

What Are Student Loan Borrowers Thinking? Insights From Focus Groups on College Selection and Student Loan Decision Making

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This study used data from online focus groups collected from November 2014 to April 2015 to understand college students' decision-making processes when borrowing money to finance their education. Data were collected using an online course management system. Results suggest that (a) students relied heavily on advice from parents, guidance counselors, and friends; (b) attending college was not possible without student loans; and (c) students knew very little about the loans they would be responsible for repaying. Recommendations for financial educators and counselors to help student borrowers make prudent decisions about education debt are presented.

Keywords: college students, decision-making, online focus groups, student loans

Student loans have been described as an albatross around the necks of both students and the U.S. economy (Mason, 2014). The total amount of student loan debt in the United States surpasses every other type of household debt (e.g., credit cards, auto loans, home equity lines of credit) except mortgages (Federal Reserve Bank of New York, 2014). From 2004 to 2012, student debt tripled from \$364 billion to \$966 billion, growing at an average annual rate of 14%, with two thirds owed by borrowers younger than 30 years (Brown, Haughwout, Lee, Scally, & van der Klaaw, 2014). By 2015, the total had grown to more than \$1.3 trillion (Bricker, Brown, Hannon, & Pence, 2015; FinAid, 2015).

In 2012, 71% of all students graduating from 4-year colleges, about 1.3 million students, owed student loan debt. This was up from 68% (1.1 million) in 2008 (Institute for College Access and Success, 2014). The average debt owed by graduating students with loans in 2012 was \$29,400, up 25% from \$23,450 in 2008 (Institute for College Access

and Success, 2014). The average cumulative debt of bachelor's degree recipients increased by 9% from 2003 to 2008 and by 24% for 2013 graduates.

A key underlying cause for the rise in student loan debt, at least for students attending state schools, is the increase in college costs because of decreased state funding. A U.S. Government Accountability Office (GAO, 2014) report on higher education found that state funding for all public colleges decreased, whereas tuition rose significantly from fiscal year 2003 to 2012. Specifically, state funding decreased by 12% overall, whereas median tuition rose 55% across all public colleges. Options available to students because of increasing college costs are to select a lower cost college (e.g., community college, technical school), graduate with more student loan debt, or work while in college. However, the number of hours needed to "work your way through college" has significantly increased. In 1970, a student could work 755 hours (about 14 hours per week) at a minimum wage job to pay for a year of schooling at a public

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institution, whereas in 2012, 1,823 hours (about 35 hours per week) were needed to pay for a year of school (Hamm, 2014). The United States Census Bureau reports that 72% of undergraduate students already work, with half working more than 20 hours per week (Davis, 2012).

These trends and statistics paint a disturbing picture of young adults who have been referred to as “generation indebted” (Houle, 2014). This begs the question, “Did students really know what they were doing?” when they and/or their parents made decisions about which college to attend and how much money to borrow to finance college expenses.

This article describes a qualitative study that was conducted to answer questions including (a) how students with college loans decided where to attend college, (b) how they feel about borrowing money for college, (c) what they know about their student loans, (d) what factors influenced their decision to borrow, (e) how financial aid affected their course loads, and (f) how they think student loan debt will affect them economically after graduation. Data were collected during the fourth quarter of 2014 and the first quarter of 2015 using focus groups conducted via an online course management platform. This study adds to the literature by providing rich qualitative data from student loan borrowers on the decision-making process, what is known about their loans, and how they feel about them.

Review of Literature

Overview of Student Loan Debt

Student loan debt grew from \$240 billion in 2003 to more than \$1.3 trillion in 2015; student loan balances increased by \$125 billion from March 2013 to March 2014 (Federal Reserve Bank of New York, 2014). Total debt is predicted to reach \$2 trillion by 2025 if current borrowing patterns continue (Hiltonsmith, 2013).

The proportion of young families with student loan debt more than \$50,000 or \$100,000 has increased significantly. Those with student loan debt between \$50,000 and \$100,000 increased from 5.6% in 2001 to 13.2% in 2013, whereas those with more than \$100,000 increased from 0.6% to 5.6% (Bricker et al., 2014). Furthermore, in 2013, 8.2% of debtors had payment-to-income ratios greater than 40%.

Complaints to the Consumer Financial Protection Bureau (CFPB) about student loans have been laden with emotions

such as anger, frustration, and regret because many borrowers face difficulty with loan repayment (Center for Retirement Research at Boston College, 2015). In its fiscal year 2014 report, the CFPB reported handling 5,300 complaints, an increase of approximately 38% over the previous year.

College Choice Influences

In an annual survey of college freshmen (Eagan et al., 2014) that asks which factors, in a list of 23 possible reasons, were “very important” in influencing their decision to attend a particular school, cost factors ranked third (“I was offered financial assistance,” 48.7%) and fourth (“The cost of attending this college,” 45.9%). These responses follow “College has very good academic reputation” (64.0%) and “This college’s graduates get good jobs” (53.1%) in first and second place, which are responses based on perceptions and/or college rankings rather than cost (Eagan et al., 2014). Findings reflect analyses of data collected from 153,015 students entering 227 4-year U.S. colleges.

In an exploratory study by Workman (2005), most of the 12 students interviewed indicated their parents were key to influencing their decisions related to major and career, either positively or negatively. Most of the students felt their parents were supportive of their decisions related to college, but some felt obligated to choose career paths similar to those of their parents, and a few were completely disconnected from their families. Cabrera and La Nasa (2002) determined the following factors influenced college choice: saliency of institutions, parental encouragement, financial considerations, the student’s high school academic resources, the student’s educational and occupational aspirations, and of course, the student’s academic abilities.

Impact of Student Loans on Individuals and Society

Student loan debt has implications for individuals and families as well as the economy at large and society as a whole. Student loan debt is like a double-edged sword, although it facilitates future opportunities by improving college graduates’ stock of human capital, it also can lead to emotional or financial strain and delay family formation, parenthood, homeownership, and retirement savings (Hodson & Dwyer, 2014; National Endowment for Financial Education [NEFE], 2014). Debt also affects students’ health, financial options, transitions to adulthood, and wealth accumulation (Cho, Xu, & Kiss, 2015).

A 2002 study by Cha and Weagley predicted that there would be a generation of college students who would limit their education choices, focus on lucrative career fields, and change their family and lifestyle choices because of student loan payments. Hodson and Dwyer (2014) studied student loans as a predictor of family formation and other life milestones and found that student loans strongly decrease the likelihood that an individual will ever become a parent. Fry (2014) noted that today's 20- and 30-year-olds are delaying marriage, childbearing, and large dollar purchases and that 45% of college graduates age 24 years and younger are living with a family member. In addition, measures of entrepreneurship by young adults have fallen, which is a concern for future economic growth (Fry, 2014).

Just as student loans reduce borrowers' spending power, they can also hamper retirement savings and wealth accumulation. Forgoing savings entirely in early adulthood to repay four- or five-figure student loan debt can translate into a six-figure shortfall in later life. A Pew Research Center study found that college-educated households with heads younger than 40 years and no student debt have about seven times the net worth of households with student debt (\$64,700 vs. \$8,700; Fry, 2014).

A key economic sector where current concerns have been raised about the impact of student loan debt is the housing market. A 2013 United States Census Bureau report stated that 13.6% of Americans ages 25–34 years were living with their parents in 2012, up from 10% in the early 2000s (Shah, 2013; Vespa, Lewis, & Kreider, 2013). This has implications not only for potential first-time homeowners but also for existing homeowners who need a buyer to move. A study assessing the impact of student loans on home buying for households younger than age 40 years concluded that 414,000 transactions would be lost in 2014 because of student debt, at a typical price of \$200,000, for \$83 billion in volume (Palacios & Wolf, 2014). Others have argued that student loan debt more likely affects the timing of homeownership rather than eventual attainment (Goldman Sachs Group, 2014; Mezza, Sommer, & Sherlund, 2014). For a review of literature about housing decisions of millennial generation young adults, see Xu, Johnson, Bartholomae, O'Neill, and Gutter (2015).

Borrower's Understanding of Student Loans

Although we may assume that students are aware of their college debt burden, this assumption may not be accurate. A

pioneering study (Andruska, Hogarth, Fletcher, Forbes, & Wohlgenuth, 2014) compared student responses ($n = 486$) to a survey about their federal student loans to administrative data on how much they actually owed. Surprisingly, 13% of the students reported, incorrectly, that they did not owe student loans. About 10% of the sample underestimated how much they owed by more than \$10,000. Two studies conducted by NERA Economic Consulting (Whitsett, 2012; Whitsett & O'Sullivan, 2012) found that borrowers are not well-informed, are not provided with information necessary to make an informed decision, and lack accurate knowledge about student loans and the repayment process.

Building on the work of Andruska et al. (2014), E. J. Akers and Chingos (2014) linked student survey responses at a selective public university to actual administrative records of their tuition and student loan records. The authors reported that only half of respondents (52%) could report (within a \$5,000 range) what they actually paid for their freshman year. The remaining students underestimated (25%), overestimated (17%), or replied "don't know" (7%). Furthermore, based on a nationally representative sample of first year students, E. J. Akers and Chingos reported that about half substantially underestimated, one fourth overestimated, and less than one third accurately estimated their debt. Among first year students with federal student loans, 28% reported having no federal loans and 14% said they had no student debt. E. J. Akers and Chingos concluded that a substantial proportion of undergraduate students do not understand how much they are paying or how much debt they have accrued.

Method

Sample

The research team of this study collected data, including demographic characteristics (Table 1) and amount borrowed, via online focus groups. The sample included respondents who were mostly female (70.5%), aged 20–24 years (62.5%), White (72.7%), and attending a public university (90.9%). The grounded theory research method was used to develop a theory based on the data collected. Grounded theory methodology is designed to guide researchers in producing theory that is "conceptually dense"; themes are embedded in thick context of descriptive and conceptual writing (Strauss & Corbin, 1994).

Focus groups were conducted from November 2014 through April 2015 using the course management system Desire2Learn (D2L). By using D2L and having registered

TABLE 1. Descriptive Statistics (N = 88)

	Variables	F	%
Gender	Male	26	29.6
	Female	62	70.5
Age (years)	18–19	11	12.5
	20–24	55	62.5
	25–29	12	13.6
	30–39	6	6.8
	40–49	3	3.4
	50+	1	1.1
Race	African American	13	14.8
	Hispanic	5	5.7
	White	64	72.7
	Asian	5	5.7
	Other	1	1.1
Degree	Associate's	3	3.4
	Bachelor's	68	77.3
	Master's	13	14.8
	Other graduate degree	4	4.6
Year in college	1	6	6.8
	2	13	14.8
	3	25	28.4
	4+	44	50.0
Region attending college	West	23	26.2
	Midwest	15	17.1
	Northeast	14	15.9
	South	36	40.9
Type of institution attending	Public	80	90.9
	Private	3	3.4
	Technical/community college	2	2.3
	Don't know	3	3.4
Current student loan debt	<\$9,999	23	26.2
	\$10,000–\$19,999	26	29.5
	\$20,000–\$29,999	14	15.9
	\$30,000–\$39,999	13	14.8
	\$40,000–\$49,999	3	3.4
	\$50,000+	7	8.0
	Don't know	2	2.3

participants, some problems with online research were alleviated. Using web-boards that require registration has many strengths, particularly regarding participant identification (Prandy, Norris, Lester, & Hoch, 2001). The registration process allows the researcher to retain control of the composition of the research sample and gather background information (Stewart & Williams, 2005).

Participants in this study must have had at least one student loan (federal or private) and been between the ages of 18 and 50 years. This age group was chosen because the majority (83.7%) of student loan debt is held by individuals aged 50 years and younger (Federal Reserve Bank of New York, 2013). Two separate samples were used to gain a wider range of participants.

The first sample consisted of individuals recruited through Survey Sampling International (SSI), a global provider of survey research. SSI recruited participants from existing panels that met criteria set by the researchers. There were 142 individuals who registered to be part of the study, each were offered five panel points. Participants were directed how to register and participate in the online forum. Despite SSI's large panels, only 11 participants completed the online focus group process for a response rate of 7.7%.

The second sample consisted of students recruited from six land grant universities (University of Georgia, Pennsylvania State University, Purdue University, Rutgers University, South Dakota State University, and Utah State University). Each campus completed its own institutional review board (IRB) protocol. Recruitment procedures included marketing flyers, posters, LCD screen messages, and e-mails to the student body. The goal was to recruit participants from the entire student body, so materials were sent out campus-wide. Potential participants were instructed to contact the researcher from their respective campus to receive registration information. A standardized e-mail was sent to each potential participant with registration instructions. There were 123 individuals who registered to be part of the study with 77 completed for a response rate of 62.6%. A standardized e-mail was sent to each potential participant with registration instructions. As an incentive, respondents completing the focus group received a \$25 Amazon e-gift card.

The participants from both samples completed a demographic questionnaire and informed consent agreement online. Only

those participants who agreed to be a part of the study by answering “Yes” to the informed consent were assigned to an online discussion group. Thirty-two focus groups were created and, as participants completed the informed consent, they were added to groups. To keep participants engaged in the process, they were added to groups as soon as possible without waiting for the group to be “full” (five participants). In the first sample (SSI), seven full groups with five members and one group with one member were created (the group with one participant did not answer any questions). Thirty-six individuals provided informed consent and 11 completed for a completion rate of 30.6%. In the campus sample, 22 full groups with 5 members and 1 group with 2 members were created. Because of the small SSI sample size, responses from both groups were combined. The combined sample ($n = 88$) response rate is 33.2% and completion rate is 59.5%.

Using the group discussion tool in D2L, participants were assigned to groups with five members. Participants could only view comments and responses from others in their own group. Although the ideal size for a focus group is debatable, research has found that effective focus groups can consist of as few as five members (Fern, 1982). Discussions were asynchronous, allowing respondents to participate at their convenience within a 3-week period. Deggs, Grover, and Kacirek (2010) found that participation in online focus groups was highest during the first 2 weeks; because registration was through a campus system, an extra week was added to account for technical registration problems. A focus group conducted through a bulletin or discussion board has the advantage of allowing participants more time to think about responses, so answers are often inately more thought out and more in-depth than face-to-face or chat room focus group sessions (Krueger & Casey, 2009).

There was no interaction from a moderator, so responses were based only on the initial question and responses from other group respondents. Each participant was asked to respond to eight open-ended questions (Table 2), and then, to encourage interaction, they were also asked to reply to at least one other group member’s response. Out of 32 groups, 29 had at least one participant complete all eight questions.

Data Analysis

To analyze the data, constant comparison analysis was used. All of the focus group transcripts were read by the researchers, and each response was coded using constant comparison analysis. Categories and themes are derived directly and

TABLE 2. Focus Group Questions

Question 1	How did you decide which colleges or universities to attend?
Question 2	How did you feel about borrowing money for college?
Question 3	What assistance/sources of help, if any, did you use before making the decision to take out a student loan?
Question 4	Tell me what you know about your loans.
Question 5	How do you think your student loan debt will affect you economically after graduation? Please explain. (Examples include your monthly loan payment, ability to rent an apartment, get a car; ability to buy a house or how much house can be purchased, saving for retirement, starting an investment program, maintaining a relationship that might lead to marriage).
Question 6	What factors influenced your decision to accept the type of financial assistance you are using?
Question 7	How has the amount of financial aid you’ve requested/received affected the number of college credits for which you’ve enrolled?
Question 8	Thinking back to a time when you received a student loan refund (i.e., borrowed funds remaining after tuition and fees were paid), tell us how you or someone you know, used those available funds. (Examples include saved for a future semester, invested the money, paid off other loans, room and board, miscellaneous spending)

inductively from raw data in conventional content analysis (Corbin & Strauss, 1990; Zhang & Wildemuth, 2009). To increase validity, each response was coded by a minimum of two researchers. Categories and themes that emerged from the data were compared, reevaluated, and agreed on by the group of researchers.

Data saturation (when no new themes emerge) was reached after information from only nine focus groups was analyzed. However, because multiple groups were being conducted simultaneously, additional participants continued to provide data that confirmed the initial findings.

Discussion

Themes that emerged are presented in Table 3; subthemes are discussed in each overarching theme. Selected quotes

TABLE 3. Frequencies of Overarching Themes

Theme	F
College choice influences	
1. Cost	47
2. Institution itself	31
3. Location	21
4. Outside influences/factors	7
Attitude toward student loan debt	
1. Upsetting	48
2. Necessary	30
3. Investment in future	17
Knowledge of student loans	
1. Family plays biggest role for student loan information	28
2. Little information is known about current student loans	44
Factors influencing taking on student loan debt	
1. Need	71
2. Extra money needed for living and future expenses	58
Current and perceived future effects of student loan debt	
1. Do not affect the number of credits taken	55
2. Postpone major purchases	50
3. Future employment decisions	17

are provided to support findings. Verbatim quotes from the participants are labeled in terms of their participant identification number, age group, academic degree type (AS = associate's, BA = bachelor's, MA = master's, and OG = other graduate degree), and self-reported current student loan debt. For example, ID: 1a, 20–24, BA, \$20,000–\$29,999.

College Choice Influences

A precursor to the decision to take student loans is deciding what college to attend. Four main themes were determined when students made the decision as to which school to attend: cost, institution itself, location, and outside influences/factors. These align with some factors reported by Cabrera and La Nasa (2002).

Cost was definitely the leading theme for choosing a specific school, with more than half of respondents indicating this as their reason to attend based on either the price of the school or scholarships received. Although cost was the

main theme in this study, in Eagan et al. (2014), the cost of attending college ranked fourth. Some students eliminated entire categories of schools (e.g., private and out-of-state) from consideration before they began the application process. One student wrote, “My dream school was Vanderbilt, but I did not apply because I know that, on the off chance I got in, my family would not be able to afford it” (ID: 20d, 20–24, BA, \$20,000–\$29,999). Another stated,

I ended up not going to any of the schools I originally wanted to attend, but, rather, a local college that had a much lower cost and a more relevant degree program for me. I'm actually very happy with the school I chose. (ID: 6a, 20–24, BA, less than \$9,999)

Several students also indicated that they made cost-benefit decisions because their academic careers progressed with comments such as “I first went to UNL, but then decided the amount of debt wasn't worth it, and I decided to transfer to an in-state school to have a lower tuition” and “Isn't it crazy how you have your mind set on a college and then you realize the amount of debt you will be in is not worth it?” (ID: 24b, 20–24, BA, \$20,000–\$29,999).

A major cost consideration was the financial aid package and receipt of scholarship(s) to attend a certain institution. A student noted that “When I was looking at what college I wanted to attend I had 1 major factor. I found out about the Dakota Cops Scholarship and decided I wanted to use that to pay for school” (ID: 29c, 20–24, BA, \$10,000–\$19,999).

Another key factor was the institution itself. Students made the decision based on their preferred program/major, perceived school prestige, and campus atmosphere. For example, one student wrote, “I transferred to Rutgers University because they had a great environmental program” (ID: 24d, 20–24, BA, \$30,000–\$39,999) and another said “UGA was not the cheapest but I felt I would get a great degree and better opportunities” (ID: 25e, 20–24, BA, \$20,000–\$29,999). Atmosphere played an important role for many students with one saying “I had visited many Universities in my state and liked the atmosphere of my university the best” (ID: 17e, 25–29, MA, less than \$9,999).

Location was another theme during the college decision-making process. Most respondents wanted to be within a half-day's drive from home. One student noted, “Being

close to home is important. I am currently 8 hours from home and I miss my friends, family, and pets so much!” (ID: 18c, 25–29, OG, \$40,000–\$49,999). Cost and location were often combined as the final decision. “You save so much money and time staying home and commuting rather than taking out huge loans just to live on campus. Plus you can receive just as good of an education” (ID: 2d, 30–39, BA, \$10,000–\$19,999). However, others took an opposite view stating “If I had it to do over again, I believe I would have chosen to go to college away from my home state just to get the experience of living in a new state” (ID: 3c, 40–49, AS, \$10,000–\$19,999) and another “I am sad I missed the experience of living in the dorms” (ID: 2e, 30–39, BA, \$10,000–\$19,999).

The final theme to emerge was outside factors including parental influences, being denied or wait-listed by “first choice” school, only getting accepted at one school, flexibility, and family or friends attending same school. An example of one of these factors is illustrated in the following statement, “After high school I hadn’t put much thought into my future. My girlfriend left for Utah State and I followed her” (ID: 26d, 25–29, BA, \$10,000–\$19,999). Another said, “The extension [campus] offered a lot of evening classes that allowed me to work full time and care for my children’s needs while I earned my education” (ID: 26c, 40–49, MA, \$50,000+).

Attitude Toward Student Loan Debt

Three overarching themes in students’ attitudes toward student loans were they are upsetting, necessary, and an investment in the future. In a study of how student loan borrowers perceive their loans, Baum and O’Malley (2003) found that students in repayment feel burdened by their loans and would have borrowed less if they could do it over again. But most said their loans were very important in allowing them to continue their education beyond high school.

Most respondents reported that having to borrow for college was upsetting. Students felt worried, guilty, anxious, nervous, frustrated, uneasy, uncertain, stressed out, and so forth. Clearly, there are emotional, as well as financial, costs. One student wrote, “I’m really scared that I will be paying off my loans for the rest of my life” (ID: 17e, 25–29, MA, less than \$9,999). Others wrote, “I feel terrible about borrowing money for college; it is literally setting you up for failure. Inescapable student debt does not a good financial foundation

make” (ID: 7e, 20–24, AS, \$30,000–\$39,999) and “I do not like borrowing money for school, because it will have to be paid back and I am uncertain about how, exactly, I will be able to do so” (ID: 8e, 20–24, BA, \$50,000+).

Respondents felt that student loans were essential; as most reported that loans were a “necessary evil.” One student stated, “The issue is I can’t afford college without borrowing money” (ID: 12a, 20–24, BA, \$50,000+). Others said, “There really wasn’t an option to not borrow money” (ID: 22c, 20–24, BA, \$50,000+) and “Necessary evil for me. I did not have money put aside for this kind of expense, but I needed to get more education, so borrowing was my only option” (ID: 6e, 40–49, BA, \$30,000–\$39,999). Even those students who had money saved or from other sources found it necessary to borrow: “Although I did get a scholarship, it wasn’t enough to keep me from having to borrow” (ID: 7a, 50+, BA, \$30,000–\$39,999). Another respondent summed it up by saying “It is considered ‘normal’ today to be in debt, which is unfortunate” (ID: 22c, 20–24, BA, \$50,000+).

The final, although less frequently noted theme, included the need for a college degree (and, hence, student loans) to invest in their future and human capital. One student noted, “Borrowing money for college is not ideal, however, I believe it will be worth it in the long run” (ID: 11a, 20–24, BA, \$20,000–\$29,999) and another,

It’s sad that so many people that take out student loans end up paying throughout their careers if they end up in a career that doesn’t pay a lot of money. However, I will say this: Education is worth the money. (ID: 3c, 40–49, AS, \$10,000–\$19,999)

Another student said “To get the best education, I knew I would have to borrow the money in order to get a degree that will help me get a stable job/income to pay it all back. It’s a Catch-22” (ID: 8e, 20–24, BA, \$50,000+). Students felt they would be able to repay their debt and were grateful for loans that made college possible. One statement sums up the idea that students were more worried about getting an education and less about the financial ramifications: “To get this degree I must sacrifice my financial well-being by taking loans to pay for my college education” (ID: 24d, 20–24, BA, \$20,000–\$29,999). Concerns about the additional debt for graduate school were also noted. Some students felt that they would need a graduate degree to be employable.

Knowledge of Student Loans

There was ample evidence of a lack of knowledge about options for financing college. These findings are consistent with a previous study (Andruska et al., 2014). “I didn’t really question what loans they were giving me or look for another type of assistance” (ID: 17a, 20–24, BA, \$30,000–\$39,999) and “I chose to take out federal student loans only because I was unaware of other types of student loans I could take out. There was no debate, comparison, or otherwise. Federal student loans are easy and accessible” (ID: 19e, 20–24, BA, \$10,000–\$19,999). Students who did seek additional information tended to rely on advice and information provided by family although a few did seek advice from a high school counselor or financial aid office.

I love and trust my parents and how they advise me. This was huge influence on my decision to take out a student loan, but in doing so, I just “signed the loan contract” and didn’t educate myself on the process and what all a student loan entails. (ID: 10c, 20–24, BA, \$20,000–\$29,999)

and “I did not do much research about loans, my father was the one in charge of setting up financials for college. However, I was required to take an online survey/class thing about student loans” (ID: 10b, 20–24, BA, \$10,000–\$19,999).

With the exception of a few knowledgeable respondents, the overwhelming theme was that most students do not know many details about their loans, which is not surprising given the fact that most of them did little research before accepting them. The most common “facts” known about loans are the amount owed and the type of loan.

I know that I owe \$6,000 in subsidized loans. I have no idea about payment plans or how I’m supposed to pay them off. You just type in how much you’re going to ask for in loan money each year and they give it to you from financial aid. (ID: 18e, 20–24, BA, less than \$9,999)

Another student wrote,

I know nothing about my student loans. I know I’ll be graduating about \$40,000 in debt. I know there is something called subsidized and unsubsidized, but if someone asked me to explain it, I couldn’t. I know that

interest rates are lowest on student loans, so at least there is that. It will take me years to pay this off. (ID: 21d, 20–24, BA, \$30,000–\$39,999)

The uncertainty about the amount owed is consistent with the findings reported by Andruska et al. (2014).

Factors Influencing Taking on Student Loan Debt

The overarching theme of what influenced students to take out loans was that they were essential to be able to attend college. Specifically, “Without financial assistance, I wouldn’t have enough money to pay for school” (ID: 16a, 20–24, OG, less than \$9,999) and “There were not factors to influence the decision. I either take out loans to go to school, or I don’t go to school” (ID: 21d, 20–24, BA, \$30,000–\$39,999). A student responded,

Without financial assistance college would not be financially possible as I know I would have to work full time and try to go to class at the same time. I am already 24 and older than most undergraduates so I did not want to delay college any longer than I already have. (ID: 20d, 20–24, BA, \$20,000–\$29,999)

Student loans are not just used for tuition and fees. Those students who received a loan refund used it for (a) books or school supplies, (b) current living expenses, (c) future semester expenses, or (d) to pay their loans back immediately. Only a few students admitted to using the money for non-school-related expenses.

Most students indicated they used the money for living expenses. “As bad as this may sound, I basically live off of my refund in order to solely focus on my studies” (ID: 23d, 20–24, BA, \$30,000–\$39,999) and “I’m surprised—my loans let me include the cost of textbooks as part of the tuition/fees required, I was grateful since textbooks are SO expensive nowadays” (ID: 7e, 20–24, AS, \$30,000–\$39,999). A handful of respondents saved funds for future expenses (planned or unexpected). “I wanted to save my loan refund for future semester, but it NEVER worked out that way because something always came up that I would have to use the money for” (ID: 3c, 40–49, AS, \$10,000–\$19,999) and “The main reason I decided to accept the financial aid was to have extra money in case I ran into a situation where I needed it” (ID: 17b, 25–29, BA, less than \$9,999).

Current and Perceived Future Effects of Student Loan Debt

One surprising theme was that student loans do not appear to affect the number of credits students take in a semester, even though research shows students who graduate in 4 years tend to have less student loan debt than those who take fewer credits each semester and take longer to graduate (Harrast, 2004). Most of the respondents said that their student loans had no to little impact on the number of credits they enrolled in except that they needed a minimum number of credits to receive financial aid. “I don’t really think about the financial aid. I only think about my long-term goal to graduate, and I make decisions that will further me into graduating on time” (ID: 22a, 20–24, BA, \$10,000–\$19,999), “I haven’t based the number of credits I enroll on financial aid. I have followed the guidance of my advisor, and taken the courses he suggested” (ID: 24d, 20–24, BA, \$30,000–\$39,999), and “The amount of financial aid I requested required me to take at least 12 credits a quarter, which is considered full time. If I take any less credits I will be given less financial aid” (ID: 6a, 20–24, BA, less than \$9,999). The receipt of a scholarship had a much higher impact than student loans on the number of credits per semester because those students had to complete a minimum number of credits to maintain eligibility for their scholarship(s). “To keep the Jackrabbit scholarship, I need 30 credits every year” (ID: 15e, 20–24, BA, \$10,000–\$19,999). “It is very important that I finish my degree before my HOPE hours run out, because the HOPE scholarship is very helpful in paying for tuition” (ID: 11c, 20–24, BA, \$10,000–\$19,999).

Future cash flow and purchases may be affected by student loan debt. Respondents echoed the findings reported in other studies (Archuleta, Dale, & Spann, 2013; CFPB, 2014; Hodson & Dwyer, 2014). Students discussed the high cost of college and their lack of confidence in their ability to repay loans. They worried about the impact of loans on being able to attend graduate school, buy a home, delaying/detering marriage (especially if both have student loans), moving back with parents after graduation, and the effect on employment choices.

Representative comments include “Higher education has a huge price tag” (ID: 25b, 20–24, BA, \$10,000–\$19,999), “It scares me to be in debt at such a young age. I don’t want to be paying off loans for a large portion of my life”

(ID: 15e, 20–24, BA, \$10,000–\$19,999), “It really makes me nervous that I won’t find a job, or if I do, it won’t pay as high as I need to start making payments and also pay my bills” (ID: 21c, 18–19, BA, \$10,000–\$19,999), “It is so hard to pay back such a huge sum of money” (ID: 2d, 30–39, BA, \$10,000–\$19,999), and “I so far have been unable to find a job in my field. At this rate, I will never be able to retire due to my student loan debt” (ID: 7a, 50+, BA, \$30,000–\$39,999).

Future purchases will likely be postponed based on respondent comments. One student stated that multiple milestones will be affected by her debt.

I may have to move back in with my parents until I get a job and get on my feet. I can’t afford a car right now, and doubt I will be able to afford one when I graduate. That would be another bill I’d have to pay. As far as buying a house and saving/investing, those aren’t even on my radar. I will have to substantially reduce my student debt first. I worry about being able to make ends meet, so having leftover money to save seems unrealistic. As far as marriage is concerned, I hope my future husband is an understanding man. I can’t imagine anyone would want to marry someone with as much debt as I’ll have when I graduate. (ID: 23d, 20–24, BA, \$30,000–\$39,999)

Some were very worried about their employment prospects:

I worry a lot about how my student loans will affect me in the future. I can only imagine how it affects those that have a hard time finding a job straight out of college. I really hope that doesn’t happen to me. I wanted to make sure I chose something that would guarantee me a faster chance of getting a job, even if it wasn’t necessarily my first choice. (ID: 23d, 20–24, BA, \$30,000–\$39,999)

Another respondent said that his or her student loans were already affecting employment:

To minimize loans I already hold two jobs to cover expenses such as rent (which is unjustifiably high in college towns), utilities, and books. Working takes time away from my studies as well as socialization. Post-graduation, loans pressure students to start working immediately, because the longer it takes to repay the

loans the greater the final cost will be. This prohibits graduates from chasing their dream job as they will settle for the quickest form of income. (ID: 24d, 20–24, BA, \$30,000–\$39,999)

Conclusion

Because of the qualitative nature of this study, the generalizability of findings from this study of college selection and student loan decision-making factors is limited. However, it provides thought-provoking insights into the criteria, mindset, misperceptions, and decision-making processes used by college students as they borrowed money to finance their education.

Discussion between participants was limited, and replies to original posts did not lead to the conversation that traditional focus group research typically yields. In addition, some of the groups had high participation with all five participants engaging in the process, whereas other groups had lower participation with only one participant completing the process, resulting in a de facto interview. Low participation in the SSI sample also narrowed the focus of this study because we did not have a large sample who were not attending public institutions. Future studies are needed to determine if data collected from those attending private, community, technical, or for-profit institutions generate findings with different implications.

However, the data that emerged from the online focus groups paint a picture of students who felt that they had no other choice but to borrow money to invest in their human capital to secure a better future. They clearly appreciate the difference in earning power that a college education can provide (i.e., the so-called “college wage premium”) and felt they had to borrow to complete their education. However, having borrowed for college, student respondents were clearly worried that their resulting debt will be an encumbrance long after they graduate and may delay or limit their future life choices (e.g., career decisions, independent living, attractiveness as a marriage partner, buying a home, and retirement savings). If their student loan debt resembles the most recent statistics (B. Akers, 2014; Institute for College Access and Success, 2014; The College Board, n.d.), these student borrowers will likely be making three-figure monthly payments for a decade or longer if they follow the typical repayment plan. There are clearly emotional as well

as financial impacts from incurring debt as the fear and anxiety that students felt were very evident in the focus group conversations.

The data also show that students turned most frequently to other individuals and acquaintances that may not have a strong background for advice. Other studies have also found that parents serve as positive inputs from young adults (Kim, Chatterjee, & Kim, 2012; Mimura, Koonce, Plunkett, & Pleskus, 2015). It is clear that students need more reliable information during high school. This finding is somewhat surprising considering the millennial generation’s penchant for technology use. Perhaps this is indicative of the high degree of complexity and analysis required for informed decision-making, a comfort level in talking with others, and unfamiliarity with online resources such as the U.S. Department of Education Federal Student Aid’s (n.d.-a) *Repayment Estimator* or the CFPB’s (n.d.) *Know Before You Owe: Student Loan Project*.

Consistent with previous studies, it was also clear that these students did not understand many details about their loans including the amount borrowed (E. J. Akers & Chingos, 2014; Andruska et al., 2014; Whitsett, 2012; Whitsett & O’Sullivan, 2012), whether their loans were subsidized or unsubsidized, potential loan repayment options, and anticipated monthly payments. For example, one respondent suggested that borrowers in low-paying jobs would make payments through retirement age, reflecting a lack of knowledge of income-based repayment plans and the Public Service Loan Forgiveness program (Johnson, 2015; U.S. Department of Education, Federal Student Aid, n.d.-b). The amount of financial aid available and course load requirements for scholarships affected the number of credits taken by many students. Some students did admit to spending student loan refunds on expenses unrelated to education such as food, rent, and entertainment. Over time, loan interest will magnify this cost. Financial educators and government policymakers may need to help students understand the difference between incurring debt to invest in their human capital and debt for depreciating consumption. Perhaps the federal government should implement a program similar to that passed into law by Indiana (effective July 2015), requiring that universities annually provide students details about amounts borrowed to date and projected monthly repayment amounts upon graduation (Supiano, 2015).

Financial planners are beginning to enter the area of student loan advising (Johnston & Roten, 2015); it is time that financial educators and counselors take a more active role as well. There is much that financial educators and counselors can do to address their concerns by providing “just in time” information in small “chunks” in multiple formats. An excellent new and evolving source for students and advisers is the CFPB’s *Know Before You Owe: Student Loan Project* (<http://www.consumerfinance.gov/students/knowbeforeyouowe/>) which includes a “Financial Aid Shopping Sheet.” Implications of this study for financial practitioners include the following:

Simplify Student Loan Decisions

Many students indicated unfamiliarity with their loans and anxiety about paying them off. Two simple guidelines can help guide student loan decisions: (a) Do not borrow (in total) any more than the expected annual starting salary for your first job out of college and (b) estimate your monthly loan payment to be about 1% of the loan balance (e.g., \$30,000 debt = \$300 monthly payment; Clark, 2009). Clark (2009) also recommends limiting borrowing to federal Stafford and Perkins loans or setting a firm limit of \$5,000 per year while avoiding credit cards and private lenders. Detailed calculators to estimate prudent borrowing guidelines are available online (Kantrowitz, 2015). Although guidelines and online calculators may not be research-based, they provide helpful parameters. Expected annual salaries can be found in the U.S. Department of Labor Bureau of Labor Statistics’ *Occupational Outlook Handbook* (2015). Although many first year students may not have a firm career in mind, earnings estimates and employment data are readily available online. The main point is that most of the respondents were fearful of their debt burdens but had failed to use easily accessible tools and guidelines in the loan decision process.

Provide “Reputation Resources”

Many students used the reputation of a school or program of study as a key decision-making factor, but it was unclear whether they truly researched the schools in question or simply relied on hearsay or the opinions of their parents or peers. Financial advisors and educators may be able to add value to their work by preparing a list of resources with which to properly vet college programs. Some examples include The College Board, Federal Student Aid, Peterson’s, and the CFPB’s *Paying for College* website. Although efforts by the Obama administration to rate postsecondary

institutions on cost and success rates has been temporarily stymied by the National Association of Independent Colleges and Universities (Colarusso & Marcus, 2014), various research institutes are addressing the challenge of identifying problematic postsecondary institutions. Research and policy institutes such as the New America Foundation’s Education Policy Program provide guidance on colleges to avoid because of high costs and low graduation and placement rates (Miller, 2014).

Increase Loan Repayment Awareness

Students might worry less about future federal direct student loan payments if they were aware of the income-driven plans that are designed to make student loan debt more manageable: Income-Based Repayment Plan, Pay as You Earn Repayment Plan, and Income-Contingent Repayment Plan. Those who want to work in the nonprofit sector may qualify for Public Service Loan Forgiveness (Johnson, 2015; U.S. Department of Education, Federal Student Aid, n.d.-b).

Increase Online Student Loan Resource Awareness

Student respondents did not mention online resources very often as a source of information. Educators and financial advisors may be able to add value to their work by preparing a list of helpful online resources such as the SallieMae and FinAid websites, *The New York Times* (2015) online Student Loan Calculator, Bankrate (2015) Student Loan Calculator, and the CFPB’s (n.d.) *Know Before You Owe: Student Loan Project*. The College Affordability and Transparency Center provides data on net prices, tuition and fees, and annual percentage changes as well as the best and worst values: <http://collegecost.edu.gov/catc/>. Another resource students should be aware of is the Federal Student Aid Repayment Estimator. This resource can be used with estimates of student loan debt or by entering into the secured student loan site borrowers are able to use their unique debt and financial situations to calculate payments.

Address the Social and Emotional Impacts

It was clear that students are thinking beyond the financial implications of their student loan debt. Therefore, educational programs and counseling sessions should address these issues as well. For example, acknowledge that student loan payments may consume a big slice of scarce income for those who take on large debt burdens and fail to attain employment commensurate with their loan burdens and suggest creative options such as thrift shops for the purchase of

clothing and home furnishings. The YouTube *Voices of Debt* video is a very powerful and sobering introduction to the topic: <https://www.youtube.com/watch?v=uPcSYrPx3Ao>.

Explore Cost Reduction Alternatives

Most respondents seemed to accept student loans as their only means to obtain a college degree. Although this might have been true for some, others mentioned not having thoroughly explored scholarships and other funding options. Advanced placement credits in high school can also help reduce college expenses and some colleges are implementing 3-year degree programs, so students can graduate sooner and reduce costs (Korn, 2014). Many students and their parents do not realize that very few students pay the sticker price on private school tuition; they should not dismiss “expensive” schools without exploring their qualification for financial aid. With the cost of public colleges rising rapidly, a private school may actually cost less if they qualify for aid.

Explore Differentiation Techniques

Many survey respondents were worried about their ability to find a job and/or repay their student loans. Small wonder. They are part of a large generation weighed down by debt that will be graduating into a sluggish economy (NEFE, 2014). Educational programs and counseling sessions should include ways to “stand out from the crowd” such as developing new skills and obtaining valuable internship and work experience.

Discourage Frivolous Spending of Student Loan Refunds

Students who used borrowed money to pay for noneducation expenses may or may not have had other viable options for living costs. Regardless, students should be shown how compound interest works against them when debt is extended over a decade or more.

Explore Graduate School Funding Resources

Graduate school expenses were mentioned by several focus group participants. Some student respondents seemed to view graduate school as a “last resort” if they remained unemployed after a certain time, whereas others felt that they needed an advanced degree to achieve their personal career goals. Regardless of their motivation, there seemed to be a “more school = more debt” mentality in their comments, and many expressed fear and regret for having to add graduate school loans to undergraduate debt. Students may

be unaware that some graduate programs have teaching or research assistantships that may reduce or eliminate the need for additional loans.

Encourage Immediate Savings

Several respondents mentioned an inability to save until after their student loans are repaid. Although indebted college graduates may be tempted to delay investing until student loans are repaid, educators and practitioners should encourage them to do both. It is important to make students aware of how compound interest works for them when savings starts early in adulthood and the potential loss of six-figures of wealth if they delay. Online calculators that visually show principal and interest could help drive home this message (Council for Economic Education, n.d.).

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