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College debt: An exploratory study of risk factors among college freshmen and its effect on college choice

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College Debt: An Exploratory Study of Risk Factors

Among College Freshmen And Its Effect on College Choice

BY

Renee M. Smith

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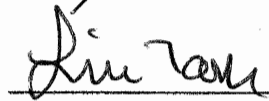
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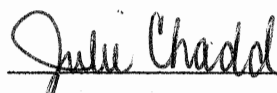
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Abstract

College student loan debt has become an increasing concern in recent years. There has been a steady increase in the number of students taking out loans and in the total amounts borrowed for a college education (CollegeBoard, 2006). The majority of college students will graduate with some amount of college debt, but some graduates leave school with much higher loan debt than others. It is important to examine what makes some students more willing to take on higher educational loan debts than other students.

The primary purpose of this study was to explore risk factors associated with educational debt and the effects of these risk factors on college freshmen's willingness to incur educational debt. Four risk factors were examined to see if they contributed to students becoming overly indebted: (a) lack of loan knowledge, (b) poor money management skills, (c) liberal, debt-tolerant money attitudes, and (d) high expectations in earning potential of their chosen major. A secondary goal of this study was to determine if loan knowledge, money management skills, and debt tolerance attitudes affected the role of cost in the decision-making process of college choice.

A quantitative survey was given to 144 college freshmen at a mid-sized Midwest university. The survey instrument was developed by the researcher and measured students' loan knowledge, money management skills, money attitudes to debt, and future estimated income projections. Descriptive statistics, relative frequencies, t-tests, and logistic regressive tests were used to analyze the data.

The results of this study indicate that students were not knowledgeable about their personal student loans and about student loans in general. Students were also overly

optimistic in estimating their future income with over 50% of the students overestimating their future income for their major. Lack of loan knowledge and overestimating future income has been related to high student loan debt (King & Frishberg, 2001) The results of this study indicate the value of studying the student borrower to identify risk factors that may lead to educational over indebtedness. Further studies on college students and their educational borrowing habits are needed so programs may be developed to address college loan indebtedness.

Dedication

I would like to dedicate this thesis to my husband, Mark, and my children, Kara, Leah, Aaron, and Drew. Without their support, encouragement, and understanding I would not have pursued my advanced degree.

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Chapter 1

Introduction

College student loan debt has become an increasing concern in recent years. Newspapers and magazines cover the topic regularly. Stories are plentiful about students leaving college with debt amounts from \$50,000 all the way up to over \$100,000 and their struggles of trying to pay off these loans. Although these stories often feature the extreme, the reality is that the majority of students and their parents will incur debt as the result of college costs. USAA, a diversified financial services company for military members and their families, commissioned Harris Interactive to conduct a survey to determine how college-bound teens and their families plan to handle college finances. The “Freshman Finance 101” survey conducted by Harris Interactive (2005) found that 80% of parents and 83% of students anticipate they will have debt as a result of college costs. Student and family college borrowers were examined and 68% of those surveyed considered student loans as necessary, but a major financial hardship (The Education Resource Institute & The Institute for Higher Education Policy, 1995). Even students who graduate with the average level of education debt—about \$20,000—may find themselves in financial trouble or unable to save for other goals such as a house or retirement (CollegeBoard, 2006).

As college costs have continued to increase and family incomes and grant aid have failed to keep up, more and more students are turning to loans and credit cards to finance an education. Student loans are usually classified as “good” debt and are not in themselves the problem. Borrowing for education can be a smart investment. Loans serve as a useful resource for educational financing for many students who may

otherwise be unable to attend college. Some loans such as federal subsidized Stafford Loans and Perkins Loans provide valuable subsidies and are a form of student aid, but both have decreased steadily as a proportion of total education loans (CollegeBoard, 2006). Undergraduate federal loans have failed to keep up with inflation. In addition, federal Stafford loans borrowing limits lag far behind today's levels of students' needs. The average cost of a four-year public college for tuition, fees, room, and board for the 2007-08 year was \$13,589 (Lamothe, 2007). Yet a dependent first-year undergraduate student is only able to borrow \$3,500 under the federal subsidized Stafford loan program (Federal Student Aid, 2007).

As grant aid and federal loans have failed to keep pace, private loans have become an essential tool for undergraduates trying to finance their education. Students often must rely on private loans to make up the difference. Private loans are the fastest-growing form of student aid today. Private student loans now total \$17.3 billion, comprising one-fifth of all undergraduate student loans (CollegeBoard, 2006). Unfortunately, private loans usually have worse terms and conditions than loans backed by the federal government.

As a result, students are increasingly turning to the use of credit cards for educational financing. Recent estimates suggest that as many as 71% of college students use credit cards to pay for textbooks and nearly 24% of college students may be relying on credit cards to pay for college tuition (Nellie Mae, 2005). Credit cards are an expensive way to finance an education, given the difference in interest rates and repayment schedule between credit card accounts and student loans.

Combe (2002, p.44) points out, “Most students make their borrowing decisions as teenagers but will have to live with the consequences a decade later as adult wage earners.” Financial knowledge is low among high school students and college students (Avard & Manton, 2005; Chen & Volpe, 2002; Danes & Hira, 1987; Henry, Weber, & Yarbrough, 2001; Jumpstart Coalition for Financial Literacy, 2006). Students often do not understand their obligations as loan recipients.

According to Baum & Schwartz (2006), one of the major goals of student loan programs is to allow college students to borrow in the anticipation of future income. But as they point out, student borrowing decisions are based on expected future income, and even well-informed decisions may not materialize. Students often change majors in college from a higher expected paying field to a lower paying field. Unanticipated events may occur, such as, a change in health or family situations that may force a student to drop out or the job market may drop and the student finds himself making less than expected. Such events lead Baum & Schwartz (2006, p. 2) to conclude, “Investments in the postsecondary education are risky.”

The prospect of burdensome debt can deter skilled college graduates from entering and remaining in important public service careers that traditionally pay modest salaries or attending graduate school. Other students may drop out of college because of unmanageable debt. Most importantly, unmanageable debt can lead some graduates to bankruptcy, resulting in wage garnishment and ruined credit (Swarthout, 2006).

Attitudes about debt have changed dramatically during the twentieth century—from a general dislike and distrust of debt to acceptance of credit as part of a modern consumer lifestyle (Lea, Webley, & Walker, 1995). Borrowing for a college education,

once a limited practice for students and parents, is now the norm for most families. Parents, often themselves in debt, do not see educational debt as a major threat to their children. Students and their families have accepted borrowing to pay for college as a major aspect of their overall debt patterns. But what makes some students more willing to accept greater amounts of debt than others? How do students decide how much student loan is affordable? Financial factors are cited as important in the decision-making process of college choice, but a better understanding of the college borrower is needed to understand the role of financing in the decision-making process. Borrowing will always be part of the picture for educational financing, but more research is needed to gain a better understanding of the student borrower and their decision-making process.

Purpose of the Study

The purpose of this study was to explore risk factors associated with educational debt and the effects of these risk factors on college freshmen's willingness to incur educational debt. What makes some students more willing to accept higher debt levels than others? The study examined: (a) the relationship between freshman students' willingness to incur educational debt with loan knowledge, money management skills, debt tolerance attitudes, and perceived future income and (b) if loan knowledge, money management skills, and debt tolerance attitudes affect the role of cost in the decision-making process of college choice.

Research Questions

This study has five research questions:

1. Is there a relationship between loan knowledge and willingness to incur educational debt?

2. Is there a relationship between money management skills and willingness to incur educational debt?
3. Is there a relationship between debt-tolerant money attitudes and willingness to incur educational debt?
4. Are students who overestimate their future income more willing to incur debt than students who do not overestimate their future income?
5. Can loan knowledge, money management skills, and money attitudes predict the role of cost in the decision-making process in college choice?

Definition of Terms

The following definitions will be used to describe loans students may acquire for educational borrowing.

1. Federal Subsidized Stafford Loan-a form of student aid based on financial need that offers low-interest loans to undergraduate students. The interest is subsidized (paid) by the government while the student is enrolled in college. Repayment begins six months after the student graduates, withdraws, or attends school less than half time. The repayment period is ten years. An origination fee is charged (Federal Student Aid, 2007).
2. Federal Unsubsidized Stafford Loan-a form of student aid not based on financial need that offers low-interest loans to undergraduate students. The interest is not subsidized by the government and begins to accrue at the time the loan is taken out. Students do not have to pay the interest while in school, but if they do not, after graduation the interest is added to the principle amount of the loan. Interest is then calculated as a percentage of that total

amount. Repayment begins six months after the student graduates, withdraws, or attends school less than half time and can be repaid over ten years. An origination fee is charged (Federal Student Aid, 2007).

3. Perkins Federal Loan- a subsidized lower interest student loan offered to students with “exceptional” financial needs. No origination fee is charged and repayment begins nine months after the student graduates, withdraws, or attends school less than half time (Federal Student Aid, 2007).
4. Private Loan- an alternative loan that is often used to bridge the gap between college costs and federal loans. Private loans are offered by private lenders. Interest rates vary by lenders and are usually higher than federal loans. Repayment schedules vary (FinAid, n.d.).

Chapter II

Review of Literature

The growing debt level among students graduating from college is a cause for alarm. Although there is considerable data indicating students are in debt, less is known about why students go in debt. Even less is known about why certain students are more willing to assume more debt than others. First, the history and concerns of over-indebtedness will be reviewed. Second, the literature relating to financial and loan knowledge, money management skills, money attitudes, and college majors/expected earnings will be reviewed in relation to debt. Third, the college choice decision-making process will be reviewed with emphasis on the financial factors associated with college choice.

History of Educational Student Borrowing

Federal student loans are relatively new. The Higher Education Act of 1965 brought together a variety of existing student aid programs and introduced two major types of aid to post-secondary students: grants for students from low-income families and subsidized loans for students from middle-income families (Hannah, 1996). The Guaranteed Student Loan (GSL) program was intended to provide supplemental aid to students from families with moderate incomes who otherwise could not attend college, or so that they did not have to work excessively while in school (Williams, 2006).

In the early years, the majority of aid was provided through federal and state grants with few loans. For the first twelve years, the amounts borrowed were comparatively small, with about \$12 billion in total loans issued because college costs were comparatively inexpensive (Williams, 2006).

Emphasis changed in the 1980s, as a result of rising college costs and declining federal support. Student loans had replaced grants as the dominant form of federal student aid. In the mid-1970s, about 76% of federal student aid was awarded in grants and 20% in loans; by the mid-1980s the proportions were reversed, with 67% going to loans and only 29% to grants (Hannah, 1996).

The Higher Education Act of 1992 made all students eligible for federal loans regardless of income (Hannah, 1996). Since 1992, student loans have increased substantially. One reason for the increase in loan volume is the decrease in the purchasing power of grants. The Pell Grant, the foundation of all financial aid that serves millions of low-income students, has decreased with respect to the cost of higher education. In 1975-76, the maximum Pell Grant accounted for 84% of the cost of attendance at a four-year public college; in 1999-00 it only covered 39% of the cost (King & Frishberg, 2001).

More students are taking out loans, and students are taking out larger loans. Students and parents have borrowed nearly \$69 billion in federal loans for the 2005-06 academic year. Students are also turning to private, higher-interest loans as sources of financial aid as tuition continues to rise and federal loans and grants fail to keep up. Students borrowed about \$17 billion in private nonfederal loans to help finance their education (CollegeBoard, 2006).

Students are beginning to use their credit cards as a source of funding for their educational expenses. The results of a survey conducted by Smith College's Women and Financial Independence program found that nearly a quarter of students use their credit cards to pay for tuition and fees and over half use their cards to pay off textbooks and other educational-related supplies ("Credit cards: A new form", 2005).

Concerns about College Debt

As debt levels have increased, studies have focused on the effects of debt on the college graduate. The primary concern has been on students' abilities to repay their loans (Baum & Schwartz, 2006; Harrast, 2004; Hira, Anderson, & Peterson, 2000; King & Frishberg, 2001; Pinto & Mansfield, 2006). Students who are unable to manage large debt loads may default on loan payments ruining credit records, which may ultimately lead to bankruptcy.

Concerns have been raised that undergraduate debt prevents students from buying homes, having children, or moving out of their parents' home after graduation. Hira, Anderson, and Brinkman (2000) found students with extensive borrowing believed that the size of their loan repayments would affect many future decisions including the ability to purchase a car or home. About one-fourth of the students thought that the size of loan payments would affect their decision about having children. Taylor and Overbey (1999) found many students dream of owning their own home in the future, but the reality of credit card debt and student loans will seriously jeopardize the realization of this dream. A national survey found 66% of undergraduate students thought buying a home is unlikely shortly after graduation (The Education Research Institute & The Institute for Higher Education Policy, 1995). Choy, Geis, and Carroll (1997) found bachelor degree recipients whose debt burden exceeded 15% were more likely than those with debt burdens of less than 5% to be living with parents or relatives.

As educational loans continue to grow, the low earning potential of some college majors may affect students' career choices. Swarthout (2006) studied starting salaries of teachers and social workers and found 23% of public four-year college teacher graduates

and 37% of four-year college social worker graduates would carry unmanageable debt. He notes, "The prospect of burdensome debt likely deters skilled and dedicated college graduates from entering and staying in important careers educating our nation's children and helping the country's most vulnerable populations" (p. 4). Williams (2006) noted more students are entering business and fewer in liberal arts, not because students no longer care about the arts, but because of higher salaries commanded by business majors. Harrast (2004) also commented, "Concerns over student loan repayment may cause future students to avoid intellectual rewarding majors with low vocational relevance" (p. 35).

Studies have focused on the impact of undergraduate debt on enrollment in graduate or first professional school. Millet (2003) studied college students who expected to earn a doctoral degree and found debt appeared to prevent students from transitioning to graduate school within one year of earning their bachelor's degree. Students with debt of \$5,000 or higher are significantly less likely to apply to graduate or first professional school when compared to their peers who do not have educational debt. An earlier study by Fox (1992) found undergraduate debt discouraged women from pursuing graduate training but did not impact men. His results imply that an increase in undergraduate debt will lead to an enrollment shift towards a doctoral degree and away from other forms of graduate training. Donhardt (2004) studied debt levels of graduate students and found students who fail to adequately manage their debt may find themselves in financial trouble upon graduation. Similar to undergraduates, the low earning potential of some graduate degrees and the limited financial opportunities

afforded by some industries can lead to unmanageable debt for those completing their graduate studies.

Educational debt can affect college persistence. Students, especially lower-income students, often drop out of school as the result of too little financial aid (Paulsen & St. John, 2002). Borrowers who drop out of school earn lower incomes and face a high risk of accumulating unmanageable debt. As the tax base is decreased by lower income, the need for public assistance programs spending is increased. The long-term impacts of debt not only affect the borrower, but taxpayers may find themselves providing additional resources to those who cannot keep up with their debt repayments (Baum & Ma, 2007). Price (2004a) summarizes the problem with student debt:

Given the increased reliance on student loans to finance higher education, the pre- and post-undergraduate decision-making process is necessarily shaped by the debt graduates will accrue if they attend college. The reality of student debt limits the possibilities of social transformation and progress by imposing socioeconomic consequences on the choices students make about whether to attend college, where to attend college, what to study while in college, whether to continue with graduate education, and what kinds of career opportunities to pursue. That is to say, because of the impact that borrowing has for one's economic status, the decisions that students make after college are more limited for borrowers than nonborrowers. (p. 43)

Student Financial and Educational Loan Knowledge

Educational loans are easy to obtain, but the terms and conditions of the loans may not be as easy to understand. As Eglin (1993) points out, Stafford Loans are made

available to eligible students regardless of their financial experience or credit history. Yet it is the lack of financial knowledge and experience that can cause students to become over-indebted.

High school and college students know very little about finances. High school seniors are unprepared to deal with finances when they graduate. The JumpStart Coalition for Financial Literacy surveys 12th graders to assess general financial knowledge. In their most recent survey, the mean score was only 52.4% with 62% of the students failing (JumpStart Coalition for Financial Literacy, 2006). In a study conducted at Texas A&M University, the fall semester freshman English 101 class was given a questionnaire dealing with financial matters. Ninety-two percent of the students failed the exam. The researchers concluded that recent high school graduates are not knowledgeable about everyday financial matters (Avard & Manton, 2005).

Many college students lack basic financial knowledge and skills. Danes and Hira (1987) found college students from Iowa State University had low levels of knowledge in insurance, credit cards, and overall financial management areas. They discovered that college students often know general facts about money management topics, but lack knowledge in specifics. Chen and Volpe (1998) conducted a study involving multiple universities to examine personal financial literacy of college students. They concluded that college students are not knowledgeable about personal finance and this low level of knowledge will limit their ability to make informed financial decisions.

Several studies have shown that students lack knowledge about certain aspects of student loans (Hira & Brinkman, 1992; Hira, Anderson, & Peterson, 2000; Holland & Healy, 1989; King & Frishberg, 2001). Holland & Healy (1989) found students were not

knowledgeable about their personal loan repayment schedules, with females less knowledgeable than males. Although the survey was administered at the conclusion of group loan exit interviews where repayment procedures were explained, students lacked knowledge about the start and amount of their loan repayments. Holland & Healy concluded students did not seem to be concerned about debt management at this stage in their lives.

Hira and Brinkman (1992) found that knowledge of monthly payments is the primary area where students lack knowledge. Just a little over half of the students knew when their payments would begin and only 30% of the students knew approximately how much their monthly payment would be. A majority of the students lacked confidence in their knowledge about their student loans. Hira and Brinkman found students are interested in learning more about their student loans.

Hira et al. (2000) found students do not have exact information about their total current debt amount or future debt repayments. A high percentage of students were not sure about their ability to repay the debt they were accumulating. A majority of the students who participated in the study believed that the size of their loan payments would affect many future decisions. The researchers concluded students are unaware of the struggles they will face in repaying their loans and students need to be educated on loans, responsibilities, and obligations before entering college as well as throughout the college years. The previous studies were conducted at the same university, so may be limited in the generalization of loan knowledge to all college students.

King and Frishberg (2001) surveyed private and public four-year and two-year students from across the United States to determine if students understand the

implications of educational borrowing. They found students are not aware of the total cost of their student loans with 78% of the students underestimating the total cost of their loans. Students do not have a clear understanding of the impact of interest on loan repayment. Students with high levels of debt and students in their first year of college have the least understanding of repayment. Although King and Frishberg conclude increased consumer education is important, increased grant aid and more affordable, flexible loans are needed to decrease debt.

The lack of financial knowledge is not restricted to the United States. Bakar, Masud, and Jusoh (2006) examined the loan knowledge of college students attending the University Putra of Malaysia. In general, the majority of students were knowledgeable about their loan agreement, but seniors tended to have better knowledge compared to the first year students. Marriott (2007) analyzed the financial literacy of first-year business school UK-status undergraduates and found significant gaps in their personal financial knowledge, in particular in their basic understanding of the student loan system. Marriott emphasizes the need for universities to implement programs to improve students' money management skills, which could result in lower debt amount. Marriott advocates for qualitative research to be utilized to complement this study since "it is only by understanding students' financial awareness, attitude to debt, and actual financial circumstances that appropriate measures can be undertaken to help them" (p. 516).

Perna (2006) analyzed literature on students' understanding of financial aid and college prices. She found many students and their families are poorly informed about college costs and financial aid and many are not using the information that is available to them. Smith (2001) found students are enrolling at universities without any type of

educational finance plans. Parents are failing to provide assistance that children need to complete the financial aid form, so at orientation, students arrive seeking assistance in filling out the forms, hoping to receive some type of financial assistance.

Money Management Skills and Debt

The ability to manage personal finances has become increasingly important in today's world, but money management skills are poor among college students.

Budgeting and keeping records are part of a good management plan. Chen and Volpe (1998) found over 90% of students rank keeping records as very important or somewhat important, but in reality less than half actually keep detailed financial records. USAA's "Freshman Finance 101" survey conducted by Harris Interactive (2005) found 79% of students have not talked to their parents about budgeting or planning for discretionary college expenses.

Henry, Weber, and Yarbrough (2001) studied the budgeting practices of education majors at the University of Louisiana. Only 42% of students studied had a budget, 38% did not follow it all the time, and 4% never followed their budget leading the researchers to conclude students are either not knowledgeable of money management skills or they are not willing to spend the time to manage their money. This was a concern for the researchers who noted college students are constantly accumulating debt, through student loans and credit cards. Henry et al. found students are living on the edge of financial crisis without the necessary money skills to manage their money.

Financial Attitudes and Debt

Earlier studies have indicated financial attitudes play a role in debt. Livingstone and Lunt (1992) found that adults with more liberal attitudes to borrowing are more likely

to be in debt. Debtors were more likely to endorse attitudes which see credit as useful, convenient, part of modern life, and as a means of satisfying needs and wants. They also found attitudes played a role in the amount of debt owed with those who are more favorable to credit and less hostile to debt had greater amounts of debt than those less favorable to credit and debt.

Lea, Webley, and Levine (1993) found adult debtor groups are less disapproving of debt than non-debtor groups, but could not discern if attitudes are the cause of behavior or a consequence of it. They referred to a “culture of indebtedness” where the younger generation may be growing up with a greater acceptance of debt than earlier generations. They found debt status was dependent on whether respondents knew others who were in debt and how they thought these people would react to their indebtedness. They determined a community of debtors creates an environment that reinforces one’s beliefs, attitudes, and personal norms that debt is acceptable. In a later study, Lea, Webley, and Walker (1995) did not find a correlation between debt attitudes and debt behavior. Chien and Devaney (2001) addressed the problem of whether there is a difference between general and specific attitudes toward credit and the use of credit. Their results indicated that a favorable general attitude toward using credit has a positive effect on predicting the amount of installment loans and a favorable specific attitude toward using credit is positively related to the outstanding credit card balance.

Most of the research on students’ attitudes and debt levels has been on credit card debt. Tokunaga (1993) explored how psychological variables, including money attitudes, could be used to profile consumers at risk for credit abuse. He found that people who had experienced serious financial problems due to excessive credit card use view money as a

source of power and prestige and expressed less concern about retaining their money. Norvilitis, Szablicki, and Wilson (2003) examined the relationship between money attitudes and credit card debt of college students. A relationship was found between perceived financial well-being and students' debt-to-income ratio, but money attitudes appeared to be unrelated to the debt ratio. Students who reported that debt is unacceptable were no more or less likely to be in debt than other students. In a subsequent study by Norvilitis et al. (2006), the authors found positive attitudes toward impulse buying and materialism are predictors of debt. Debt was positively related to the number of credit cards owned by students and frequency of credit card usage. Hayhoe, Leach, and Turner (1999) determined certain money attitudes can be used as a discriminator between the use and non-use of credit cards.

Few studies have focused on the impact of debt attitude to educational debt. Davies and Lea (1995) reported that higher levels of debt in college students were related to higher debt tolerance attitudes. Furthermore, debt tolerance appeared to increase after students became indebted. The authors hypothesized that students' higher debt tolerance is related to students' belief that their current financial situation is temporary and income will increase and debt will decrease after graduation. Marriott (2007) studied first-year UK University students to determine how financial awareness and attitudes to debt affects debt amounts. There was no significant difference between debt attitudes of students with no debt and of students with debts of more than 3000 pounds. Trent, Lee, and Owens-Nicholson (2006) discovered students who expect to earn a first professional degree are more debt tolerant than students not planning to get a professional degree.

Expecting to earn a first professional degree increases the odds of borrowing by about 8 to 1.

Credit Card Use and Debt

Credit card debt intensifies the consequences of student loan debt. Pinto and Mansfield (2006) identified Financially At-Risk (FAR) students based on the following criteria: (a) have a credit card balance (s) of \$1,000 or more, (b) pay only the minimum amount or less than the minimum amount due on their credit card (s) each month, or (c) have reached the limit on their credit card (s). There was a significant positive correlation between outstanding credit card balance and both current student loan debt and expected student loan debt at the time of graduation. The authors concluded students with higher outstanding credit card balances are more likely to have higher student loans than Non-Financially At-Risk students. Gayle (1996) found having a credit card increases an undergraduate's likelihood of taking out a student loan, but the level of credit card debt was not a significant factor.

Roberts and Jones (2001) studied credit card use and compulsive buying by college students. Their findings show there is a relationship between credit card use and consumer spending. Specifically, credit cards do encourage dysfunctional behavior such as compulsive spending. Such dysfunctional behavior can lead to greater debt.

College Major/Expected Earnings and Debt

Baum and Schwartz (2006, p.2) cites, "One of the major goals of student loan programs is to allow young people to borrow in anticipation of future income." One factor of responsible borrowing is the ability to estimate future income, but according to the literature students overestimate their projected earnings (King & Frishberg, 2001;

Seaward & Kemp, 2000; Taylor & Overbey, 1999). King and Frishberg (2001) found students overestimate their expected income with students in their first two years of college reporting higher future incomes than those in their third and fourth years of college. The average estimated income for recent college students was \$27,000, yet students in their first two years of school estimated an expected average income of \$39,856 compared to students in their second two years of college with an estimated average income of \$38,096.

Taylor and Overbey (1999) studied financial expectations of college students and non-student participants. The non-student group was comprised of individuals who had attended college, some college, and no college. Students expected a level of income significantly higher than the level of actual income of the entire group of non-students surveyed. This finding even held up when non-student participants who had not attended college were dropped from the data analysis. They concluded students were accumulating student loans with high expectations of future income.

Seaward and Kemp (2000) found students to be unrealistically optimistic in their estimated future incomes. Students overestimated their starting incomes and their incomes ten years from graduation. Students estimated their incomes to be higher than their peers and higher than the average student. Students who projected higher incomes after ten years in the workforce had larger student loans and/or larger total debts. The authors' results suggest, "Over-optimism may be a factor in the accumulation of student debt" (p. 19).

The 8 percent rule developed by the loan industry states students should not devote more than 8% of their gross income to repayment of student loans. Students with

loan payments over 8% are considered to have unmanageable debt (Baum & Schwartz, 2006; King & Frishberg, 2004). Students who already are overestimating their expected incomes are also overestimating the percentage of their income they can afford for repayment. King and Frishberg found students with larger debts significantly overestimated the percentage of their income they could devote to their student loan repayment. They suggested recent graduates may not understand the many factors that can affect how much money can be devoted to repayment such as underestimating the cost of living.

Baum and Schwartz (2006) argue the 8 percent rule does not determine what is affordable, but only dictates what you can borrow rather than what you should borrow. They define over-indebtedness not only as the inability to meet one's debt payments as they come due, but can also apply to those who are meeting their debt payments but only with great difficulty. They recognize while individuals attending college have higher average earnings, there are considerable variations in earnings within majors. Baum and Schwartz advocate a flexible repayment plan to account for varying incomes to decrease indebtedness.

Harrast (2004) discovered that major is significant in determining the amount of debt incurred by undergraduate students. He found that a number of majors with low vocational relevance (salary commandment) rank very high on debt accumulation and that salary differences persist over time. Political science, sociology, and special education had the highest excess debt levels. The author could not attribute any one reason to why this was so since direct educational costs are similar at the university studied. It was theorized that indirect costs as well as personal variables that drive major

selection may be responsible for the cost difference. Harrast concluded that salary differences lead to differences in the ability of students to repay their student loans. “Concerns over student loan repayment may cause future students to avoid intellectually rewarding majors with low vocational relevance” (p. 35).

In contrast, Thomas (2000) found graduates in higher paying fields such as engineering tend to be the most heavily indebted because of their studies. He found engineering students were the most likely to have borrowed while those graduates from the social sciences studies were the least likely to borrow. Although engineering students borrowed more, their debt-to-earnings ratio were much smaller than those students borrowing less, but earning less money because of choice of major. Thomas concluded that (a) students are willing to borrow relatively large amounts of money to finance their education regardless of major and (b) graduates from lower paying fields are unaware or unconcerned about the magnitude of student debt, or graduates are concerned, but feel they have no choice but to borrow.

Price (2004b) compared educational debt burden of students graduating in 1992-93 and four years later in 1997. He found the effects of undergraduate field of study on educational debt burden exceeding 8% were not generally statistically significant. However, among students with educational loans, more than one in five college graduates had excessive educational debt four years after graduating. These students had higher educational debt and lower salaries than average college graduates.

Harrast (2004) found debt increases for each term of college study. The median debt for students who take five or more years to finish their degree is 58% higher than students who complete their degrees in four years or less. Klein (2006) cites bachelor's

degree recipients during the 1999-2000 academic year took 6.2 years to graduate from a four-year public college. Many majors such as engineering, which often take longer than the average four years to complete, may have a direct influence on debt levels.

College Choice Decision-Making Process

Much of the research on college decision-making has employed three models: (a) econometric models, (b) sociological models, and (c) combined models. Econometric models predict students make cost-benefit analyses when choosing a college. Students choose to attend college based on perceived benefits of attendance outweighing the costs of not attending or attending another college (Hossler, Braxton, & Coopersmith, 1989). Sociological models assume the college decision-making process is based on a variety of social and individual factors such as socioeconomic status, gender, student academic ability, high school context, and the views of significant others (Jackson, 1982). The combined models share the rational assumptions suggested in econometric models but incorporate sociological aspects found in sociological models.

Most combined models divide the student decision-making process into three phases. Chapman and Jackson (1987) suggested college choice consists of three major stages: perception formation, preference formation, and choice. Hossler and Gallagher (1987) and Hossler, Schmidt, and Vesper (1989) similarly suggest students participate in a three-stage process: (a) predisposition, which refers to the development of formal educational plans after high school, (b) search for potential colleges, and (c) choice, which refers to the final decision regarding which college to attend. As Litten (1982) and Hossler, Schmidt, and Vesper observe, college choice is a complex, interrelated process involving many factors and variables.

Financial cost is often cited as an influential factor affecting which college to attend. Somers et al. (2006) found students attending two-year colleges most often mentioned cost and location as reasons to attend a community college. For these students sticker price was more important than net price (sticker price minus financial aid) in their decision. Hu and Hossler (2000) found students who are less concerned with tuition costs and think financial availability is important are more likely to prefer private colleges over public colleges.

Paulsen and St. John (2002) found clear differences between a student's income class, college cost, and college choice. College costs were an important factor in the college-choice process for low-income students. Most choose a college because of low tuition, student aid, or both. A larger percentage of the low-income group attended public and two-year colleges, chose their colleges because they were close to their work, and lived off-campus. Low-income students treated cost-related factors as a major consideration in their college-choice process. Lower-middle-income students also considered tuition and/or student aid as very important in their college choices. More than half considered work and/or living costs as very important in their college choices. A little less than half of upper-middle-income students considered costs a major consideration in their college choice. Less than one-fourth of upper-income students considered costs to be very important in their college choices. Their college choices reflected this lack of concern with more than half attending private colleges and nearly all attended four-year colleges. Although wealthier students were not very responsive to college costs, they were more likely to remain in college and obtain a degree when they gave serious consideration to the costs of college before they enrolled.

Financial aid is an important criterion in college choice. Hossler, Braxton, and Coopersmith (1989) identified the net cost of college as the most important financial determinant in the college choice process. Dongbin (2004) analyzed the impact of financial aid on students' college choice and found differences persist among racial groups. White students were influenced by financial concerns; the higher the concerns, the less likely White students were to attend their first-choice colleges. The awarding of grants or grants with loans increased the probability of White and Asian American students attending their first-choice college when compared to students who received no financial aid. Asian American students receiving only loans still had 38% higher probability of attending their first-choice institution than for other Asian American students receiving no financial aid. This indicates Asian American students place a high value of their first-choice institution and are willing to borrow regardless of income to attend their first-choice. In contrast, African American and Latino students were not influenced by the existence of financial aid in attending their first-choice institutions. Dongbin (p. 18) concludes, "One of the most important findings from this study is that financial aid has different effects on attending a first-choice college across racial groups." Hu and Hossler (2000) suggest that it is the willingness, not the ability, to pay that plays a significant role in a student's college choice. Price (2004a) observes more affluent students may embrace loans to expand college choices, whereas lower-income students view loans as limiting their college choices due to fears about accumulating large amounts of loan debt.

Students consider more than prices when they choose a college. Chapman (1981) developed a student college choice model that suggests a student college choice is

influenced by a set of student characteristics (socioeconomic status, aptitude, educational aspirations, and high school performance) in combination with a series of external influences. The external influences can be grouped into three general categories:

1. The influence of significant others which includes comments by family and friends and the college choice of their friends.
2. The fixed characteristics of the institution which includes location, cost, campus environment, and the availability of desired programs.
3. The institution's own efforts to communicate with perspective students.

Paulsen (1990) summarized ten representative studies of college attributes that were most frequently cited that determined where a student would enroll in the final selection and attendance phase of the college choice process. The most often cited attributes include: cost, financial aid, programs, size, location, quality, social atmosphere, athletics, religious emphasis, and job available. Cost, location, and reputation are the three most commonly cited reasons in the college choice decision.

Attributes such as quality and location are indirectly related to overall college costs. Quality is defined differently for each individual. Litten and Hall (1989) interviewed high-ability students and their parents on what defines quality in a university. Quality was related to high admission rates to graduate/professional school, extensive course offerings, advanced equipment and libraries, and a teaching facility. Cost was not mentioned. In contrast, Fuller, Manski, and Wise (1982) found students used tuition and even dormitory costs as indicators of institutional quality. Thomas (2000) recognized more often than not, the more highly selective or higher quality institutions are also the most expensive. This reality forces students to reconcile concerns over the quality of

potential colleges with their costs. Students, who believe cost is indicative of quality, may be more willing to go into debt to attend that particular college.

College choice is often related to location. Attending a college close to home can decrease expenses (Somers et al., 2006; Paulsen & St. John, 2002). Conversely, attending a college farther away from home will increase cost of college attendance.

Kinzie et al. (2004) noticed students and their families are becoming increasingly concerned about making the “right” college choice. Literature regarding college students' experiences clearly supports that this choice has a relatively modest effect on a student's lifetime income, career mobility, and quality of life, but the media's focus on college rankings leads many to believe the effects are profound.

Summary of Review of Literature

The literature on educational borrowing is varied. The literature supports the lack of financial aid and rising college costs are the major causes of college indebtedness, but less literature exists on why or what causes students to become heavily indebted. More research is needed on what makes one student more tolerant than another to accumulating debt. Understanding the student borrower is the first step in the development of programs to educate future students on debt prevention.

Chapter III

Methodology

The purpose of this study was to explore risk factors associated with educational debt and the effects of these risk factors on college freshmen's willingness to incur educational debt. Four risk factors were examined to see if they contributed to students becoming overly indebted: (a) lack of loan knowledge, (b) poor money management skills, (c) liberal, debt-tolerant money attitudes, and (d) high expectations in earning potential of their chosen major. The primary goals of this study were to examine the specific risk factors outlined above and to determine if loan knowledge, money management skills, and debt tolerance attitudes affected the role of cost in the decision-making process of college choice.

Research Design

The current study was a non-experimental, quantitative survey design. Multi-method approaches of quantitative questions were used. The one-time survey was exploratory in nature. Descriptive statistics, relative frequencies, t-tests, and logistic regression tests were used to analyze the data.

Population and Sample

A convenience sample of college freshmen students enrolled in a Midwest mid-sized university living on-campus were surveyed in the study. Students living in a pre-selected dormitory complex were asked to complete the survey. The original goal of 200 participants was not met, but due to time constraints, it was determined a smaller sample size would suffice. One hundred and forty-four freshmen students completed the survey.

Procedures for Data Collection

The researcher's proposal and procedure was reviewed and approved by the University's Institutional Review Board before beginning data collection. The researcher contacted the Assistant University Housing Director and was given permission to distribute a survey to freshmen living in a co-ed dormitory complex. The survey was distributed on three afternoons through the start of dinner at the complex's main entrance. Candy was used as an incentive to get students over to the table to explain the survey. The researcher described the purpose of the survey, answered any questions pertaining to the survey, and then students were asked to complete the survey voluntarily. A consent form (see Appendix A) was also given and completed by each participant and was filed separately from the survey. Students had the option to discontinue completing the survey at any time. To provide confidentiality, students were asked to place the completed survey in an envelope.

Instrument

The survey instrument was a questionnaire developed by the researcher (see Appendix B) to measure students' loan knowledge, money management skills, money attitudes to debt, and future income projections. Questions 1 and 2 consisted of demographic information.

Section I (questions 3-21) consisted of multiple-choice and true-false questions relating specifically to loans. Questions 3-14 measured the student's loan knowledge on his/her own specific loans and questions 15-21 measured general loan knowledge. The loan-specific questions were based on the research by King and Frishberg (2001) and the general loan questions were developed based on the literature reviewed by the researcher.

Section II (questions 22-26) related to money management skills. The questions were created for this survey based on the literature review of Chen and Volpe (1998), Harris Interactive (2005), and Henry, Weber, and Yarbrough (2001) and personal experience. Chen and Volpe reported a Cronbach alpha score of .85 on their personal finance survey. Validity of their survey was based on the evaluation of the survey by two individuals knowledgeable on personal finance. Reliability of their survey was based on high Cronbach alpha scores.

Section III (questions 27-39) related to money attitudes on debt. The questions were based on a scale developed by Davies and Lea (1995). The scale was designed to assess debt tolerance in college students. It was scored on a 5-point scale ranging from 1 (strongly agree) to 5 (strongly disagree). Lower scores indicated a greater tolerance to debt. Davis and Lea reported Cronbach's alpha of 0.79 for reliability on their debt tolerance scale.

Section IV (questions 40-43) related to choice of major and perceived earnings and was based on the research of King and Frishberg (2001). Section V related to college choice. The reasons listed in the survey were based on the top ten attributes for college choice reported by Paulsen (1990). Several additional reasons (small class size and textbook rental program) were included based on the results of the 2005 North Central Association Accreditation study at Eastern Illinois University.

Reliability and Validity

Evidence of content validity for the survey was based on previous research by Davis and Lea (1995), Chen and Volpe (1998), Henry, Weber, and Yarbrough (2001), Holland and Healy (1989), and King and Frishberg (2001). Validity was further tested

with a pilot test of the survey with college students. The survey was initially tested for clarity with five college students from various colleges. The survey tool was refined using input from the students. The questionnaire was also reviewed by three Eastern Illinois University professors for validity purposes. The professors agreed the survey appeared to have face validity.

After the data was collected, Cronbach's alpha was calculated to determine the internal consistency of the measure. Cronbach's alpha was computed for each of the three sections on loan knowledge, money management skills, and debt tolerance. Cronbach's alpha was .40 for questions 15-21, which measured students' general loan knowledge. For items that measured students' money management skills (questions 22-26), Cronbach's alpha was .42. The debt tolerance Likert scale authors, Davis and Lea (1995) reported Cronbach's alpha of .79 for reliability. However, for the current study, the debt tolerance scale (questions 27-39) revealed a Cronbach alpha of .48. The small sample size may account for the low Cronbach alpha scores in this study. Given the fact that the study and the measure were exploratory in nature, the low alpha scores were considered acceptable for the current research.

Development of Variable Scores

The general loan knowledge score was made up of seven true/false questions. One point was awarded for each correct answer. A combined score using students' personal loan knowledge (questions 2-14) and students' general loan knowledge (questions 15-21) was originally to be used to calculate total loan knowledge, but due to complications in scoring and lack of time, only the general loan knowledge questions

were utilized. The true/false questions were summed to create one score that was used to evaluate total loan knowledge.

The money management skills score was comprised from five questions that asked about general money management skills such as budgeting and bank account knowledge. Participants' responses were scored on a 1-4 scale. The five questions were added to create a score. The lower the score, the better money management skills the study participant possessed.

The debt tolerance score was created by summing 12 questions based on a debt tolerance scale developed by Davies and Lea (1995). It was scored on a 5-point scale ranging from 1 (strongly agree) to 5 (strongly disagree). A score of 3 indicated neutrality (neither disagrees nor agrees). Lower scores indicated a greater tolerance of debt.

Data Analysis

Descriptive statistics were used to describe the data. Correlation statistics were used to determine the relationship between: (a) loan knowledge and willingness to incur educational debt, (b) money management skills and willingness to incur educational debt, and (c) money attitudes and willingness to incur educational debt.

A *t*-test was conducted to determine if students who overestimate their future income are more willing to incur debt than students who do not overestimate their future income. A logistic regression analysis was used to determine if loan knowledge, money management skills, and money attitudes predicted the role of cost in the decision-making process in college choice.

Chapter IV

Results

The purpose of this study was to examine: (a) the relationship between freshman students' willingness to incur educational debt with loan knowledge, money management skills, debt tolerance attitudes, and perceived future income and (b) if loan knowledge, money management skills, and debt tolerance attitudes affect the role of cost in the decision-making process of college choice. Five research questions were explored:

1. Is there a relationship between loan knowledge and willingness to incur educational debt?
2. Is there a relationship between money management skills and willingness to incur educational debt?
3. Is there a relationship between debt-tolerant money attitudes and willingness to incur educational debt?
4. Are students who overestimate their future income more willing to incur educational debt than students who do not overestimate their future income?
5. Can loan knowledge, money management skills, and money attitudes predict the role of cost in the decision-making process in college choice?

Sample Demographics

The survey was distributed to 144 college freshmen living in a dormitory complex of a Midwestern college. There were 86 (59.7%) female and 58 (40.3%) male participants. Table 1 provides the breakdown according to race/ethnicity. The mid-sized university's racial/ethnic composition was reflective of the participants in the study. The university has predominately Caucasian students.

Table 1
Ethnic/Racial Distribution

Ethnicity/Race	Percentage (%)	Total Number (<i>n</i>)
Caucasian	86.0	123
Hispanic	3.5	5
African American	6.3	9
Asian/Pacific	0.7	1
Other	3.5	5
Unidentified	-	1

Personal Financial Aid Demographics

Participants were asked if they were receiving any type of financial aid for college. Eighty-two (56.9%) indicated they were receiving some type of financial aid, fifty-six (38.9%) indicated they were not receiving any financial aid and six (4.2%) did not know if they were receiving any type of financial aid.

Participants that indicated they were receiving financial aid were asked to identify what type(s) of financial aid they were receiving. The majority of students who indicated they were receiving financial aid were receiving loans (69.9%) followed by grants (35.5%). The national average for total student aid by type is 44% for loans and 39% for all types of grants (CollegeBoard, 2006). Participants in this particular study were receiving more loans than the national average, but less in grants. If the participant was receiving a loan, the student was asked what type of loan(s) they were receiving. Table 2

Table 2
Loan Distribution

Loan Type	Percentage (%)	Number (<i>n</i>)
Perkins	8.0	8
Subsidized	10.1	10
Unsubsidized	11.1	11
Private	8.0	8
Don't Know	69.7	68

shows the breakdown of participants' loans. The majority of participants did not know what kind of loan they were receiving (69.7%).

The majority of students (70.6%) responded that they expect to acquire some amount of educational debt before graduation. Table 3 shows the breakdown of expected college debt. Forty percent of the participants in this study thought they would have total debt amounts between \$10,000 and \$30,000. Twenty percent of the participants expected to graduate with debt levels much higher than average. The median debt for 2003-2004 bachelor's degree recipients for four-year public colleges was \$15,500 and \$19,300 for all four-year graduates (CollegeBoard, 2006).

Research Questions Descriptive Results

Means and standard deviations for the variables used to answer the research questions were calculated and are shown in Table 4. The general loan knowledge mean score was 4.22. The mean percentage of correct answers was calculated. The mean

Table 3
Total Expected Undergraduate Debt

Debt Amount	Percentage (%)	Number (<i>n</i>)
\$0.00	29.4	42
\$0.01-10,000	9.8	14
\$10,001-20,000	18.9	27
\$20,001-30,000	21.0	30
\$30,001-40,000	9.8	14
\$40,001-50,000	6.3	9
Greater than \$50,000	4.9	7

percentage of correct answers was 60.3%, indicating on average the participants answered a little over half of the loan knowledge questions correctly.

The mean score for money management skills was 9.77 and scores ranged from 5 to 43. The lower the score, the better money management skills the study participant possessed. The majority of the study participants possessed good money management skills. The debt tolerance mean score was 38.33 and scores ranged from 27 to 54. Lower scores indicate a greater tolerance to debt.

Student Characteristics and Willingness to Incur Debt

The first research question looked at whether there was a relationship between students' loan knowledge and their willingness to incur educational debt. A correlation was computed to answer this question and findings indicated that the correlation between

Table 4
Means and Standard Deviations for Study Variables

Variable	<i>N</i>	Min	Max	<i>M</i>	<i>SD</i>
General Loan Knowledge	133	2.00	7.00	4.22	1.08
Money Management Skills	129	5.00	43.00	9.77	4.14
Debt Tolerance	144	27.00	54.00	38.33	5.01

loan knowledge and willingness to incur debt was not statistically significant ($r = -.09$, $p = .33$). Thus, it appeared that no relationship existed between these two variables.

The second research question explored if there was a relationship between students' money management skills and their willingness to incur educational debt. A correlation was utilized to answer this question. The correlation between money management skills and willingness to incur debt was not significant ($r = -.07$, $p = .46$). No relationship appeared to exist between these two variables.

The third research question looked at whether a relationship existed between students' debt tolerance attitude level and their willingness to incur educational debt. A correlation was implemented to answer this question and findings indicated that the correlation between debt tolerance and willingness to incur debt was not statistically significant ($r = .03$, $p = .72$). It appeared that no relationship existed between students' debt tolerance attitude level and their willingness to incur educational debt.

The fourth research question looked at whether students who overestimated their future income were more willing to incur educational debt than students who did not overestimate their future income. An independent sample *t*-test was conducted to answer

this question. A new variable was created using participants' data regarding their expected earnings after graduation. Average starting incomes were compared to the data from Eastern Illinois University Career Services 2007 Annual Report, State of Illinois Wage Data 2008 Report, and The National Association of Colleges and Employees 2007 Salary Survey (see Appendix C). A score of "1" indicated the student unrealistically overestimated their potential salary and a score of "0" indicated the student estimated their potential income accurately or underestimated their income. Students who marked their major as undeclared were not included in the calculation. The dependent variable in the test was students' willingness to incur debt and the independent variable in the test was the variable that indicated the overestimation or underestimation of future income. The independent sample *t*-test was not statistically significant, $t(122) = .74, p = .46$. This means that students who overestimated their future income were no more willing to incur debt than students who did not overestimate their income. Over half of the participants (50.4%) over-inflated their projected future earnings.

The fifth research question asked whether a student's loan knowledge, money management skills, and debt tolerance level could be used to predict the role of cost in the decision-making process in college choice. A logistic regression was used to determine if the independent variables (loan knowledge, money management skills, and debt tolerance) could predict the dependent variable (importance of cost in college choice). The dependent variable was assessed with survey question number 45 which asked if cost was important in the student's choice of college. A score of "1" was given to students who indicated cost was important and a score of "0" given to those students who indicated cost was not important in their choice of college.

The logistic regression model achieved an overall predictor rate of 69.2 % using the Hosmer and Lemeshow chi-square of goodness of fit test. The Hosmer and Lemeshow test is the recommended test for overall fit of a logistic regression model and is considered more accurate than the traditional chi-square test. A finding of non-significance in the chi-square test ($p=.19$) indicated that the model adequately fit the data. Although the model theoretically fit the data, the independent variables were not significant, meaning that they did not predict the role of cost in the decision-making process in college choice for this sample. It appears, that, at least for the current sample, loan knowledge, money management skills, and debt tolerant attitudes did not affect the role of cost in students' decisions in college choice.

Summary of Findings

The current study sought to investigate the relationship between loan knowledge, money management skills, debt tolerance, and perceived future income of college freshmen with a student's willingness to incur educational debt. No significant correlations were found to exist between willingness to incur educational debt and loan knowledge, money management skills, debt tolerance, and perceived future income.

The current study also looked at how loan knowledge, money management skills, and debt tolerant attitudes predicted the role of cost in the decision-making process in participants' college choice. Findings revealed that loan knowledge, money management skills, and debt tolerant attitudes were not important predictors in the decision-making process in college choice.

Chapter V

Summary, Limitations, and Conclusions

Summary

College student loan debt has become an increasing concern in recent years. Although there is considerable data indicating students are in debt, less is known about why students go into debt. Even fewer studies have focused on why some students are more willing to incur educational debt than other students. The current study examined loan knowledge, money management skills, debt tolerance, and perceived future income of college freshmen to determine if a relationship existed between these variables and willingness to incur educational debt. The study also examined if loan knowledge, money management skills, and debt tolerant attitudes could be used to predict the role of cost in the decision-making process of college choice.

Although no significant correlation was found between loan knowledge, money management skills, debt tolerance, perceived future income and willingness to incur educational debt, it should be of concern that students did not have a strong loan knowledge score and overestimated their perceived future income. Studies have shown that lack of loan knowledge and overestimating future income have been related to high student loan debt (Hira, Anderson, & Peterson, 2000; King & Frishberg, 2001; Seaward & Kemp, 2000; Taylor & Overbey, 1999).

Perna (2006) and King & Frishberg (2001) found many students are poorly informed about financial aid and do not understand the implications of educational borrowing. Marriott (2007) found significant gaps in students' basic understanding of the student loan system. In the present study students were not knowledgeable about their

financial aid. Students were poorly informed about their own personal student loans and student loans in general. Thirteen percent of the students did not know what type of financial aid they were receiving and of those students who indicated they were receiving some type of loan, 69.7% did not know what type of loan they had. The mean score for general loan knowledge was 4.22 which equates to a test score of a D. The current study was consistent with the research that students lack educational loan knowledge. This lack of financial aid (loan) knowledge may be attributed to age as Holland and Healy (1989) concluded from their study. They concluded that students may not be concerned about debt management at this stage in their lives. However, as Eglin (1993) points out, it is this lack of financial knowledge and experience that can cause students to become over-indebted. Students need to be educated on loans, responsibilities, and obligations before entering college as well as throughout the college years. Otherwise these students may face hardships in the future because of their lack of understanding about their loan agreements.

One factor of responsible borrowing is the ability to estimate future income. In the current study over 50% of the students overestimated their future income upon graduation. Twenty-five percent of the students surveyed thought they would be making over \$50,000 at graduation. Students were also asked to estimate what they thought they would be making after five years. Over 65% thought they would be making over \$50,000 and 10% thought they would be making over \$100,000. Seaward and Kemp (2000) found students who estimated higher than average incomes after ten years in the workforce had larger student loans. Taylor and Overbey (1999) found students were accumulating debt with high expectations of future income. Students with unrealistic

expectations of future income may be at risk for borrowing more than necessary and may have trouble repaying their loans later.

In past research, money management skills have been found to be poor among college students. Researchers such as Henry, Weber, and Yarbrough (2001) believe students are living on the edge of financial disaster because of their lack of money management skills. College students are accumulating debt through student loans and credit cards, but may not have the financial knowledge to understand the future effects of this accumulating debt. A good money management plan includes budgeting and financial record keeping, but Henry et al. found only 42% of the students studied had a budget and none of them followed it all the time. However in this study, participants appeared to have good budgeting and record keeping skills. Over 80% of the current study's participants claimed to use a budget with 22% using a budget all the time. The current study also found that the majority of study participants indicated they knew how much money was in their checking accounts and checked their balances regularly. Seventy-five percent of the study participants stated they had never overdrawn their banking account. Only five questions from the current study were associated with money management skills and may not have provided enough information to provide an accurate money management skill score. It is also possible freshman students may still be under the watchful eyes of their parents so budgeting and record keeping skills may be controlled more by the parents than the student. However, money management skills are an important factor to study since past studies have shown students with poor money management skills are more likely to accumulate larger amounts of debt (Henry et al., 2001; Marriott, 2007).

Earlier studies have indicated financial attitudes play a role in debt. Davies and Lea (1995) reported that higher levels of debt in college students were related to higher debt tolerance attitudes, but also that debt tolerance appeared to increase after students became indebted. The present study found students were neither strongly pro-tolerant nor anti-tolerant to debt. However, as Davies and Lea point out, the study participants' debt tolerance levels may increase as their debt increases. As with most freshmen, the study participants' overall debt amounts were relatively low at this time. In addition, the participants had the option of choosing "neither agree nor disagree" on the scale to determine debt tolerance and the majority of study participants chose "neither agree nor disagree" on 6 of the 12 statements. This may indicate freshman students have no defined attitudes on debt at this stage in their college career.

An unexpected relationship was discovered by the researcher during an examination of the data from the survey. The researcher expected students who estimated above average total debt levels at graduation would also indicate they were more willing to incur student loan debt to attend college, but the opposite appeared to be happening. Students who estimated above average total debt levels at graduation were also indicating they were less willing to incur student loan debt to attend college. Correlation statistics were run between total estimated undergraduate debt and a student's willingness to incur debt to investigate this farther. The relationship was found to be significant ($r = -.37, p = .00$). Students with higher estimated total undergraduate debt were less willing to incur student debt than students with lower estimated total undergraduate debt. This may indicate students do not want to incur debt, but they have

to or perceive they have to in order to attend college. The reason for this relationship is unclear and warrants further investigation.

Since it was assumed that a positive relationship would exist between higher total undergraduate debt and willingness to incur student debt and the findings showed it did not, additional correlation statistics were run to explore other explanations. The variable that indicated willingness to incur student debt was replaced with the variable that determined total estimated undergraduate debt. Correlation statistics were computed between the variable that determined total estimated undergraduate debt and the variables that indicated loan knowledge, money management skills, debt tolerance, and perceived future income. The relationship between loan knowledge and total estimated undergraduate debt approached significance ($r = .17, p = .052$). There appeared to be a relationship between loan knowledge and total estimated undergraduate debt. Students who had a low general loan knowledge score also indicated they would be graduating with above average loan debt. The correlation suggested that students with less knowledge about student loans estimated that they will graduate with higher than average total undergraduate debt. Students' lack of knowledge about student loans may result in students graduating with above average student debt. No relationship was found to exist between the variables that indicated money management skills, debt tolerance, and perceived future income.

The present study did not find loan knowledge, money management skills, or debt tolerance predicted the role of cost in the decision-making process in college choice. Seventy percent of the students surveyed indicated cost was important in their choice of college, but loan knowledge, money management skills, and debt tolerance attitudes were

not significant in the logistic regression that was conducted. Although the Hosmer and Lemeshow test indicated loan knowledge, money management skills, and debt tolerance can be used to predict the role of cost in the decision-making process in college choice, the small sample size from one college may not have provided enough statistical power to determine that these variables contributed to this decision.

Freshmen students lacked personal and general loan knowledge and had unrealistic expectations of future income at graduation. Each can be a contributing factor in overall student loan debt and should be addressed. Understanding the student borrower is the first step in the development of programs to educate future students on debt prevention.

Limitations

There were several limitations to this study. The first limitation was the small convenience sample used for the collection of data. Only students from one moderately-priced public college were used in the study. Including students from public and private colleges with varying tuitions may have provided more information about freshmen students' willingness to borrow for a college education. As is, the current results cannot be generalized to the college freshmen population.

Self-reporting methodology represented another potential limitation. Even though anonymity was assured, self-reporting runs the risk of students reporting what they believe is the ideal behavior, and participant honesty may have been compromised. In addition, self-report surveys can be misinterpreted. Although, the survey was tested for clarity, students often provided conflicting information which may have skewed the

results. Qualitative methods such as focus groups could have provided valuable information that could complement the quantitative survey.

Recommendations

Few studies have focused on why some students are more willing to incur educational debt than other students. Continued research is needed to identify student risk-factors in the accumulation of student debt. Future research would be enhanced by including more freshmen from a larger number of universities, both public and private, as well as the exploration of other possible risk-factors that may also influence a student's willingness to incur debt. The utilization of interviews and focus groups would enhance a self-reported questionnaire and provide broader depth on the research topic. A longitudinal study design that followed students' educational borrowing throughout their college years would provide a more accurate assessment tool to identify the educational borrowing risk factors. A longitudinal study would offer researchers additional information on how maturation and experience affects students' educational borrowing and beliefs about borrowing.

The growing debt level among students graduating from college is a cause for alarm. High schools and colleges should take an active role in educating students on educational borrowing and debt prevention. Students need to be better educated on student loans, their responsibilities and obligations before entering college. A policy recommendation would be to create debt prevention/education programs for high school students and their parents. Such a program would help students understand the risks of over-borrowing, teach students how to borrow responsibly, and provide students with alternatives to over-borrowing.

Academic institutions also have a responsibility to help students make realistic borrowing decisions. Students often are so intent on attending the college of their choice that they lose all perspective on what it may cost financially. Colleges need to provide the help and advice students need to cope with the financial implications of attending their college. A policy recommendation is to provide on-going educational programs to college students on responsible borrowing. Information that is student specific, such as previous loans, total amount borrowed, interest rate, grace period, repayment schedule, and monthly payments should be provided each year so the student understands what his/her responsibilities will be for loan repayment. In addition, students need to be counseled on what is an appropriate amount to borrow for their particular major.

Although increased student education on responsible education borrowing is important, Congress must also play a role in reducing the burden of student debt. In order to help prevent students from going deeper into debt, Congress should make more grant aid available, institute flexible repayment plans based on majors and debt totals, and to fund financial and student loan education.

More research needs to be done. There are many questions yet to be answered pertaining to student awareness of the implications of high loan debt and student risk-factors that may affect total debt amounts. Understanding the student borrower and what makes one student borrow more than another is the first step in the development of programs to educate future students on debt prevention.

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Appendix A

INFORMED CONSENT STATEMENT

College Education Borrowing Survey

You are invited to participate in a research study. The purpose of this study is to examine loan knowledge, money management skills, money attitudes, and chosen major/expected earning potential of college freshman as determinants of willingness to incur college-related debt.

The results of this study will be beneficial in addressing the problem of students becoming overly indebted with school loans. This study will provide greater insight on the college student borrower and will provide information that will be useful to the participants, university, educators, and researchers concerned with this growing problem.

Participation in this study is voluntary and you may withdraw from the study at any point without penalty. The survey will take approximately 15 minutes to complete. All surveys will be anonymous and confidentiality will be maintained.

I have read the above information. I agree to participate in this study. Please return this form with your survey and place your consent form and survey in the designated envelopes.

Printed Name _____

Signature _____

Date _____

If you have any questions regarding the survey and/or research study, you may contact:

Renee Smith-Researcher
541 Hickory Lane
Charleston, IL 61920
217-345-1670
rmsmith@eiu.edu

Linda Simpson-Faculty Sponsor
School of Family & Consumer Science, EIU
Charleston, IL 61920
217-581-2315
ldsimpson@eiu.edu

If you have any questions or concerns about the treatment of human participants in this study, you may call or write:

Institutional Review Board
600 Lincoln Ave EIU
Charleston, IL 61920
217-581-857
eiurb@www.eiu.edu

Appendix B

College Education Borrowing Survey

The survey is for a research project to complete my master's thesis at Eastern Illinois University. I am interested in learning more about students' educational borrowing. The survey is confidential and you may refuse to participate at any time. Upon completion, please place the survey in the envelope. Thank you for your participation.

1. Gender: (a) Female (b) Male
2. To what racial/ethnic group do you belong?
 - (a) Caucasian (b) Hispanic (c) African American (d) Asian/ Pacific Islander
 - (e) American Indian/Alaskan Native (f) Other

Section I

3. Are you receiving any type of financial aid to attend college?
 - (a) Yes (b) No (c) Don't know
4. If you applied for financial aid, who filed the paperwork?
 - (a) Self (b) Parents (c) Both (d) Other (e) Not Applicable
5. What type(s) of financial aid are you receiving? Circle all that apply.
 - (a) Grant (b) Loan (c) Academic Scholarship (d) Athletic Scholarship
 - (e) Don't know (f) None
6. There are federal loans and private loans. What type of loan do you have? Circle all that apply.

(a) Perkins	(d) Private
(b) Stafford Subsidized	(e) Don't know
(c) Stafford Unsubsidized	(f) Not applicable
7. By the time you graduate from undergraduate school, what do you expect will be the **total** amount of debt you will have borrowed for school?

(a) \$0.00	(e) \$30,001-\$40,000
(b) \$0.01-\$10,000	(f) \$40,001-\$50,000
(c) \$10,001-\$20,000	(g) Greater than \$50,000
(d) \$20,001-\$30,000	
8. Including interest, what do you estimate will be the **total** amount you will pay on your undergraduate loans assuming an interest rate of 7%?

(a) \$0.00	(e) \$30,001-\$40,000
(b) \$0.01-\$10,000	(f) \$40,001-\$50,000
(c) \$10,001-\$20,000	(g) \$50,001-\$60,000
(d) \$20,001-\$30,000	(h) Greater than \$60,000

9. How long do you expect it will take to pay back your loans?
 (a) Less than 1 year (d) 11-15 years (g) Over 30 years
 (b) 1-5 years (e) 16-20 years
 (c) 6-10 years (f) 20-30 years
10. What do you expect to be paying per month on your loans?
 (a) \$1.00-\$99 (e) \$400-\$499
 (b) \$100-\$199 (f) \$500-\$599
 (c) \$200-\$299 (g) \$600-\$699
 (d) \$300-\$399 (h) Over \$700
11. How much do you worry or care about this debt?
 (a) Very much (b) Somewhat (c) Very little (d) Not at all
12. I plan to use my school loans to pay for: (Please circle all that may apply)
 (a) Tuition (d) Entertainment
 (b) Housing (e) Spring Break Trip
 (c) Other Education Expenses (f) Not Applicable
13. Have you used a personal (not parent) credit card to pay for tuition and/or room and board?
 (a) Yes (b) No
14. Have you used a personal (not parent) credit card to pay for other educational expenses?
 (a) Yes (b) No
- The next seven questions pertain to general knowledge on loans.
15. An unsubsidized loan is awarded on financial need? (a) True (b) False
16. You have been awarded a Perkins loan and subsidized loan, but only need one. You pick the Perkins Loan for a better interest rate and repayment period.
 (a) True (b) False
17. The interest on a subsidized loan is deferred until graduation, but the interest rate on an unsubsidized loan begins accruing immediately. (a) True (b) False
18. The standard repayment period for a loan is 10 years. (a) True (b) False
19. You must be attending school at least part-time to keep your loan payments deferred.
 (a) True (b) False
20. You can pay the interest on an unsubsidized loan while still in school.
 (a) True (b) False
21. The grace period for a loan is one year after graduation. (a) True (b) False

Section II

22. I know how much money is in my bank account?
 (a) Always (b) Most of the time (c) Sometimes (d) Never
23. I check my bank balance?
 (a) Daily (b) Weekly (c) Monthly (d) More than a month ago
24. I use a budget, either formal or informal?
 (a) Always (b) Most of the time (c) Sometimes (d) Never
25. When I pay with a credit card I pay off the total amount due each month.
 (a) Always (b) Most of the time (c) Sometimes (d) Never
26. I overdraw my bank account.
 (a) Frequently (b) Infrequently (c) Never

Section III

Questions 27-39 are answered using the following scale:

- 1= Strongly Agree
 2= Agree
 3= neither Agree or Disagree
 4= Disagree
 5=Strongly Disagree

- | | | | | | |
|---|---|---|---|---|---|
| 27. There is no excuse for borrowing money. | 1 | 2 | 3 | 4 | 5 |
| 28. Students have to go into debt. | 1 | 2 | 3 | 4 | 5 |
| 29. You should always pay cash rather than charging. | 1 | 2 | 3 | 4 | 5 |
| 30. Debt is an essential part of today's lifestyle. | 1 | 2 | 3 | 4 | 5 |
| 31. Students should be discouraged from using credit cards. | 1 | 2 | 3 | 4 | 5 |
| 32. It is okay to incur a bank charge or overdraft, if you know you can pay it off. | 1 | 2 | 3 | 4 | 5 |
| 33. Once you are in debt, it is very difficult to get out. | 1 | 2 | 3 | 4 | 5 |
| 34. It is better to have something now than to wait until you have the money to pay for it. | 1 | 2 | 3 | 4 | 5 |
| 35. Taking out a loan is a good thing because it allows you to enjoy life as a student. | 1 | 2 | 3 | 4 | 5 |

36. Owing money is basically wrong. 1 2 3 4 5
37. You should pay off your credit card monthly. 1 2 3 4 5
38. Owing money does not bother me. 1 2 3 4 5
39. I am willing to incur student loan debt to attend college. 1 2 3 4 5
40. How many credit cards do you have?
 (a) 0 (b) 1-2 (c) 3-4 (d) More than 4

Section IV

41. What is your major? _____
42. After graduation do you plan to:
 (a) Enter the workforce (list job if known) _____
 (b) Attend graduate school
 (c) Attend a professional school such as law, medical, etc.
 (d) Other _____
43. How much do you expect your salary to be after graduating with your Bachelor's degree?
 (a) \$0.00-\$10,000 (e) \$40,001-\$50,000
 (b) \$10,001-\$20,000 (f) \$50,001-\$60,000
 (c) \$20,001-\$30,000 (g) \$60,001-\$70,000
 (d) \$30,001-\$40,000 (h) Over \$70,000
44. How much do you think your salary will be five years after graduation?
 (a) \$0.00-\$10,000 (e) \$40,001-\$50,000 (i) \$80,001-\$90,000
 (b) \$10,001-\$20,000 (f) \$50,001-\$60,000 (j) \$90,001-\$100,000
 (c) \$20,001-\$30,000 (g) \$60,001-\$70,000 (k) Over \$100,000
 (d) \$30,001-\$40,000 (h) \$70,001-\$80,000

Section V

45. Was cost important in your choice of college to attend? (a) Yes (b) No
46. Please pick your top three reasons for attending your college.
- | | |
|-------------------------------|-----------------------------|
| _____ Size of University | _____ Reputation/Quality |
| _____ Small Class Size | _____ Social Atmosphere |
| _____ Cost | _____ Friend Attending Here |
| _____ Textbook Rental Program | _____ Athletics |
| _____ Location | _____ Parents Attended Here |
| _____ Major Offered | _____ Other _____ |
| _____ Financial Aid | |

Appendix C

Majors and Average Salaries

* EIU Career Services
 ** Illinois Wage Data
 *** National Association of Colleges & Employees

1. Accounting	39,600*	39. Science Cert.	33,500*
2. Art	28,700*	40. Social Sciences Cert.	30,740*
3. Art Teacher	29,000*	41. Sociology	32,033***
4. Biological Sciences	32,300*	42. Special Ed. Cert.	33,250*
5. Business	33,500*	43. Speech Comm.	36,500*
6. Career & Tech. Ed.	30,000*	44. Sports Management	30,000**
7. Chemistry	32,500*		
8. Comm. Disorders & Sciences	41,000*		
9. Communication Studies	32,700*		
10. Computer Info Systems	39,500*		
11. Dietetics	25,310**		
12. Early Childhood Cert.	30,400*		
13. Economics	42,500*		
14. Elementary Ed.	28,900*		
15. Engineering	53,359***		
16. English	28,300*		
17. English Cert.	35,400*		
18. FCS	32,300*		
19. FCS Cert.	29,418**		
20. Finance	38,300*		
21. Foreign Languages	31,520***		
22. Foreign Languages Cert.	36,000*		
23. Geography	36,000*		
24. Health Studies	30,000*		
25. Health Studies Cert.	38,000*		
26. History	33,768***		
27. History Cert.	32,200*		
28. Hospitality Mgmt.	38,840***		
29. Industrial Technology	39,400*		
30. Journalism	33,500*		
31. Management	33,500*		
32. Marketing	34,900*		
33. Math Cert.	34,100*		
34. Nursing	41,292*		
35. PE	28,250*		
36. PE Cert.	39,300*		
37. Political Science	34,590***		
38. Psychology	27,000*		

Appendix D

College Education Borrowing Survey Results

1. Gender: (n=144)
 - (a) Female-59.7% (n=86)
 - (b) Male-40.3% (n=58)

2. To what racial/ethnic group do you belong? (n=143)
 - (a) Caucasian-86% n=123
 - (b) Hispanic-3.5% (n=5)
 - (c) African American-6.3% (n=9)
 - (d) Asian/ Pacific Islander-.7% (n=1)
 - (e) American Indian/Alaskan Native-0% (n=0)
 - (f) Other-3.5% (n=5)

Section 1

3. Are you receiving any type of financial aid to attend college? (n=144)
 - (a) Yes-56.9% (n=82)
 - (b) No-38.9% (n=56)
 - (c) Don't know-4.2% (n=6)

4. If you applied for financial aid, who filed the paperwork? (n=140)
 - (a) Self-12.1% (n=17)
 - (b) Parents-37.9% (n=53)
 - (c) Both-28.6% (n=40)
 - (d) Other-6.4% (n=9)
 - (e) Not Applicable-15% (n=21)

5. What type(s) of financial aid are you receiving? Circle all that apply. (n=141)
 - (a) Grant-23.4% (n=33)
 - (b) Loan-46.1% (n=65)
 - (c) Academic Scholarship-12.8% (n=18)
 - (d) Athletic Scholarship-2.9% (n=4)
 - (e) Don't know-8.5% (n=12)
 - (f) None-34% (n=48)

Total Responses-180

6. There are federal loans and private loans. What type of loan do you have? Circle all that apply. (n=142)
- (a) Perkins-5.6% (n=8)
 - (b) Stafford Subsidized-7.0% (n=10)
 - (c) Stafford Unsubsidized-7.7% (n=11)
 - (d) Private-5.6% (n=8)
 - (e) Don't know-48.6% (n=69)
 - (f) Not applicable-30.3% (n=43)

Total Responses-149

7. By the time you graduate from undergraduate school, what do you expect will be the **total** amount of debt you will have borrowed for school? (n=143)
- (a) \$0.00-29.4% (n=42)
 - (b) \$0.01-\$10,000-9.8% (n=14)
 - (c) \$10,001-\$20,000-18.9% (n=27)
 - (d) \$20,001-\$30,000-21.0% (n=30)
 - (e) \$30,001-\$40,000-9.8% (n=14)
 - (f) \$40,001-\$50,000-6.3% (n=9)
 - (g) Greater than \$50,000-4.9% (n=7)
8. Including interest, what do you estimate will be the **total** amount you will pay on your undergraduate loans assuming an interest rate of 7%? (n=140)
- (a) \$0.00-31.4% (n=44)
 - (b) \$0.01-\$10,000-7.9% (n=11)
 - (c) \$10,001-\$20,000-11.4% (n=16)
 - (d) \$20,001-\$30,000-15.0% (n=21)
 - (e) \$30,001-\$40,000-12.1% (n=17)
 - (f) \$40,001-\$50,000-12.1% (n=17)
 - (g) \$50,001-\$60,000-6.4% (n=9)
 - (h) Greater than \$60,000-3.6% (n=5)
9. How long do you expect it will take to pay back your loans? (n=126)
- (a) Less than 1 year -20.6% (n=26)
 - (b) 1-5 years-27.0% (n=34)
 - (c) 6-10 years-34.1% (n=43)
 - (d) 11-15 years-10.3% (n=13)
 - (e) 16-20 years-5.6% (n=7)
 - (f) 20-30 years-1.6% (n=2)
 - (g) Over 30 years-0.8% (n=1)

10. What do you expect to be paying per month on your loans? (n=128)
- (a) \$1.00-\$99-28.9% (n=37)
 - (b) \$100-\$199-14.1% (n=18)
 - (c) \$200-\$299-27.3% (n=35)
 - (d) \$300-\$399-18.0% (n=23)
 - (e) \$400-\$499-6.2% (n=8)
 - (f) \$500-\$599-3.1% (n=4)
 - (g) \$600-\$699-1.6% (n=2)
 - (h) Over \$700-0.8% (n=1)
11. How much do you worry or care about this debt? (n=138)
- (a) Very much -18.8% (n=26)
 - (b) Somewhat-36.2% (n=50)
 - (c) Very little-13.0% (n=18)
 - (d) Not at all-31.9% (n=44)
12. I plan to use my school loans to pay for: (Please circle all that may apply) (n=138)
- (a) Tuition -66.7% (n=92)
 - (b) Housing-42.7% (n=59)
 - (c) Other Education Expenses-22.5% (n=31)
 - (d) Entertainment-.0.7% (n=1)
 - (e) Spring Break Trip-1.4% (n=2)
 - (f) Not Applicable-26.8% (n=37)

Total Responses-222

13. Have you used a personal (not parent) credit card to pay for tuition and/or room and board? (n=143)
- (a) Yes-3.5% (n=5)
 - (b) No-96.5% (n=137)
14. Have you used a personal (not parent) credit card to pay for other educational expenses? (n=143)
- (a) Yes-18.9% (n=27)
 - (b) No-81.1% (n=116)
15. An unsubsidized loan is awarded on financial need? (n=140)
- (a) True-61.4% (n=86)
 - (b) False-38.6% (n=54)

Correct Answer: False

16. You have been awarded a Perkins loan and subsidized loan, but only need one. You pick the Perkins Loan for a better interest rate and repayment period. (n=138)
- (a) True-55.8% (n=77)
 - (b) False-44.2% (n=61)

Correct Answer: True

17. The interest on a subsidized loan is deferred until graduation, but the interest rate on an unsubsidized loan begins accruing immediately. (n=140)
- (a) True-63.9% (n=92)
 - (b) False-33.3% (n=48)

Correct Answer: True

18. The standard repayment period for a loan is 10 years. (n=141)
- (a) True-66.7% (n=94)
 - (b) False-33.3% (n=47)

Correct Answer: True

19. You must be attending school at least part-time to keep your loan payments deferred. (n=140)
- (a) True-74.3% (n=104)
 - (b) False-25.7% (n=36)

Correct Answer: True

20. You can pay the interest on an unsubsidized loan while still in school. (n=142)
- (a) True-78.9% (n=112)
 - (b) False-21.1% (n=30)

Correct Answer: True

21. The grace period for a loan is one year after graduation. (n=141)
- (a) True-56.7% (n=80)
 - (b) False-43.3% (n=61)

Correct Answer: False

Section II

22. I know how much money is in my bank account? (n=144)
- (a) Always-47.9% (n=69)
 - (b) Most of the time-39.6% (n=57)
 - (c) Sometimes-9.7% (n=14)
 - (d) Never-2.8% (n=4)

23. I check my bank balance? (n=144)
- (a) Daily-20.1% (n=29)
 - (b) Weekly-54.2% (n=78)
 - (c) Monthly -18.8% (n=27)
 - (d) More than a month ago-6.9% (n=10)
24. I use a budget, either formal or informal? (n=144)
- (a) Always-22.2% (n=32)
 - (b) Most of the time-34.0% (n=49)
 - (c) Sometimes-31.2% (n=45)
 - (d) Never-12.5% (n=18)
25. When I pay with a credit card I pay off the total amount due each month. (n=129)
- (a) Always-53.5% (n=69)
 - (b) Most of the time-13.2% (n=17)
 - (c) Sometimes-7.0% (n=9)
 - (d) Never-26.4% (n=34)
26. I overdraw my bank account. (n=144)
- (a) Frequently-4.2% (n=6)
 - (b) Infrequently-20.1% (n=29)
 - (c) Never-75.7% (n=109)

Section III

Questions 27-39 are answered using the following scale:

- 1= Strongly Agree
- 2= Agree
- 3= neither Agree or Disagree
- 4= Disagree
- 5=Strongly Disagree

27. There is no excuse for borrowing money. (n=144)
- 1-4.9% (n=7)
 - 2-11.8% (n=17)
 - 3-31.25% (n=45)
 - 4-31.25% (n=45)
 - 5-20.8% (n=30)
28. Students have to go into debt. (n=144)
- 1-3.5% (n=5)
 - 2-9.7% (n=14)
 - 3-26.4% (n=38)
 - 4-41.7% (n=60)
 - 5-18.7% (n=27)

29. You should always pay cash rather than charging. (n=144)
- 1-5.6% (n=8)
 - 2-22.9% (n=33)
 - 3-38.9% (n=56)
 - 4-25.0% (n=36)
 - 5-7.6% (n=11)
30. Debt is an essential part of today's lifestyle. (n=144)
- 1-4.8% (n=7)
 - 2-26.4% (n=38)
 - 3-27.8% (n=40)
 - 4-28.5% (n=41)
 - 5-12.5% (n=18)
31. Students should be discouraged from using credit cards. (n=142)
- 1-12.0% (n=17)
 - 2-26.0% (n=37)
 - 3-26.0% (n=37)
 - 4-26.8% (n=38)
 - 5-9.2% (n=13)
32. It is okay to incur a bank charge or overdraft, if you know you can pay it off.
(n=142)
- 1-5.6% (n=8)
 - 2-16.9% (n=24)
 - 3-28.9% (n=41)
 - 4-26.1% (n=37)
 - 5-22.5% (n=32)
33. Once you are in debt, it is very difficult to get out. (n=144)
- 1-9.7% (n=14)
 - 2-34.0% (n=49)
 - 3-33.3% (n=48)
 - 4-18.8% (n=27)
 - 5-4.2% (n=6)
34. It is better to have something now than to wait until you have the money to pay for it. (n=143)
- 1-3.5% (n=5)
 - 2-14.0% (n=20)
 - 3-28.7% (n=41)
 - 4-34.2% (n=49)
 - 5-19.6% (n=28)

35. Taking out a loan is a good thing because it allows you to enjoy life as a student. (n=144)
- 1-2.1% (n=3)
 - 2-30.6% (n=44)
 - 3-35.4% (n=51)
 - 4-26.4% (n=38)
 - 5-5.6% (n=8)
36. Owing money is basically wrong. (n=144)
- 1-4.2% (n=6)
 - 2-11.1% (n=16)
 - 3-29.2% (n=42)
 - 4-36.1% (n=52)
 - 5-19.4% (n=28)
37. You should pay off your credit card monthly. (n=144)
- 1-47.9% (n=69)
 - 2-31.9% (n=46)
 - 3-11.1% (n=16)
 - 4-4.2% (n=6)
 - 5-4.9% (n=7)
38. Owing money does not bother me. (n=143)
- 1-7.7% (n=11)
 - 2-16.8% (n=24)
 - 3-28.0% (n=40)
 - 4-27.3% (n=39)
 - 5-20.3% (n=29)
39. I am willing to incur student loan debt to attend college. (n=143)
- 1-12.6% (n=18)
 - 2-31.5% (n=45)
 - 3-37.1% (n=53)
 - 4-10.5% (n=15)
 - 5-8.4% (n=12)
40. How many credit cards do you have? (n=140)
- (a) 0-51.4% (n=72)
 - (b) 1-2-47.1% (n=66)
 - (c) 3-4-1.4% (n=2)
 - (d) More than 4-0.0% (n=0)

Section IV

41. What is your major? (n=144)
- Accounting-4.9% (n=7)
 - Biological Sciences-2.8% (n=4)
 - Business-5.6% (n=8)
 - Communication Disorders & Sciences-1.4% (n=2)
 - Communication Studies-5.6% (n=8)
 - Computer Information Systems-0.7% (n=1)
 - Dietetics-2.1% (n=3)
 - Early Childhood Education-2.1% (n=3)
 - Elementary Education-12.5% (n=18)
 - Pre-Engineering-0.7% (n=1)
 - English-1.4% (n=2)
 - English w/Teaching Certification-0.7% (n=1)
 - Family & Consumer Sciences-4.9% (n=7)
 - FCS w/Teaching Certification-0.7% (n=1)
 - Finance-1.4% (n=2)
 - Foreign Languages-0.7% (n=1)
 - Foreign Languages w/Teaching Certification-0.7% (n=1)
 - Health Studies-1.4% (n=2)
 - History-2.1% (n=3)
 - History w/Teaching Certification-1.4% (n=2)
 - Hospitality Management-0.7% (n=1)
 - Industrial Technology-1.4% (n=2)
 - Management-5.6% (n=8)
 - Marketing-1.4% (n=2)
 - Nursing-4.9% (n=7)
 - Physical Education-2.1% (n=3)
 - Physical Education w/Teaching Certification-4.9% (n=7)
 - Political Science-0.7% (n=1)
 - Psychology-2.8% (n=4)
 - Science w/Teaching Certification-0.7% (n=1)
 - Social Science w/Teaching Certification-0.7% (n=1)
 - Sociology-1.4% (n=2)
 - Special Education Teacher-6.2% (n=9)
 - Sports Management-1.4% (n=2)
 - Undeclared-11.8% (n=17)
42. After graduation do you plan to: (n=144)
- (a) Enter the workforce-64.6% (n=93)
 - (b) Attend graduate school-27.1% (n=39)
 - (c) Attend a professional school such as law, medical, etc.-7.6% (n=11)
 - (d) Other-0.7% (n=1)

43. How much do you expect your salary to be after graduating with your Bachelor's degree? (n=144)
- (a) \$0.00-\$10,000-1.4% (n=2)
 - (b) \$10,001-\$20,000-3.5% (n=5)
 - (c) \$20,001-\$30,000-11.1% (n=16)
 - (d) \$30,001-\$40,000-36.8% (n=53)
 - (e) \$40,001-\$50,000-22.2% (n=32)
 - (f) \$50,001-\$60,000-13.2% (n=19)
 - (g) \$60,001-\$70,000-7.6% (n=11)
 - (h) Over \$70,000-4.2% (n=6)
44. How much do you think your salary will be five years after graduation? (n=144)
- (a) \$0.00-\$10,000-0.0% (n=0)
 - (b) \$10,001-\$20,000-1.4% (n=2)
 - (c) \$20,001-\$30,000-0.7% (n=1)
 - (d) \$30,001-\$40,000-9.0% (n=13)
 - (e) \$40,001-\$50,000-22.9% (n=33)
 - (f) \$50,001-\$60,000-17.4% (n=25)
 - (g) \$60,001-\$70,000-17.4% (n=25)
 - (h) \$70,001-\$80,000-7.6% (n=11)
 - (i) \$80,001-\$90,000-7.6% (n=11)
 - (j) \$90,001-\$100,000-6.2% (n=9)
 - (k) Over \$100,000-9.7% (n=14)

Section V

45. Was cost important in your choice of college to attend? (n=144)
- (a) Yes-70.1% (n=101)
 - (b) No-29.9% (n=43)
46. Please pick your top three reasons for attending your college. (n=142)
- Size of University-62% (n=88)
 - Cost-54.9% (n=78)
 - Major Offered-39.4% (n=56)
 - Location-38.7% (n=55)
 - Small Class Size-24.6% (n=35)
 - Social Atmosphere-21.1% (n=30)
 - Friend Attending Here-18.3% (n=26)
 - Reputation/Quality-12.0% (n=17)
 - Textbook Rental Program-9.2% (n=13)
 - Other-5.6% (n=8)
 - Athletics-4.9% (n=7)
 - Financial Aid-3.5% (n=5)
 - Parents Attended Here-2.8% (n=4)