, but certainly not least, is a need for further research to be done on student spending behaviors. Should the behaviors found in this study be prevalent across the nationwide student population, one would be hopeful that the regulation and use of student loans would be revisited and new policy proposed. Recommendations would include financial education beginning before college for students, that would emphasize responsible spending and the real cost of paying back loan and credit card debt. Also included and new policy proposed. Recommendations would

be done on student spending behaviors. Should the behaviors found in this study be prevalent across the nationwide student population, one would be hopeful that the regulation and use of student loans would be revisited and new policy proposed. Recommendations would include financial education beginning before college for students, that would emphasize responsible spending and the real cost of paying back loan and credit card debt. Also include financial institutions accountable to lending only what is needed for the “real” cost of education.

REFERENCES


![Figure 2](image-url)