

Understanding Loan Use and Debt Burden among Low-income and Minority Students at a Large Urban Community College

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Research Questions

1. What are the **characteristics of student borrowers, compared to non-borrowers**, at a large, urban community college system?
 - a. Are there significant differences in borrowing as a function of students' income status, race/ethnicity, and academic preparedness?
2. What is the **relationship** between borrowers' income status, race/ethnicity, academic preparedness, and enrollment outcomes, and their **cumulative level of federal loan debt**?
3. To what extent does a borrower's and non-borrower's income status, race/ethnicity, and academic preparation affect the **likelihood they will drop out before earning a credential and/or transferring to a four-year institution**?

Gaps in the Literature

Scarce research on student loan use at community colleges

- Limited information on demographics of students borrowing at community college.
- Mixed results on impact of loan use and its effects on enrollment outcomes (Cofers & Somers, 2001; Dowd & Coury, 2006; King, 2003; Mendoza, Mendez & Malcolm, 2009).

Borrowing Trends

- **Lowest borrowing rate: 17% students borrow at community college** [vs. 66% at 4 yr. public, 75% private, 88% for-profit (TICAS, 2014)]
- **Highest cohort default rate: 19.1% community college** [vs. 7.6% 4yr. public, 6.3% 4yr.private, 17.7% for-profit (FSA, 2015)]

Conceptual framework - Chen's model

- Unlike Tinto's framework, Chen's focuses on student financial aid (e.g. aid types and amounts) and student departure
- To understand student departure, Chen (2008) suggests examining race/ethnicity, academic preparation, and income status among variables leading to possible unique differences in how financial aid affects dropout behavior.

Methods

Full Sample

- FTIC students (n = 5,878)-longitudinal dataset from MCC (pseudonym), a large, ethnically diverse, urban community college system in Texas;
- Tracked from Fall 2007 - Summer 2013
 - Loan-recipients (n = 1,059); 18% borrowed
 - Non-loan recipients (n = 4,819)

Outcome Variables

- **Cumulative federal loan debt** - as of completion, transfer, or drop
- **Enrollment outcome** - within 6-year timeframe

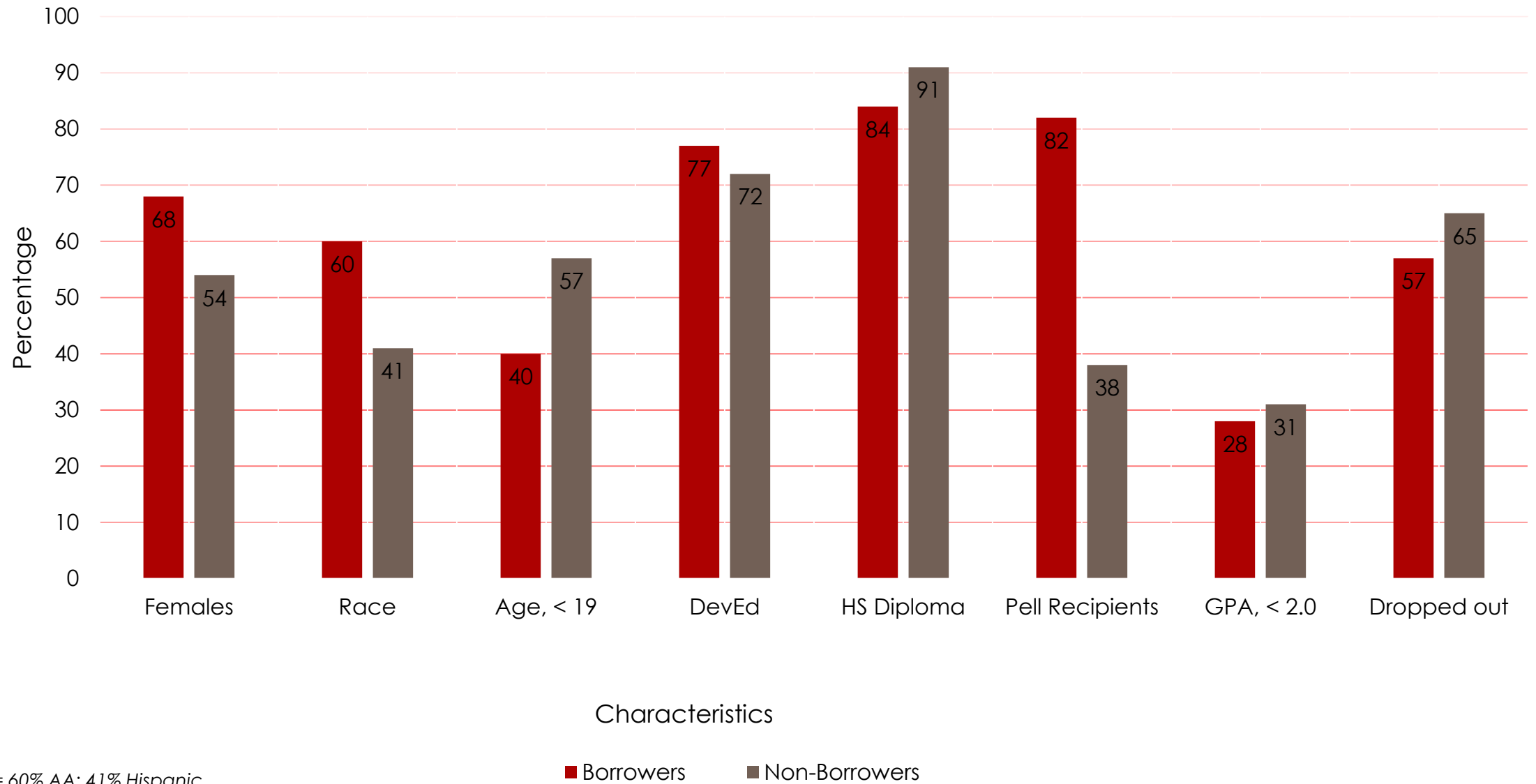
Predictors

Age, Gender, Race/ethnicity, Pell recipient, DevEd, H.S diploma, Major type, GPA Enrollment

Limitations

- **Self-selection** biases in borrowing
- **Overestimate** the number of completers; don't know the true outcomes of transfers
- **Underestimate cumulative federal loan debt**; 6-yr timeframe
- **Timing** of borrowing can affect enrollment outcome; results do not differentiate across semesters

RQ 1: Background Characteristics



Note: Race = 60% AA; 41% Hispanic

RQ 2: Predictors of Cumulative Student Debt

Table 3

Cumulative Student Debt: Multiple Regression Coefficients for Background Characteristics, Educational Aspiration, Academic Preparation, Income status, and College Experience

Predictor	β	B	SE B	p
Background characteristics				
Gender (1=M, 0=F)	-.072	-1070.3	441.0	.015*
Age (continuous)	.218	195.1	28.4	.000**
Income status				
Pell receipt (1=Yes; 0=No)	.127	2350.3	560.0	.000**
College Experience				
Enrollment (1=FT; 0=PT)	-.071	-987.6	418.5	.018*
Cumulative GPA (continuous)	.163	1263.7	258.9	.000**

*Note: * $p < .05$, ** $p < .001$*

RQ 3: Likelihood of Completion for Borrowers

Predictor	B	Wald χ^2	p	Odds Ratio
Background characteristics				
Age (continuous)	-.02	3.79	.052*	.98
Race/ethnicity (White as reference)				
Asian	1.07	10.86	.001**	2.91
Black	.56	5.95	.015*	1.75
Hispanic	.52	4.09	.043*	1.67
Academic preparation				
DevEd (1=college ready; 0=Dev)	.56	11.10	.001**	1.75
High Diploma (1=GED; 0=HS)	-.49	5.65	.017*	.61
Income status				
Pell recipient (1=Yes; 0=No)	.46	5.77	.016*	1.59
College Experience				
Enrollment (1=FT; 0=PT)	.51	13.20	.000**	1.67
Cumulative GPA (continuous)	1.12	119.57	.000**	3.06

Note: * $p \leq .05$; ** $p \leq .001$

RQ 3: Likelihood of Completion for Non-Borrowers

Predictor	B	Wald χ^2	p	Odds Ratio
Background characteristics				
Age (continuous)	-.07	125.02	.000**	.94
Race/ethnicity (White as reference)				
Asian	.32	7.33	.007*	1.38
Black	.37	12.05	.001**	1.45
Hispanic	-.27	8.26	.004*	.76
Academic preparation				
DevEd (1=college-ready; 0=Dev)	.32	17.14	.000**	1.38
Income status				
Pell recipient (1=Yes; 0=No)	-.03	.20	.656	.97
College Experience				
Enrollment (1=FT; 0=PT)	.51	13.20	.000**	1.67
Cumulative GPA (continuous)	.98	532.33	.000**	2.67

Note: * $p \leq .01$; ** $p \leq .001$

Discussion

Borrower Characteristics

- Female, African American, over 20 yrs., **low income, not college-ready** (Bryant, 2001; Choy, 2002; Goldrick-Rab, Kelchen, & Houle, 2014; Grinstein-Weiss, et al., 2016))

Debt amounts

- Female, older, part-time, low-income have higher debt amounts
- Average debt amount \$7,496 relatively low however greater chance of default (Campbell & Hillman, 2015)

Discussion

Enrollment Outcomes

- *Borrowers:*
 - All minority racial/ethnic groups more likely to complete/transfer compared to Whites (Mullins, 2011)
 - Pell recipients more likely to complete/transfer; confirms FAFSA completion critical (McKinney & Novak, 2015)
- *Non-borrowers:*
 - Hispanics more likely to drop out (Cunningham & Santiago, 2008; King, 2003)

Implications for policy and practice

- Develop customized “student debt plan” similar to academic plans to account for academic progress and debt tolerances. (Cunningham & Santiago, 2008)
- Contextualize conversations about borrowing taking into account individual differences in academic preparation, career plans, major etc. (Carnevale, Strohl, & Melton, 2011)
- Revise current federal regulations on loan counseling to allow for more flexibility in delivery of information.

Question and Answer

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