IMPACT OF STUDENT FINANCIAL ATTITUDES ON DECISIONS RELATED TO COLLEGE EXPENSES FOR LOW INCOME STUDENTS

A thesis presented by
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DEDICATION

This work is dedicated to my parents, Ismenia and Jose, my husband Alan and my son Christian. I appreciate the support, countless words of encouragement, and most importantly your love and guidance throughout the process.
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ABSTRACT

This study focused on how the cost of private education impacts low and moderate income students' perception of financial burden associated with student debt and the cost of education. The research focuses on one private institution with four campuses and explores how undergraduate survey respondents view their financial behaviors and financial perceptions and whether or not these behaviors or perceptions are impacted by literacy programs or parental interactions. The work reveals that students who are considered financially vulnerable felt a greater financial burden than that of their wealthier peers.

The results informed several recommendations for private institutions to support their student’s educational pursuits as well as recommendations on the federal level related to the federal financial aid policy.
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<tr>
<td>EFC</td>
<td>Estimated Family Contribution - Federal methodology which determines amount of the contribution by the family based on income and number in household, participation in free lunch program etc</td>
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<tr>
<td>FAFSA</td>
<td>Free Application for Federal Student Aid – a federal form for financial assistance</td>
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<tr>
<td>PELL Eligible</td>
<td>Federal Pell Grant Program provides need-based grants to low-income undergraduate and certain postbaccalaureate students to promote access to postsecondary education. This will be used as a proxy for financially vulnerable students.</td>
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<tr>
<td>PLUS</td>
<td>Federal loans that graduate students and parents of dependent undergraduate students can use to help pay for college or career school</td>
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Chapter 1

Introduction

In the late 1970s the federal government began to slowly alter the nation’s higher education policy by progressively shifting funding for higher education from educational grants to student loans. For more than 40 years, this shift in philosophy has continued and federal student loans have become the primary funding vehicles for low and middle income families. This, coupled with the fact that tuition rates have increased nationally by 400% since 1980, has created a gap in the educational landscape for financially vulnerable students (Baum & Payea, 2004). While tuition rates have more than doubled in the past three decades, income for the poorest families has only grown by 3%. These conditions have resulted in a greater reliance on student loans for students who are the most financially fragile. This greater dependency on loans correlates with higher default rates and tenuous student loan programs.

On an annual basis, the federal government earmarks over $105 billion in federal loan programs, a significant investment of taxpayer dollars (Baum & Payea, 2012). In order to ensure breadth of access to higher education, the most popular student loan program, the Federal Stafford Loan, does not subject borrowers to credit checks. In 2009, 49% of full time students participated in the federal student loan program; at private institutions, 61% of the enrolled population participates in the loan program (GAO, 2011). Research has shown that students from financially vulnerable backgrounds are more likely to rely on student loans to finance their educational goals (Baum & Payea, 2012). Historically, these students are also more likely to default on their student loan, creating a personal economic disadvantage for the student.
Since its inception, the federal financial aid process has come under scrutiny for its lack of clarity and ineffective design as a federal subsidy. The process of applying for financial aid is relatively simple and accessible yet complex to understand as the methodology employed by the federal government to calculate the family’s contribution is a formula which is not publicly available. To begin the financial aid process, students complete the Financial Application for Federal Student Aid (FAFSA) with their parent or legal guardian. The FAFSA relies heavily on parent/guardian information to determine the estimated family contribution (EFC) which is a federal formula used to determine how much a family may be able to contribute towards their child’s educational expenses. The EFC is also the marker used to determine Pell Grant (Pell) eligibility.

The federal Pell program is the most robust educational grant program offered through federal aid and is designed to mitigate financial barriers for the most financially disadvantaged students as they pursue their educational goals. The maximum amount available annually to a student is $6,000 and the minimum is $300, but amounts range based on the student’s EFC. For example, a student who participates in the free lunch program has an automatic zero (0) EFC and is eligible for the entire Pell Grant. The Pell Grant is renewable for a maximum of six years while the student is enrolled at institutions of higher education that offer recognized degree or certificate programs. The Pell Grant is accessible only when a family fully completes the FAFSA.

The FAFSA relies heavily on the child-parent relationship and assumes parents’ willingness and capacity to support their child in their chosen educational pursuits. Anyone who completes the FAFSA is given access to the Federal Stafford Loan, a program whose requirements can be changed at any point through governmental intervention. The program
assumes that the individual will be able to complete degree requirements and, therefore, meet repayment demands which begin a few months after the student separates from the institution, regardless of degree completion.

In their late teens, young adults make choices and enter into contractual arrangements that will impact and influence their educational pursuits and future. Some are able to rely on the expertise and guidance of their parents or high school guidance counselors, but many are left alone to manage financial decisions that can range from an average four year investment between $72,000 and $160,000, depending on the institution (Baum & Payea, 2012).

Tremendous responsibility is placed on these young adults as they assume this debt burden. Yet, there is little or no effort dedicated to ensuring that they understand the importance of their financial choices and how these choices may impact life choices in the future. In addition, there is little evidence that these students understand either how to manage money or the obligations of the Stafford Loan’s Master Promissory Note. Regardless, through this loan program alone, students have the capacity to borrow in a range from $27,000 to $45,000 over the course of four years. It is important to note that the $45,000 limit is for students whose families have not been approved for the federal PLUS loan due to credit issues. The existence of credit issues is, in and of itself, an indication that the family may be financially vulnerable and, therefore, lack strong fiscal management skills and the capacity to offer financial support to the student.

From a strictly economic perspective it is clear that federal subsidies have increased college attendance rates, but whether or not this has led to vast improvement in college completion rates is less clear. Students’ educational decisions related to enrollment and

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1 PLUS loans are federal loans that parents of dependent undergraduate students can use to help pay for college or career school up to the cost of attendance minus any federal aid.
persistence are influenced by many tangible and intangible factors. Tangible factors such as the students’ family’s socio-economic status, financial aid, and institutional aid in the form of need based or merit aid are easy to construct and model (Solheim, Zuiker, & Levchenko, 2011). Students’ intangible perceptions of their financial circumstances and familial expectations about college may ultimately impact institutional choice and future persistence behaviors. This may influence the student’s decision making model and provide the foundation for the student’s family’s cost benefit analysis (Solheim, Zuiker, & Levchenko, 2011). Many families question whether the social and fiscal return of a college education outweighs the capital investment required or the benefits from an alternative pursuit by the student or family.

It is rarely disputed that the value of a college education is immeasurable from both an economic and social context, but, in particular, the positive impact is greater for students who are considered financially vulnerable. It is estimated that a college graduate will earn 84% more than their peers who possess only a high school diploma (Pew Research Center, 2014; Collins, 2012). The federal government has a vested interest in educating the nation’s youth in order to assure a productive and sustainable economy. In his 2012 State of the Union Address, President Obama emphasized the collective responsibility of states and institutions of higher education, in coordination with the federal government, to promote access, affordability, and attainment in higher education by reining in college costs, providing value for American families, and preparing students with a high quality education to succeed in both their personal and professional lives (White House, 2012). A recent Georgetown study projected that in 2018, the United States will suffer a bachelor’s degree shortfall of close to three million graduates (Carnevale, Smith, & Strohl, 2013). Affordable education is the only way to achieve the
president's goal of achieving the highest proportion of college graduates in the world and, yet, affordable education remains elusive to millions.

Significance

The Higher Education Act (HEA) signed into law by President Johnson in 1965, and reauthorized over the past 40 plus years, was designed to secure access to higher education for students with limited financial resources. Initially these programs were intended to increase access higher education, but in an era when financial austerity is the norm, grant aid programs are in danger of being continually reduced or eliminated. In recent decades there have been policy decisions that replace grants with loans, resulting in those from low and moderate incomes to have a greater dependency on student loans to finance their educational pursuits. The College Board Trends in Student Aid (2011) indicates that 19% of the federal educational budget, approximately $34.5 billion dollars, is allocated to grant based aid (Baum & Payea, 2012). The federal loan program comprises 38% of the federal educational budget (Baum & Payea, 2012). In the 1970s, grants comprised 70% of all financial aid awarded while loans accounted for 30% of the federal allocation (GAO, 2011). The resources committed and allocated to the loan program are significant, but it is important to note that the loan repayment program also provides needed revenue of over $34 billion on an annual basis. The federal loan program underwent two significant changes in the 1990s which expanded the breadth and depth of the program; loan limits were expanded and access to the program became available to all regardless of income.

If the design of the federal program is to provide equal educational opportunity, it is fair to deduce that the program is meeting its objectives. Investment in federal aid programs has changed dramatically during the same time period. In the mid 1960s the federal financial
assistance programs for college students was approximately $557 million. In 1996, the commitment had grown to $55.7 billion. In 2011 the College Board estimated the total federal investment in aid programs, which includes tax credits, at well over $185 billion. This investment increase correlates with the increase in access. Since 1979, access to college education has increased significantly. Gaps in completions rates still exist when the information is analyzed by race, age, and income; these still persist for students from particular socioeconomic statuses, as illustrated by Figure 1.

**Figure 1: Degree Attainment Over 35 Years by Income**

![Degree Attainment Over 35 Years by Income](image_url)

Source: Based on data from Postsecondary Education Opportunity, “Bachelor’s Degree Attainment by Age 24 by Family Income, Quartiles” 1970 to 2009.

The gaps in completion rates are perplexing but may be explained by the lack of resources available to low income students during their first few years of college and the choices they make related to which institutions to attend and how to finance their educational pursuits. These completion rate gaps contribute to default rates. Students who participate in the student loan program are required to repay their student loan upon separation from the institution. Individuals who do not complete degree requirements are more likely to be underemployed and, therefore, unable to meet the repayment obligation of the student loan. Although there are
programs to ease repayment burden, these programs often go unused by individuals who would benefit the most from income contingent repayment plans.

In the past twenty years, researchers have focused on understanding the characteristics of student loan defaulters with reasonably consistent results. These studies demonstrate a significant relationship between defaulters based on race, household structure, and income levels. If this is the case, it raises the question as to why so little has been done through policy development at the federal level, as well as at the institutional level, to focus on students who present with these characteristics. The examination of high risk student characteristics, attitudes, and perspectives may provide valuable insight on how to strengthen and implement intervention strategies, as well as inform long term policy debates on access to education. This study will contribute to the body of knowledge that may be used to support intervention strategies prior to college enrollment or while enrolled in college. The research may also provide support for the ongoing debate within the Department of Education on how to address high risk student college completion rates and improve accessibility without placing undue financial burden on the student or the institutions that serve them.

**Research Purpose**

The purpose of this study is to examine how the combination of student characteristics, and financial behaviors, factors, and perspectives influence the decisions made by low income students on how to finance their educational expenses and planned repayment schedules. Specifically, the study will focus on whether students from disadvantaged backgrounds are more likely to over-extend their financial resources in pursuit of a college education and the subsequent impact of this decision on repayment patterns.
Clearly, there is a relationship between students’ income and their financial capacity to meet their educational objectives. Students who identify as low or moderate income identify being more financially burdened by the cost of education. This burden may impact the student’s ability to complete degree requirements or to invest in life stages such as buying a home, beginning a family or pursuing a graduate degree. There is an opportunity to evaluate intervention strategies at both the institutional and federal levels to support degree completion and sound fiscal preparation for the investment in college. There appears to be a significant relationship between race, income, communication, and the perception of debt burden. This relationship can be managed and mitigated in the decision making process and selection of an institution in higher education.
Chapter 2  
Literature Review

Since 1980s, the cost of education has increased dramatically. This, coupled with changes in educational financial aid policy, has created an environment in which students are more dependent on federal loans as a financing vehicle, especially for low and middle income families. The College Board reports that in 1989, 27% of all undergraduates relied on the Federal Stafford Loan compared to 38% of the undergraduates in 2013 (Baum & Payea, 2012). This greater dependency on student loans and significant tuition increases has translated into a higher debt burden for students. The Trends in Student Aid report found that 65% of private nonprofit four-year college bachelor’s degree recipients who graduated with debt in the spring of 2012 borrowed an average of $29,900; this is an increase of 24% or $5,000 since 2002 (Baum & Payea, 2012). The cost of education and the reliance on student loans have both grown exponentially in this time period, which has led to an increase in student loan defaults. According to the Federal Reserve Bank of New York, among the 37 million borrowers who have outstanding student loan balances, 14%, or about 5.4 million borrowers, have at least one past due student loan account (Brown, Haughwout, Lee, & van der Klaauw, 2012).

In the 1970s, 70% of all federal financial aid was in grant form. Today, grant funding accounts for only 38% of the federal aid budget. The federal allocation has moved from grants to loans. One of the primary reasons is that the loan program brings in much needed revenue. In 2012 alone, the federal government was projected to receive $34 billion from student borrowers. These funds are often used to balance budgets and finance other federal expenditures unrelated to education (American Student Assistance, 2013). As need based grant funding at both the state and national levels continues to decline, the need for student loans continues to grow, creating a financial gap for many and limiting access to higher education. This gap is exacerbated by race
and region of the country and, according to Patrick Kelly (2005), requires states and the federal
government to intervene.

The design of the federal loan program provides greater access to financial resources for
students whose families may be challenged by credit issues. This increases the student’s
capacity to take on additional debt, yet the additional debt limits the student’s ability to complete
degree requirements. A study published in 2007 by Dr. Dongin Kim found that student loans had
a substantial negative effect on degree completion for low-income students and a modest
negative effect for middle-income students. This effect was greater for African American
students from low income backgrounds.

Kim’s research suggests that students from different socioeconomic backgrounds and
racial/ethnic groups may have different levels of tolerance for student debt, ultimately impacting
degree completion. This implies that price sensitivity not only applies to tuition costs, but to
loans as well. Elliott and Friedline assert that student loans represent the student’s investment
towards educational expenses (Elliott & Friedline, 2013). Yet, this investment does not signal
higher completion rates nor does it indicate stronger commitment (Cabrera, Napierksi-Prancl,
Szelest, & Volkwein, 1998).

The perception or reality of debt burden and dissatisfaction is felt most strongly in
African American and Hispanic students (Baum & Payea, 2004). The perceived debt burden
may limit the capacity of young adults to fully participate in economic and academic life. In fact,
a recent survey conducted by American Student Assistance found that, out of the 259
respondents, 63% indicated that their debt affected their ability to make larger purchases such as
a car or home; 43% said that their debt has delayed their decision to start a family; over 47%
delayed a decision to attend graduate school or start their own business (American Student
Assistance, 2013). The most troubling statistic from this survey is that 30% of graduates with student debt put off pursuing their preferred career choice because of the need to earn a specific dollar amount in order to repay their student debt. The decision to delay significant life choices as described in the American Student Assistance study may impact the nation’s ability to continue to fully recover from the economic recession of recent years.

If the impact of delaying a life decision is more pronounced for minority and low and moderate income students, then the national federal aid policy must be reexamined to ensure equity and access to higher education. It is important to note that income inequality by race persists for college graduates. According to data from the U.S. Census Bureau, Asian and White workers had the highest median earnings for those with a high school degree, bachelors or advanced degree. African American and Hispanic workers had the lowest median wages among those who did not complete high school as well as those who completed a bachelors or advanced degree (Ryan & Siebens, 2012). In addition to race and socio-economic status, other studies have found that age, family structure, and parental education are factors that predict default rates (Cunningham & Kienzl, 2011; Loonin & McLaughlin, 2012). It is clear that a convergence of factors such as race, age, household structure, and income can be melded into signals that demonstrate a greater likelihood of default or lack of persistence.

**Student Characteristics Related to Default**

Students who default share similar characteristics; they were more likely to self-identify as a minority and come from a low socio-economic background. Different empirical studies found conflicting results on the impact of gender. In separate studies, Woo and Flint found that being male increased the likelihood of default and, yet, Cabrera et al. found no significant
difference in the likelihood of default based on gender. A positive relationship between age and default was noted in almost every study. Most researchers attributed the relationship between age and default to the increased financial burdens that accompany age, such as home ownership and raising young families (Cabrera, Napierski-Prancl, Szelest, & Volkwein, 1998; Woo, 2002).

Race and ethnicity figure prominently in almost every study of student loan default and degree completion. The findings on the impact of race and ethnicity are remarkably consistent; most identify a significant relationship between race and default, as well as race and educational attainment. In these studies, students of African American descent are more likely to default or not complete degree requirements than their White, Hispanic and Asian counterparts (Cabrera, Napierski-Prancl, Szelest, & Volkwein, 1998; Loonin & McLaughlin, 2012; Woo, 2002).

It is difficult to establish whether race is the underlying factor in default or whether the inability to complete degree requirements leads to conditions that result in default. Cabrera et al. suggest that race may actually be a surrogate for other conditions such as income levels. For example, African Americans, and Hispanics are more likely to be underemployed and/or under educated, impacting labor force potential, which is also related to student default rates.

A borrower’s ability to engage in timely repayment is directly related to his/her income. As noted by the Pew Research Center (2014), the income of degree completers is higher than that of non-completers or high school graduates. In fact, their analysis found that recent college graduates who are employed full time earn approximately $17,500 more annually than non-degree completers. College graduates also have lower unemployment rates than that of their less-educated peers, at 3.8% vs. 12.2%. These gaps in wages and employment rates are greater today than at any other time in the nation’s current history which is likely due to a slow
economic recovery but also indicative of a labor market that demands greater certification (Pew Research Center, 2014).

Students who do not complete degree requirements are more likely to be unemployed or underemployed and, therefore, lack the financial resources to meet their student loan obligations. This has a disproportionate impact on low and moderate income students, as the purchasing power of low and moderate income students in 2002 decreased by over 24% from 1997 levels (Kelly, 2005). In particular, the decrease in purchasing power impacts students who are Pell eligible. Thirty years ago the Pell Grant covered 69% of tuition. Today, at a public institution, the Pell Grant covers only 34% of tuition costs. The gap created by less purchasing power creates a challenging financial environment for the student, as they must then decide whether or not to take on private debt, choose a different college, delay college attendance, or take on additional hours at work in order to close the gap. Any one of these decisions can negatively impact the individual’s ability to complete degree requirements.

As one might expect, there are two mechanisms that link income to persistence, degree completion, and repayment patterns within the literature. First, students from lower socioeconomic backgrounds are more reliant on student loans as a way to finance their educational pursuits and are more likely to default on their student loans due to the lack of financial resources. In most cases, students from lower income brackets are also eligible for more federal Stafford Loan money when their parents are denied a PLUS loan\(^2\), increasing their overall federal debt capacity from $23,000 to $45,000. When asked about financial burdens, students from lower socio-economic backgrounds report feeling a greater financial burden associated with attending a college or university than their wealthier peers (Baum & Payea,

\(^2\) Parent Loan for Undergraduate Students; a low-cost student loan offered to parents of students currently enrolled in post-secondary education who borrow money on behalf of the student.
2012). While high-income households are more likely to have student loan debt, low-income households carry the greatest student loan debt as a share of household income (Elliott & Nam, 2013). As family wealth increases, students are less likely to default. Higher income students appear to have a strong supportive financial safety net that provides access to their parent’s financial resources as a strategy to repay their student loan (Elliott & Friedline, 2013).

Second, income inequality plays a critical role in a student’s ability to access higher education. This, coupled with increases in tuition rates and a reduction in state and federal student assistance programs, has created conditions in which lower income students are financially overburdened. Education Trust estimates that even after grant aid, low income families would have to contribute almost three-quarters (72%) of their annual household income to support one child at a four-year college (Lynch, Engle, & Cruz, 2011). Compare this statistic to that of middle and high income families who contribute 27% and 14% respectively. This financial burden may serve to explain why students from low income backgrounds pursue higher education at lower rates than that of their peers (Lynch, Engle, & Cruz, 2011). A Pell Institute study completed in 2005 indicates that only 31% of students from low income backgrounds go on to attend a college or university compared to their middle and high income peers who attend at 56% and 75% respectively (O'Brien, 2005). These studies make clear that income impacts access. To the extent that income also impacts completion rates there may be a direct relationship to higher default rates. In addition, this raises the question of whether or not students can truly focus on “degree completion” when they are weighted down with the stress of a significant financial burden. This fact was evidenced in Kim’s analysis of the Beginning Post-Secondary Student (BPS) surveys when she found that the higher the amount of student debt in the student’s first year of college, the less likely the student was to complete degree
requirements. Kim’s study found that an additional $1,000 in student loans had a significant
negative effect on persistence and degree completion for African American students. There was
less of an impact on Hispanic and Asian students and a smaller impact experienced by White
peers. The negative relationship between debt and degree completion was particularly strong for
low income students and African American students. The negative effect on first year retention
rates was not seen in their higher income peers (Kim, 2007).

Characteristics of student defaulters cannot be addressed by the current educational
policy on student loans and default monitoring. There is, however, an opportunity to assist
students and families who present certain characteristics through intervention strategies. African
American, Hispanic and low income students could benefit greatly from a deeper understanding
of the financial aid process and integration into the community to meet college costs (Herr &
Burr, 2005). This may also present an opportunity for institutions who serve this population to
support these students with greater institutional aid.

Family Characteristics Related to Default

Family characteristics focus on parent educational status, family structure, and
expectations. Studies have found that when a student is defined as the head of household and
claiming dependents, he/she is more likely to be of lower socio economic status, more likely to
borrow more, and default at higher rates. These students also experience a greater financial
burden than that of their dependent³ peers (Clarke, Heaton, Israelsen, & Eggett, 2005; Cabrera,
Napierski-Prancl, Szelest, & Volkwein, 1998; Ionescu, 2009). Cabrera et al., estimate that the
likelihood of default increases by seven percent when the head of household is divorced,

³ Dependent as defined by the DOE is considered a student under the age of 24 or without dependents
separated, or a single parent; students whose backgrounds suggest a “traditional household setting,” which is defined as a two parent household, default at a lower rate (Elliott & Friedline, 2013). As noted earlier, “traditional” family structures may help students avoid default by providing fiscal and emotional support through a financial safety net during the students’ educational progression. Yet, some studies indicate that the greater the number of children in the traditional household increases the potential for default, primarily due to the fact that the family’s resources are stretched to a greater degree and, therefore, limit the family’s financial capacity to support the student, thus requiring the student to depend more heavily on student loans (Herr & Burr, 2005).

There seemed to be a strong link between the student desire to pursue education and the parents’ willingness to support and contribute to educational expenses. Parents appeared willing to provide both financial and emotional support to assist their children when children signaled their commitment to advancing their educational goals (Elliott & Friedline, 2013). The authors of this study, however, did not explore the relationship between expectations, educational investment, and default. A much smaller study explored the differences between parent and college student financial values. The results indicate a generational difference between parents and students in evaluating the investment in higher education (Dilworth and Englebrecht, 2000). Most students viewed attending college as a necessity. Parents, however, saw it as an investment in the children’s future, but not a necessity. A larger longitudinal study conducted at the University of Arizona found that parents with higher expectations of their children to perform well academically and pursue a college education had positive influence over their student’s educational and financial decisions and provided the necessary support to complete degree
requirements (Shim, Serido, & Xiao, 2009). Financial socialization, as well as formal financial literacy, appears to influence financial attitudes.

The home environment is strongly linked to the student's understanding of financial matters (Clarke, Heaton, Israelsen, & Eggett, 2005). Students who are exposed to good financial practices and who discuss financial issues with their families are better equipped to manage financial decisions. Some studies have found that the transfer of financial knowledge is more limited in financially vulnerable households. One study in particular surveyed 1,000 families with children between the ages 6-17 and found that a greater proportion of families with lower socio economic backgrounds reported being ill prepared to instruct their children in good financial practices compared to high income families (EBRI, 2001). Parents who reported feeling less prepared were also more reluctant to discuss finances with their children (EBRI, 2001). There is little research in this area, so the impact of financial behaviors on a student’s educational and financial decisions requires further exploration.

A survey conducted by Noel Levitz (2011) found that 40% of first generation college freshmen acknowledge some level of financial difficulty paying for college. Further, students whose parents have extended formal education are less likely to default (Cabrera, Napierski-Prancl, Szelest, & Volkwein, 1998). Parental income and educational status are intertwined, so it is difficult to determine which of these factors impacts the students’ financial decision related to the pursuit of higher education. Conversely, there are many studies which indicate the parent-child relationship can positively influence the educational outcomes of the student independent of the socioeconomic characteristics of the family (Coleman, 1988).
**Educational Attainment and Default**

Degree completion is another factor in the complex fabric of predicting student default. Several studies indicate that completing a degree substantially lowers the likelihood of default. Students who complete degree requirements only have a 2% chance of defaulting. Students who drop out are 14% more likely to default (Stiener & N.Teszler, 2005). There is a similar relationship to academic credits completed; the more credits completed the less likely a student is to default (Cabrera, Napierski-Prancl, Szelest, & Volkwein, 1998). Financial stress is often considered an impediment to strong academic performance in the classroom. One survey found that 79.2% of the respondents worried about financial debt (Cabrera, Napierski-Prancl, Szelest, & and Volkwein, 1998). Students concerned with finances are likely to be distracted from their educational goals as they contemplate funding strategies for not just educational expenses, but also living expenses. These strategies often include a reduced credit load and increased work schedule in order to fund educational expenses. The high levels of financial stress experienced by students places responsibilities on institutions to identify financially vulnerable students earlier in their academic career in order to improve retention, graduation, and default rates. As noted earlier, several studies have identified a strong relationship between the amount of debt in the students first year and his/her ability to complete degree requirements. This appears to contradict Woo’s study in 2002, which found that students with higher indebtedness are less likely to default. Woo’s finding demonstrates that debt accrued over the course of the students’ academic career is closely aligned to the relationship between degree completion, debt levels, and strong repayment behaviors. When reconciling the findings of the two studies, it appears that early in a student’s college experience, the amount of debt he/she carries does impact degree completion, but as students get closer to graduation, that factor does not have the same impact.
Financial Educational Tools

The data on the impact of financial literacy programs on students’ perceptions of debt and defaults are limited. In fact, much of the research in this area is focused on the relationship between financial literacy programs and other social services, such as housing and financial assistance programs. In 1997, Jump$tart surveyed financial literacy amongst high school students and, in recent years, expanded its survey tool to include college students. This organization defines financial literacy as “the ability to use financial knowledge and skills to manage one's financial resources effectively for a lifetime of financial security” (Mandell, 2008). One of the challenges with a financial literacy program is measuring pre and post outcomes. Mandell’s work in 2008 suggests there is little correlation between a high school student's financial knowledge and whether or not he or she has completed a financial literacy course (Mandell, 2008). Financial literacy programs, however, do appear to provide both youth and adults with a better understanding of financial products and make him or her more likely to pursue the use of these products, such as loans, credit cards, and bank accounts (Mandell, 2008).

Until 2009, college students were targeted mercilessly by credit card companies, which can place the student at risk if the credit is not managed appropriately. Students who are the most financially vulnerable are more likely to prioritize personal credit card debt repayment over student debt (Pinto & Mansfield, 2006).4 This may be due to a lack of understanding of the impact of student loan repayment on credit worthiness (Pinto & Mansfield, 2006). This is especially the case given Clarke et al.’s finding about the transmission of financial literacy within families (Clarke, Heaton, Israelsen, & Eggett, 2005). Parents who model strong fiscal behaviors and engage in financial discussions are able to provide their child with guidance on

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4 Financially vulnerable defined as an individual with a maximum credit card debt or just making minimum payments.
how to prioritize debt. Is the decision to prioritize credit card debt over student debt predicated on the student's and family’s understanding of repayment and deferment programs available to student loans? Financially literate parents and students are likely aware that the federal student loan program only reports delinquency to credit bureaus after 90 days. The federal loan program also provides safety nets for students who are unemployed or chose to go back to school through deferment and forbearance programs.

Research on the effectiveness of financial literacy tools is limited, but even the limited results are varied. The relationship between participating in financial literacy programs and improved financial knowledge was minimal. There was little or no difference between control groups and treatment groups, but one study did find that mandated high school financial curriculum did yield some positive results related to increased savings rate and a broader interest in the topic of finances (Bernheim, Garrett, & Maki, 2001). Another study indicates some improvements in self-reported knowledge and noted a slight improvement in credit scores and savings rates upon completion of a mandated financial literacy program (Collins, 2012). One of the goals of a financial literacy program is to improve financial knowledge, but it should also make the case for the value of a college education as a mechanism for improving one’s life conditions. This is important as the benefits of higher education have been well documented over time. According to Georgetown Center on Education and the Workforce (2011), a college degree is associated with median lifetime earnings of $2.8 million greater than that of a worker with a high school diploma (Carnevale, Smith, & Strohl, 2013). The Pew Research Center’s recent report (2014) highlighted an ever increasing income gap between high school graduates and college graduates as well as "quality" of life measures, such as health and unemployment rates. High school students who do not pursue a college degree or some level of professional
training may find themselves in an unbreakable cycle of poverty; this impacts not only the individual but society at large.

Attitudes

Financial attitudes are influenced by parental interaction, exposure to financial literacy programs, risky behavior, social norms, and socioeconomic status (Shim, Serido, & Xiao, 2009). Shim et al. found that students whose self-reported attitudes towards financial behaviors were “fiscally responsible” identified as being positively influenced by social norms, perceived themselves to be in control of their financial behaviors, engaged in less risky financial behavior, and incurred less debt (Shim, Serido, & Xiao, 2009). Interestingly, students who perceived themselves to be in control of their finances also tended to make only a portion of a payment, make a late payment, or miss a payment. These individuals were still less likely to default, but seemed more open to taking more risks with their credit behaviors.

Generational differences set the stage for parents and children to view money and the allocation of money from differing perspectives. Dilworth et al. (2000), examining how parents and students conceptualized money and its allocation, noted that neither generation saw value in debt reduction related to college expenses (Dilworth, Chenoweth, & Englebrecht, 2000). If debt reduction was mentioned it focused on reducing credit card debt. One unexpected finding was that students valued savings as a mechanism to prepare for emergencies and did not see savings as an opportunity to fund future expenditures. This can ultimately impact financial decisions related to college expenses. When asked to conceptualize education costs, students viewed

5 Students rated themselves on a scale of 1-5 from unfavorable to very favorable on financial behaviors such as track spending, follow budget, pay credit cards on time, save money on a monthly basis, invest in long term goals, learn about money management.
educational costs as a necessity in their future and parents viewed educational costs as a long term investment.

Having a bank account also related to default. Students who do not have a relationship with a financial institution (i.e. a bank) are more likely to take on greater debt (student and consumer) and default at higher rates (Higher One and EverFi, 2012). The findings of this study indicate that the federal student loan program may suffer from a lack of clarity, as a high percentage of students believed that if they do not complete their degree requirements then they do not need to repay their student loans.

**Conclusion**

A student’s decision to pursue a college education is not only influenced by their ability to finance that educational choice, but is also likely to be influenced by other characteristics such as race, income, and ability to academically access education. There is a disproportionate impact on minority students from low and moderate incomes and several factors seem to intersect. Based on the literature, meaningful interventions could support these students in meeting their educational goals, as demonstrated by the Pathways program at the University of Arizona (Shim, Serido, & Xiao, 2009). It is evident that parental support and knowledge of the financial aid process improve the student's chances of accessing higher education, but the cost of an affordable education is still too great for many. The availability of more federal based grant aid may ease the debt burden incurred by certain students. The question of whether or not this is possible in the foreseeable future is one that seems to defy an answer. At the moment there are no current plans in the nation’s educational agenda to provide greater access to grant aid for students who are considered financially vulnerable. The Department of Education and the current
administration are determined to improve and modify financial aid policy by strengthening equity and access, thus creating a dynamic environment to revisit the policy landscape.

The importance of education has never been more apparent. In 2010, Arne Duncan, Secretary of Education, was quoted as saying, “Education predicts disparities in life chances, outcomes, life incomes and the disparity has never been starker” (Solheim, Zuiker, & Levchenko, 2011). The time is right to make a change to the current federal aid policy. The challenge is the ability to allocate resources appropriately to ensure access to affordable higher education for segments of the population who have struggled to gain access and who continue to struggle to acclimate and complete degree requirements.

A missing element from much of the previous work is an exploratory study on the perspectives of low income students and how they make their financial decisions related to the pursuit of higher education. The current literature does not fully explore the perceptions of students at private institutions; much of the work is focused on publics and for-profits in a manner that will inform future intervention strategies and policy development. Thus, developing an understanding of financial perspectives of a diverse group of students who have selected private education may inform intervention strategies at the institutional level and policy modifications for the future.
Chapter 3
Methodology

The primary concern in this study is whether or not there is a disproportionate financial burden on students who are financially vulnerable. This study examined the relationship between students’ financial attitudes and their educational decisions related to student loans and repayment patterns and the students’ perception of financial burdens by surveying currently enrolled students at a national private, not for profit university. The following research questions were examined:

1. Is there a perceived disproportionate financial burden placed on students of low incomes who pursue private education? If so, does this create a perceived barrier to degree completion and future loan repayment?

2. Do financial perspectives impact students’ financial decisions related to educational pursuits? Specifically, are educational pursuits influenced by family dynamics or financial literacy programs?

In order to examine this complex issue, a mixed method approach was applied in a case study. The case study involved a survey that collected data on the values and attitudes of students in a single university system. This case study focused on Johnson & Wales University, a Not for Profit private university in an urban campus environment with four locations (Providence, RI.; North Miami, FL; Charlotte, NC and Denver, CO) and a total undergraduate enrollment of 14,700. Approximately 38% of the student body is considered Pell eligible.
Sample

The study included all four Johnson & Wales University campuses to allow for a comparison by regions of the country. Each campus has a regional footprint that expands 500 - 1000 miles beyond its state’s borders. The campuses participate in a national recruitment program with enrollment from 48 states and 94 different countries. Each campus serves a uniquely diverse student body that was recruited and admitted under similar admissions policies. For example, the Denver campus serves a population mostly comprised of White and Hispanic students of moderate income while the North Miami campus serves primarily Hispanic and African American low income students. The composition of the Charlotte campus is more aligned with the North Miami campus. The Providence campus is the largest of the four and boasts the most international enrollment. It is important to note, that although each campus subscribes to the same admissions criteria, the students at the North Miami campus are academically more fragile.

The student profiles differ from campus to campus based on race, geography, domestic versus international, academic profile, default rates, and socioeconomic profile. This diversity will allow for further exploration of the variability of students’ perspectives from differing regions of the country and provide for a robust sample. The sample included fulltime undergraduate students from all four campuses who receive some type of federal aid and were enrolled in an accredited academic program during the 2013 Winter term. These participants were invited to complete a questionnaire on student values and financial experiences via an online survey tool (Survey Monkey).

Students who are freshmen and sophomores at all campuses have been offered an online financial literacy program. With the exception of Charlotte, it is not a mandatory program. Students from the Charlotte campus are required to take a financial literacy program in their first
year experience program. The financial literacy program for all campuses uses various modules to acquaint students with different financial concepts. Students who have participated in these online modules have been exposed to lessons about the requirements of repaying student loans, appropriate use of credit cards, impacts on financial credit scores for non-payment, and various tips for creating and adhering to a specific budget. As noted in the literature review, this type of financial literacy exposure may impact their financial perceptions which will need to be evaluated in the analysis.

A total of 12,805 students received the survey via email. There was a 58% open rate. In order to achieve a 95% confidence interval with a 5% margin of error, the sample size would need to reach 372 respondents. For the purpose of this work, the initial target sample size was 600 respondents. Based upon Winter term enrollments, the target to achieve was 210 responses from the Providence campus, 150 responses each from the Charlotte and North Miami campuses and 90 responses from the Denver campus. The survey response rate exceeded the initial target and, therefore, did not require additional outreach to the student population. A total of 964 respondents began the survey and 904 students completed the survey in its entirety (response rate of 7%), which met the needs of the study.
Table 1 Distribution of Survey Respondents across Campuses

<table>
<thead>
<tr>
<th>Target Sample</th>
<th>Providence</th>
<th>Charlotte</th>
<th>North Miami</th>
<th>Denver</th>
<th>System Wide</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>210</td>
<td>150</td>
<td>150</td>
<td>90</td>
<td>600</td>
</tr>
<tr>
<td>Actual</td>
<td>570</td>
<td>181</td>
<td>99</td>
<td>108</td>
<td>958</td>
</tr>
<tr>
<td>Difference</td>
<td>+360</td>
<td>+31</td>
<td>-51</td>
<td>+18</td>
<td>+358</td>
</tr>
</tbody>
</table>

| % of survey sample | 59.5% | 18.9% | 10.3% | 11.3% |
| % of total student enrollment at JWU | 60% | 17% | 14% | 9% |

As seen in Table 1, the sample obtained bears a strong relationship to the distribution of the student population across the four campuses, with the exception of two campuses. The North Miami campus had a lower than anticipated response rate to the survey. There was also a slight over representation from the Denver campus; that campus enrollment is approximately 9% of the overall University student population, yet Denver respondents account for 11.3% of survey responses. It is unclear why there was a lower response from the Denver campus, but the strong resemblance to the overall student population will allow for broader generalizations and support the construction of actionable steps for the University.

There was a difference in response rate by gender, but this is not surprising based on results of recent university surveys. These studies found that female students respond to surveys at much higher rates (Sax, Gilmartin, & Bryant, 2003). The overrepresentation of females requires gender to be analyzed to ensure that the findings are representative of the entire sample and not biased by female responses. This is of particular importance in developing sound
recommendations and strategies for the higher education community and within the context of federal policy.

**Pilot Study**

A pilot study for evaluating student’s financial values was conducted by assembling a small group of students (four) to participate in the completion of a survey instrument. The tool was composed of several closed and open ended questions. After the students completed the survey, they were asked questions to ensure a clear understanding of the responses and questions posed. The results indicated that the survey instrument needed to be more specific and include socio-economic background questions including race, income, and family structure. The pilot group students completed the survey in less than five minutes and seemed to understand the construct of the survey.

**Data Collection**

The questionnaire was comprised of 25 closed and open ended questions. The questions were developed after a review of the literature which highlighted similar studies of this nature and were separated into three specific categories; demographic data, financial behaviors, and financial perspectives. Demographic questions focused on race, gender, income, year in school, parental educational attainment, household structure, Pell Grant (Pell) eligibility, and campus. Financial behavior questions focused on applying for federal aid, credit card usage, budget practices, purchases, and intentions to repay student debt. Financial perspectives included questions regarding financial literacy, preparations for educational expenses, communication
frequency and patterns with parents or legal guardians, and perception of student debt. There were five open ended questions, which were examined using general content analysis.

Data Analysis

One of the primary components of this research was to define and understand behaviors and attitudes of students who identify themselves to be financially vulnerable. The study did not allow for the analysis of specific student data within the student information system and, therefore, this characteristic is self-identified by the survey respondent. Similar to the work by Pinto and Mansfield (2006), Pell eligibility was used as a proxy for income. Students who indicated Pell eligibility are classified as financially vulnerable for the purposes of this study.

Descriptive statistics and frequencies were run in SPSS to evaluate participant responses and, when appropriate, the relationship between responses and student demographic data was examined in greater detail through the use of layered crosstabs and Chi-Square analysis for significance. The use of crosstabs and Chi-Square tests are appropriate as most of the data elements collected are categorical in nature.

The data analysis focused on whether or not financial attitudes influence students’ decisions. The analysis was guided by the following sub questions:

1. Is the relationship between race, financially vulnerability and individual questions on the survey significant? Is there a significant difference between respondents who are considered financially vulnerable compared to those who are not?

2. Are student spending patterns and student debt connected to a student’s financial attitude? Does this relationship change based on the student’s income or race?
The content analysis began with a general text analysis in Survey Monkey which identified the most commonly used words in the responses. This helped identify general categories. The responses were then exported to Excel and examined to ensure that the general categories were indeed reflective of the full responses provided by the student. The categories were the foundation for the themes that emerged based on the examination of the responses. In many cases, the themes reflected findings from earlier work in the area of financial literacy, budget practices, and student perceptions. The themes that emerged materially supported the development of a narrative that would be pertinent to addressing the research questions and providing context in development of recommendations.

These relationships will be examined in greater detail in Chapter 4. In order to draw generalizations and recommend strategies from a campus perspective, it will be important to understand how survey respondents compare to the demographic data of general student body. If the composition of the sample is representative of the general University population, the findings and recommendations may be applied to college students who attend institutions with a similar composition across the nation.

**IRB**

Prior to undertaking the research project there was required approval from the Institutional Review Board (IRB) at both institutions (Johnson & Wales University and Northeastern University). The IRB processes at both institutions were very similar and required an application, as well as a copy of the thesis proposal and survey tool. Throughout the IRB process and the data analysis, it was important to ensure anonymity for participants. No personally identifiable information was collected on the survey. The Johnson & Wales
University Office of Institutional Research, in conjunction with Student Communications, controlled access to student email addresses, and, therefore, managed the communication with survey participants. Students who met the inclusion criteria were sent an email from the University Executive Director of Student Academic and Financial Services describing the purpose of the survey with an embedded link to the unsigned consent form and survey tool. (Appendix A). The survey was sent to 12,809 Johnson & Wales undergraduates and was available for 30 days. A survey reminder was sent 15 days after the initial launch. Survey responses are stored both in a password protected cloud environment and on an external hard-drive.

Limitations of the Study

Students enrolled at Johnson & Wales University have made an initial commitment to private higher education and, therefore, recognize the importance of investing in their future. The students who responded to the survey represent a sample that, based on the composition of the demographic data, can be generalized across the undergraduate population of the University. It is important to note that demographic and socioeconomic data has been self-reported. This data may be inaccurate, as, in order to protect respondent anonymity, it was not validated against any student system data. There is only one variable that denotes financial vulnerability and that is whether or not the student is Pell eligible. In 2008, students receiving a Pell Grant had family incomes of less than $30,000; nationally 13% of the nation’s Pell recipients attend private, non-profit institutions (National Skills Coalition, 2011). Approximately 17% of the respondents skipped this question, which may impact the results of the findings as the demographics of these
individuals are unknown. This population will be excluded from any analysis related to financially vulnerability; fortunately the response rate was strong and, therefore, the impact is minimal. Lastly, the analysis did not capture the amount of debt taken on by the parent or guardian either through the use of the PLUS loan or another private loan program. As students exit an institution, they often share that their families expect that the student will be responsible for any educational debt taken on by the family to support the child’s educational endeavor; this may cause students to underreport their debt when responding to the survey and, therefore, influence their perception of debt.

The design of the study was simple, which contributed to a strong response rate. The results of the study will provide a foundation for longitudinal studies in this topical area, not only at the University, but also more broadly. One area of particular interest is how to leverage the parent and student relationship to develop a cogent financial plan for accessing higher education through ongoing support and dialogue.
Chapter 4

Results

The survey was sent to 12,809 full-time undergraduates enrolled in an academic program during the 2014 Winter term at Johnson & Wales University. A total of 964 respondents began the survey and 904 students completed every question. The questionnaire was comprised of three distinct areas: demographics, financial behaviors and financial perspectives. The demographics of the survey respondents were representative of the undergraduate student enrollment profile in categories such as age, year in school, household structure and campus affiliation. Table 2 displays the demographic characteristics of the survey respondents. Of the 964 responses, there was an equal distribution of respondents representing year in school; however, there were varied responses as not all survey participants responded to each question. The ages of the respondents were very indicative of a traditional college aged students. In some instances it was important to analyze data at the campus level and, therefore, some variables were recoded; these variables are noted with an asterisk. There was a higher response rate from females than males. The results based on gender seem to mimic recent survey results at the University in which females comprise a higher percentage of respondents. The survey’s gendered response rate is consistent with the findings of several studies focused on response rates of college students on web and paper based surveys. These studies found that the strongest predictor of response was gender; women responded at higher rates than their male counterparts (Sax, Gilmartin, & Bryant, 2003).

Demographics

The survey provided respondents with seven race categories from which to select. When comparing survey respondents to the general student population, it is important to note that 20% of the enrolled student body declined to identify a race. This unknown category in university
43

Table 2 Demographics

<table>
<thead>
<tr>
<th>Category</th>
<th>N</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>N=964</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>296</td>
<td>30.8%</td>
</tr>
<tr>
<td>Female</td>
<td>665</td>
<td>69.2%</td>
</tr>
<tr>
<td>*Race</td>
<td>N=964</td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>567</td>
<td>59.43%</td>
</tr>
<tr>
<td>American – Indian*</td>
<td>2</td>
<td>0.21%</td>
</tr>
<tr>
<td>Black/African-American</td>
<td>156</td>
<td>16.35%</td>
</tr>
<tr>
<td>Latino/Latina</td>
<td>96</td>
<td>10.06%</td>
</tr>
<tr>
<td>Asian*</td>
<td>47</td>
<td>4.93%</td>
</tr>
<tr>
<td>Bi-Racial</td>
<td>57</td>
<td>5.97%</td>
</tr>
<tr>
<td>Other*</td>
<td>29</td>
<td>3.04%</td>
</tr>
<tr>
<td>Year in School</td>
<td>N=964</td>
<td></td>
</tr>
<tr>
<td>Freshman</td>
<td>291</td>
<td>30.5%</td>
</tr>
<tr>
<td>Sophomore</td>
<td>223</td>
<td>23.38%</td>
</tr>
<tr>
<td>Junior</td>
<td>224</td>
<td>23.48%</td>
</tr>
<tr>
<td>Senior</td>
<td>216</td>
<td>22.64%</td>
</tr>
<tr>
<td>Campus</td>
<td>N=964</td>
<td></td>
</tr>
<tr>
<td>Providence</td>
<td>570</td>
<td>59.50%</td>
</tr>
<tr>
<td>North Miami</td>
<td>99</td>
<td>10.33%</td>
</tr>
<tr>
<td>Denver</td>
<td>108</td>
<td>11.27%</td>
</tr>
<tr>
<td>Charlotte</td>
<td>181</td>
<td>18.89%</td>
</tr>
<tr>
<td>Age</td>
<td>N=964</td>
<td></td>
</tr>
<tr>
<td>18 – 24</td>
<td>880</td>
<td>92.24%</td>
</tr>
<tr>
<td>25 – 35</td>
<td>54</td>
<td>5.66%</td>
</tr>
<tr>
<td>Over 35</td>
<td>20</td>
<td>2.10%</td>
</tr>
<tr>
<td>Household Structure</td>
<td>N=964</td>
<td></td>
</tr>
<tr>
<td>Two parent household</td>
<td>533</td>
<td>55.64%</td>
</tr>
<tr>
<td>One parent household</td>
<td>261</td>
<td>27.24%</td>
</tr>
<tr>
<td>Independent</td>
<td>113</td>
<td>11.80%</td>
</tr>
<tr>
<td>Head of household</td>
<td>17</td>
<td>1.77%</td>
</tr>
<tr>
<td>Other</td>
<td>34</td>
<td>3.55%</td>
</tr>
<tr>
<td>*Parents Educational Level</td>
<td>N=964</td>
<td></td>
</tr>
<tr>
<td>Doctorate/Masters</td>
<td>151</td>
<td>15.91%</td>
</tr>
<tr>
<td>Bachelors</td>
<td>332</td>
<td>34.98%</td>
</tr>
<tr>
<td>Associate</td>
<td>109</td>
<td>11.49%</td>
</tr>
<tr>
<td>Some College</td>
<td>146</td>
<td>15.38%</td>
</tr>
<tr>
<td>High School Diploma</td>
<td>186</td>
<td>19.60%</td>
</tr>
<tr>
<td>GED</td>
<td>25</td>
<td>2.63%</td>
</tr>
<tr>
<td>Financial Aid Filers</td>
<td>N=964</td>
<td></td>
</tr>
<tr>
<td>Filer</td>
<td>841</td>
<td>87.60%</td>
</tr>
<tr>
<td>Non Filer</td>
<td>91</td>
<td>9.48%</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>28</td>
<td>2.92%</td>
</tr>
<tr>
<td>*Pell Eligibility</td>
<td>N=964</td>
<td></td>
</tr>
<tr>
<td>Pell Eligible</td>
<td>429</td>
<td>53.83%</td>
</tr>
<tr>
<td>No Pell</td>
<td>188</td>
<td>23.59%</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>180</td>
<td>22.58%</td>
</tr>
</tbody>
</table>

In the survey, “unknown” was not a category although students could identify as “Other.” Only 3% of the respondents selected “Other.” Table 3 illustrates the racial composition of each
campus and how that compares to the survey responses. When compared to the University’s general student population, survey respondents represented a higher percentage in all race categories except “Other,” which is an artifact of the impact of the unknown category. Due to the limited responses in the category of American Indian, those results were recoded into “Other” for this analysis. Some statistical analyses required Asian as a race category to be recoded into “Other” to ensure reliable and usable results. The table below compares the undergraduate racial composition with the race of the respondents.

### Table 3: Distribution of Survey Respondents by Race

<table>
<thead>
<tr>
<th>System</th>
<th>African American</th>
<th>Asian</th>
<th>Bi-Racial</th>
<th>Latino</th>
<th>Other</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enrollment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>14.8%</td>
<td>1.3%</td>
<td>4.1%</td>
<td>11.3%</td>
<td>20.0%</td>
<td>48.5%</td>
</tr>
<tr>
<td></td>
<td>Respondents</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>16.3%</td>
<td>4.9%</td>
<td>6.0%</td>
<td>10.1%</td>
<td>3.3%</td>
<td>59.4%</td>
</tr>
<tr>
<td>Charlotte</td>
<td>Enrollment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30.8%</td>
<td>1.0%</td>
<td>3.8%</td>
<td>5.5%</td>
<td>16.2%</td>
<td>42.7%</td>
</tr>
<tr>
<td></td>
<td>Respondents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30.6%</td>
<td>1.7%</td>
<td>8.3%</td>
<td>6.1%</td>
<td>2.8%</td>
<td>50.6%</td>
</tr>
<tr>
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<td>Enrollment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6.5%</td>
<td>1.6%</td>
<td>3.5%</td>
<td>15.2%</td>
<td>17.8%</td>
<td>55.4%</td>
</tr>
<tr>
<td></td>
<td>Respondents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8.4%</td>
<td>3.7%</td>
<td>5.6%</td>
<td>11.2%</td>
<td>4.7%</td>
<td>66.4%</td>
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<tr>
<td>Miami</td>
<td>Enrollment</td>
<td></td>
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<tr>
<td></td>
<td>26.0%</td>
<td>0.9%</td>
<td>3.7%</td>
<td>23.7%</td>
<td>25.5%</td>
<td>20.2%</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td>38.8%</td>
<td>6.1%</td>
<td>5.1%</td>
<td>20.4%</td>
<td>7.1%</td>
<td>22.4%</td>
</tr>
<tr>
<td>Providence</td>
<td>Enrollment</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9.4%</td>
<td>1.3%</td>
<td>4.5%</td>
<td>9.5%</td>
<td>20.1%</td>
<td>55.2%</td>
</tr>
<tr>
<td></td>
<td>Respondents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9.4%</td>
<td>6.0%</td>
<td>5.5%</td>
<td>9.4%</td>
<td>2.5%</td>
<td>67.3%</td>
</tr>
</tbody>
</table>

The race and ethnicity breakdown at each campus may be an important factor in understanding the most appropriate loan default prevention strategies. These results demonstrate that any intervention strategies will need to be customized to support the needs of the individual campus. It is important to note that responses from African Americans are underrepresented at
the North Miami and Denver campuses (12% and 2%, respectively) when compared to the
general student campus population. The underrepresentation, however, may be influenced by the
high percentage of students who indicate unknown in the general student population system.

Fewer survey respondents (37%) identify as first generation college students then in the
general student population, in which 43% identify as first generation. This variable asked
respondents to indicate the educational level of their parents. In order to simplify the analysis,
the variable was recoded to “earned college degree” and “no degree.” Again, this varies between
campuses and supports the need for each campus to establish an approach that meets the needs of
their student population. It also exemplifies a significant difference between survey respondents
with the general campus population which may impact the statistical analysis and findings. One
of the research questions is focused on parents’ ability to influence the student’s educational and
financing choices; parents with their own previous educational experience may seek out
opportunities to influence their students’ choices more often than their less educated
counterparts.
Table 4: Parental Educational Level by Campus

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Campus:</th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Charlotte</td>
<td>Denver</td>
<td>North Miami</td>
<td>Providence</td>
<td></td>
</tr>
<tr>
<td>Earned Associate Degree or Greater</td>
<td>Count</td>
<td>108</td>
<td>66</td>
<td>56</td>
<td>358</td>
</tr>
<tr>
<td></td>
<td>% within Campus</td>
<td>61.4%</td>
<td>62.3%</td>
<td>57.7%</td>
<td>63.3%</td>
</tr>
<tr>
<td>No College</td>
<td>Count</td>
<td>36</td>
<td>20</td>
<td>24</td>
<td>131</td>
</tr>
<tr>
<td></td>
<td>% within Campus</td>
<td>20.5%</td>
<td>18.9%</td>
<td>24.7%</td>
<td>23.1%</td>
</tr>
<tr>
<td>Some College</td>
<td>Count</td>
<td>32</td>
<td>20</td>
<td>17</td>
<td>77</td>
</tr>
<tr>
<td></td>
<td>% within Campus</td>
<td>18.2%</td>
<td>18.9%</td>
<td>17.5%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>176</td>
<td>106</td>
<td>97</td>
<td>566</td>
</tr>
<tr>
<td></td>
<td>% within Campus</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The data point on Pell eligibility is more complicated. Only 797 respondents answered the question and, among those who answered, 22.6% indicated that they did not know whether or not they were Pell eligible. The percentage of students who stated that they were Pell eligible is slightly higher than the overall student population. Pell eligibility is an important factor in this study, as it will be used as a proxy for financial vulnerability. It raises the question of whether or not the survey title encouraged students who were more financially vulnerable to participate. The 22.58% of students who did not know their Pell eligibility will not be considered financially vulnerable in the analysis and will be coded as missing data. The survey reached a relatively

6 Financial Attitudes and College Expenses
equal percentage of students based on year in school; not surprisingly a higher proportion of freshmen (39%) reported not knowing whether or not they were Pell eligible. Freshmen are new to the financial aid process and may not yet understand the federal aid designations such as Pell. Of concern, is the 17% of respondents who skipped the question. It is unclear if respondents skipped the question because they were not familiar with the term Pell or if they were uncomfortable divulging this type of information, as Pell is often used as a surrogate for establishing income levels. The survey software did not allow evaluation of the demographics of the individuals who chose to skip the question, which may limit the power of some of the relationships. There was no way to validate Pell eligibility for the respondents who answered “don’t know;” therefore, these responses were recoded as missing.

Financial Behaviors

There were several questions designed to understand a student’s financial behaviors. These questions focused on budgeting practices, credit card debt, purchases, and student loan debt. Table 5 demonstrates how respondents view their financial behaviors.
<table>
<thead>
<tr>
<th>Financial Behaviors Variable</th>
<th>N= 964</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal Financial Behaviors Most Similar Financial Identity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscally Conservative</td>
<td>320</td>
<td>35.09%</td>
</tr>
<tr>
<td>Financially Balanced</td>
<td>504</td>
<td>55.02%</td>
</tr>
<tr>
<td>Fiscally Aggressive</td>
<td>77</td>
<td>8.58%</td>
</tr>
<tr>
<td><strong>Personal Financial Behaviors Least Similar Financial Identity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscally Conservative</td>
<td>85</td>
<td>9.21%</td>
</tr>
<tr>
<td>Financially Balanced</td>
<td>64</td>
<td>6.99%</td>
</tr>
<tr>
<td>Fiscally Aggressive</td>
<td>643</td>
<td>71.68%</td>
</tr>
<tr>
<td><strong>Personal Financial Behavior Financial Identity – Depends</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscally Conservative</td>
<td>508</td>
<td>55.70%</td>
</tr>
<tr>
<td>Financially Balanced</td>
<td>348</td>
<td>37.99%</td>
</tr>
<tr>
<td>Fiscally Aggressive</td>
<td>177</td>
<td>19.73%</td>
</tr>
<tr>
<td><strong>Monthly Budget</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>479</td>
<td>52.9%</td>
</tr>
<tr>
<td>No</td>
<td>437</td>
<td>47.7%</td>
</tr>
<tr>
<td><strong>Adherence to a Budget</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>250</td>
<td>51.44%</td>
</tr>
<tr>
<td>No</td>
<td>17</td>
<td>3.50%</td>
</tr>
<tr>
<td>Depends</td>
<td>219</td>
<td>45.06%</td>
</tr>
<tr>
<td><strong>Presence of a Credit Card</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>413</td>
<td>44.99%</td>
</tr>
<tr>
<td>No</td>
<td>505</td>
<td>55.01%</td>
</tr>
<tr>
<td><strong>Carries a Credit Card Balance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>409</td>
<td>42.42%</td>
</tr>
<tr>
<td>No</td>
<td>555</td>
<td>57.57%</td>
</tr>
</tbody>
</table>

*Only survey respondents who answered yes to maintaining a budget were asked whether or not they adhered to the budget.

Many college students were raised in an era of easy access to credit and have witnessed parents assuming significant debt as a means to buy a home, car or access to medical care. Earlier studies indicate that this exposure to easy credit at home may promote a more favorable
attitude towards debt and credit (Lan, 2010). College students are often portrayed in the media as entitled, frivolous, and uncertain about financial decisions. The results of this survey tell a different story. Over 52% of the respondents stated that they maintain a budget and 51% of students specified following the budget as planned. Students also indicated lower levels of credit card debt. When asked to note extravagant expenditures, reasonable spending patterns were found.

In 2006, Pinto and Mansfield found that 70% of college students possessed an average of two credit cards and carried an outstanding balance of $500 or more (Pinto & Mansfield, 2006). As Figure 2 illustrates, survey respondents in this study indicated carrying less debt than was found by Pinto and Mansfield (2006). This may be due to the fact that Pinto’s and Mansfield’s work was completed prior to the economic recession, whereas this study took place during the economic recovery. It is also possible that since 2008, the U.S. economy has been in a precarious position prompting consumers to exercise more fiscally conservative spending habits.

**Figure 2: Credit Card Balances**

Almost three-quarters of respondents carried a credit card balance of less than $500. Over 19% of the respondents indicated they did not know the amount of debt they carried. These responses were excluded from analysis. Students who responded they did not know how much
debt they carried most likely could not recall the exact amount of their credit card debt.

Respondents were also asked to describe their last extravagant purchase in an open ended question. A total of 771 students responded to the question and most of the responses fell into eight categories:

- Household expenses (food, appliances, rent, and campus meal purchases)
- Travel (vacation, travel home, spring break, study abroad)
- Clothing (shoes, coats, apparel)
- Books and supplies (tuition, books, computers, paper)
- Entertainment (tickets to sporting or cultural events, dinner with friends, tattoos)
- Presents (Christmas, birthdays, celebrations)
- Car purchase
- Miscellaneous repairs

Figure 3: Extravagant Purchases

In some instances, respondents provided a detailed rationale for their purchases and, for the most part, these purchases correlated to educational and living expenses as categorized by the Department of Education as part of the cost of education, such as rent, study abroad expenses and school supplies. The category of entertainment contained purchases reflective of a more emotional and impulsive purchase decision. These expenses ranged from tattoos to sporting events and concerts.
The last financial behavior pivotal to this work is the amount of student debt that respondents have accumulated to this point in their college career. There is a relationship between the amount of debt accumulated and the student’s year in school (Kim, 2007). This same pattern of debt consumption is found in this survey, as illustrated in Figure 4. Very few students reported having no student debt, which indicates that regardless, of students’ socioeconomic position; they find themselves borrowing student loan money as a vehicle for funding education costs.

**Figure 4: Student Debt by Year in School**

![Figure 4: Student Debt by Year in School]

**Financial Perspectives**

There were two questions on the survey which addressed whether or not students discussed finances with parents and, if so, who initiated these discussions. Over 90% of the respondents indicated they engage in discussions with their parents about finances all or some of the time.
Of the respondents, 10% indicated that they did not speak to their parents regarding finances. The reasons varied, but three themes emerged: independent status, financial anxiety, and family structure gap. Some respondents self-identified as head of household, ward of the court, or no longer dependent on their parents for financial assistance. Other students cited that they did not speak to their parents about financial matters because they did not want to worry them. Parents were already making sacrifices to support their children and respondents did not want to add additional financial burdens onto their parents. The earlier pilot study on this topic found similar results through focus groups of college aged students. Finally, other respondents cited discord amongst members of the family and, due to this gap in the family structure, communication with parents was limited.

Of the students who did not discuss finances with their parents, 60% reported that their parents did not initiate a conversation about finances with the student. Separately, 44% did not discuss the financial implications of their college choice with their parents. Financial vulnerability does not appear to be a factor in determining which families discuss the financial implications of attending college. Based on the survey responses, 7.7% of students who identified as non Pell eligible did not engage in discussions with their parents on financial matters related to college. This compares to 8.8% of Pell eligible students who did not discuss
financial arrangements with their parents. The decision to engage in financial discussions is not based on socioeconomic position, but rather the relationship within the family unit; in many cases when the family unit was fractured or the student felt inclined to protect the parent from unnecessary worry related to college education expenses, discussions on finances were limited or nonexistent. Students who did not discuss finances with their parents were also more likely to exhibit financially risky behaviors, such as not attending a financial literacy program and having higher levels of student debt.

Survey respondents were also asked to indicate the type of conversations they have had with a parent or guardian regarding college related expenses. As noted in Figure 6, a majority of the respondents (72%) indicated that the primary focus of conversations with parents centered on expectations for the student to perform well academically followed closely by the need for student loans. Over 53% of the students indicated they were financially vulnerable and, yet, only 63% had intentional conversations with family members on how to pay for school.

**Figure 6: Discussions with Parents Related to College Choice and Expectations**
The overwhelming majority of students (88%) indicated that they intend to repay their student loans. The respondents who indicated that they did not intend to repay their student debt were examined to identify characteristics that may contribute to default rates. Most of these respondents expressed not having any student debt and less than 1% indicated financial vulnerability. Overall, respondents seemed painfully aware of their responsibility to repay the debt. The open ended responses from the students who were not sure if they were going to repay their student loans indicated a concern over future earning potential or the family’s ability to assist in repayment of the student loan. The data provides two explanations for why students might not repay their student loan. The first is expressed as not having any student debt either due to military or corporate tuition benefits, scholarships, or familial investment which offset college costs. The second focused on the desire or hope of some type of intervention, either a shift in educational policy or some other catastrophic intervention (as stated in the words of one respondent a “zombie apocalypse”).

Only 36% of respondents indicated that they participated in a financial literacy program, a smaller number than expected. When examined by class level, however, a larger percentage of seniors recalled participating in a financial literacy program. This was surprising as the senior class was the inaugural class for the financial literacy program and the program was not able to reach the entire class. Among those who participated in a financial literacy program, only 47.2% indicated that the program impacted their financial perceptions. Respondents were asked to explain how the financial literacy program impacted their financial perception, and 58% of students responded to this question. Four themes emerged from the content analysis:
1. Greater Awareness: The program provided valuable information related to budgeting, planning for the future and how to avoid too much debt, but also how to manage credit decisions. Some respondents indicated changes in financial habits.

   “It made me realize how difficult it is going to be once I get out of college. This may be the best investment, but this is one that is going to follow me around for the rest of my life impacting my future financial decisions. I really wish college wasn’t so expensive since it is supposed to help us become a better workforce.”

2. Loans/Debt: The program broadens understanding of repayment options and debt burdens.

   “It kept me grounded and a little more level-headed about debt. It isn’t something that’s just out of sight or out of mind. It significantly impacts our lives if not dealt with correctly”.

   “Showed me the necessary steps to paying the debt off.”

3. Apathy for the program, expressed as not helpful.

   “I don’t remember anything, so it wasn’t impactful.”

4. Iterative: The program supported information received from parents or other educational forums.

   “I already had conversations about finances with my parents, iGrad didn’t teach me anything new.”
Students were asked what impact they expected from their investment in college. Most indicated that it will support career development and increase earning potential. They were also less certain, though, about whether it will improve their lifestyle. Relatively fewer students agreed that their college education would result in a better lifestyle than their parents. This may be due to the tenuous economic recovery, or to the burden of student debt and the subsequent delay in fully participating in economic life through the purchase of homes, cars or starting a family or with their parents’ current position in life. Interestingly, students who identified themselves as Pell eligible were more confident (85.5%) that they would find a better lifestyle than their parents than those students who were non-Pell eligible (69.2%).
Table 6: Perception of Pell Recipients Investment of College Education Leading to better lifestyle than Parents

<table>
<thead>
<tr>
<th></th>
<th>Pell</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Agree</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Count</td>
<td>365</td>
<td>128</td>
</tr>
<tr>
<td>% within Pell</td>
<td>85.5%</td>
<td>69.2%</td>
</tr>
<tr>
<td><strong>Lifestyle</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disagree Count</td>
<td>62</td>
<td>57</td>
</tr>
<tr>
<td>% within Pell</td>
<td>14.5%</td>
<td>30.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Count</td>
<td>427</td>
<td>185</td>
</tr>
<tr>
<td>% within Pell</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Analysis

The size of the sample provides for a comprehensive evaluation of the research questions. As noted earlier, the premise of the research question is to understand the impact of debt on students who are from low and moderate income families and how intervention strategies and parental relations impact financial perceptions. Similar to the work of previous researchers, such as Dilworth (2000) and Baum (2011, 2004), the proxy for low and moderate income will be Pell eligibility. This study seeks to understand the relationship between characteristics, behaviors, and perceptions to determine whether or not there is a significant relationship between financial vulnerability, debt burden, race, and perceptions. Race is particularly important in this context as other studies have identified race and income as a characteristic that impacts college access, completion, and student loan default rates. To examine this relationship, a series of layered crosstabs was run and Chi Square tests were used to examine the relationship between Pell eligibility, race, and debt perception.
There appears to be an explicit relationship between student loan default and the characteristics of the individual student. As such there is a presumption that students who identify as financially vulnerable are more likely to feel greater debt burden in pursuing a college education, yet 12% of all Pell Grant recipients attend private institutions which are traditionally associated with higher tuition rates (Department of Education, 2012). Respondents to this survey who expressed financial vulnerability were 64% more likely to state that they would have made a different choice in their college selection process. Students who are more financially vulnerable are less likely to have parents who can provide a financial safety net and are, therefore, more likely to feel burdened by financial debt. Of the entire sample, only 19% of the respondents indicated that they may have made a different choice based on their family financial situation. This question may yield a false negative, as some students may be reluctant to express concern after investing significant dollars into their college education; therefore, these results are a conservative estimate as to whether or not these students would have made a different choice.

**Figure 8: The Extent to Which a Family’s Financial Situation Effected College Choice**

<table>
<thead>
<tr>
<th>Extent to Effect</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major effect on my choice I would have likely made a different choice</td>
<td>19%</td>
</tr>
<tr>
<td>Moderate effect on my choice I would have made the same choice</td>
<td>32%</td>
</tr>
<tr>
<td>Little or no effect on my choice I would have made the same choice</td>
<td>43%</td>
</tr>
<tr>
<td>Don't know</td>
<td>5%</td>
</tr>
</tbody>
</table>

After analyzing the characteristics of students who indicated that they would have made a different choice, the only statistically significant variable was the perception of debt burden. Students who reported feeling burdened by debt were more likely to state they would have made
a different choice in selecting their institutions. This demonstrates that students often remain enrolled at an institution even if they view the school as a financial stretch and, in retrospect, would have made a different choice due to the financial burden associated with their choice set. This sentiment does not seem to shift dramatically based on the year in school; with the exception that freshmen appeared more likely to state that they would have made a different choice. The National Information Center Higher Education for Policymaking and Analysis (2010) reports that students are more likely to drop out of postsecondary education during the first year than at any other time (National Information Center for Higher Education Policymaking and Analysis, 2010). Clearly, if an institution can implement policies to improve affordability, it will ultimately help increase retention rates of new students and improve the likelihood of students persisting to graduation.

As expected, students who identified as Pell eligible were more likely to feel burdened by student debt. In fact, 56% of Pell eligible students felt burdened by debt compared to their non-Pell eligible peers at 51%. The results indicate a statistically significant relationship (p= 0.05) between a student’s financial vulnerability and the perception of debt burden.

**Table 7: Financial Burden Expressed by Pell Eligible Students**

<table>
<thead>
<tr>
<th>Pell Eligibility and Debt Burden Cross Tabulation</th>
<th>Do you feel burdened by educational debt?</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>Sometimes</td>
</tr>
<tr>
<td>Yes</td>
<td>236</td>
<td>141</td>
</tr>
<tr>
<td>% within Pell</td>
<td>56.2%</td>
<td>33.6%</td>
</tr>
<tr>
<td>No</td>
<td>95</td>
<td>54</td>
</tr>
<tr>
<td>% within Pell</td>
<td>51.6%</td>
<td>29.3%</td>
</tr>
<tr>
<td>Total</td>
<td>331</td>
<td>195</td>
</tr>
<tr>
<td>% within Pell</td>
<td>54.8%</td>
<td>32.3%</td>
</tr>
</tbody>
</table>
Using a similar approach, a layered crosstab was run to examine the relationship between financial vulnerability, race, and perceived debt burden. There is a strong relationship between race and student default patterns. If race and income factor into default conditions, then do these factors impact a student’s perception of debt burden? Generally, if students feel burdened by student debt during their academic career, they are more likely to stop out and not achieve degree attainment. This may account for the abysmal degree completion rates of low income minority students. The chart below illustrates the percentage of students who self-identified as being burdened by debt by race and Pell eligibility. A significantly higher percentage of minority students self-identified as being burdened by debt. The results indicate a statistically significant relationship (p<0.00) between the variables of debt perception, race, and financial vulnerability as noted in Table 9.
Figure 9: Presence of Debt Burden by Race and Pell Eligibility

Table 9: Chi-Square Test for Race, Financial Vulnerability and Debt Perception

<table>
<thead>
<tr>
<th>Do you feel burdened by educational debt?</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Pearson Chi-Square 24.673</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N of Valid Cases 325</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sometimes</td>
<td>Pearson Chi-Square 13.498</td>
<td>4</td>
<td>.009</td>
</tr>
<tr>
<td></td>
<td>N of Valid Cases 194</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>Pearson Chi-Square 8.933</td>
<td>4</td>
<td>.063</td>
</tr>
<tr>
<td></td>
<td>N of Valid Cases 77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>Pearson Chi-Square 43.992</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N of Valid Cases 596</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The statistically significant relationship between these variables raises the question of whether or not students’ action or sense of debt perception is influenced by financial discussions with their parents. As noted earlier, there were several questions in the survey designed to gauge the type of financial discussions students and parents engaged in related to financing college expenses and expectations of their students. There was a difference found in the type of discussions had by students with their parents on how to finance college expenses and academic expectations based on race and socioeconomic status. In general, approximately 60% of Whites reported speaking to their parents compared to 33% of non-whites. In the analysis, several relationships were evaluated to determine the significance of these factors on communication with parents.

Students who were Pell eligible indicated speaking to their parents on the topic of limited resources more often than their peers who did not identify as Pell eligible. Among those who identified as Pell eligible, 51% discussed limited resources to finance college expenses with their parents. A layered cross tabulation of the following variables demonstrated a statistically significant relationship between Pell eligibility, communication with parents, and limited resources (p<0.00).
Table 10: Chi-Square Tests Pell Eligible Communication with Parents on Limited Resources

<table>
<thead>
<tr>
<th></th>
<th>Pell Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Pearson Chi-Square</td>
<td>21.823</td>
<td>2</td>
</tr>
<tr>
<td>No</td>
<td>Pearson Chi-Square</td>
<td>6.409</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>Pearson Chi-Square</td>
<td>27.119</td>
<td>2</td>
</tr>
</tbody>
</table>

The results indicate a significant difference in communication with parents by race (p<0.00). There were differences, however, when evaluating each race independently, as noted in Table 11. The results were significant for all races, but each group varied in the topic that was statistically significant. African Americans appear to focus on the topic of academic expectations, expectation to work while in school, and student debt when communicating with parents. Communication with parents for Hispanic students was not statistically significant for any topic except student debt. This raises a concern that language or cultural differences may
influence the experiences of these students and how the experience of attending college is supported by the family unit. Communication with parents was significant for all topics among Whites.

Table 11: P-Values from Chi Square Analysis of Race Communication and Financial Topics

<table>
<thead>
<tr>
<th>Race</th>
<th>Academic Exp</th>
<th>Student Debt</th>
<th>Limited Resources</th>
<th>Work While in School</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American</td>
<td>.177</td>
<td>.007</td>
<td>.002</td>
<td>.038</td>
</tr>
<tr>
<td>Hispanic</td>
<td>.462</td>
<td>.032</td>
<td>.548</td>
<td>.858</td>
</tr>
<tr>
<td>White</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Bi-Racial</td>
<td>.209</td>
<td>.615</td>
<td>.562</td>
<td>.799</td>
</tr>
<tr>
<td>Other</td>
<td>.032</td>
<td>.198</td>
<td>.095</td>
<td>.080</td>
</tr>
<tr>
<td>Total</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>

The information on race seems to support that discussion on finances and expectations are more common in White families. It was illuminating to find that, at least in this survey, African American families are engaged in financial topics such as student loans, academic expectations, and the expectation to work while in school.

The importance of parents providing guidance on financial topics and modeling sound fiscal practices is a primary element in determining whether or not parents are influencing their child’s financial perspective. Using a similar methodology as detailed earlier, the topics discussed with parents were analyzed with Pell and monthly budget.

The presumption was that students who speak to their parents about financial matters are more likely to maintain a budget and that there is intrinsic relationship between financial matters
and students budgeting practices. There was a relationship found between budget practices and limited resources, student debt, and academic expectations. Of note is the fact that there is a significant relationship between maintaining a monthly budget and working while in school (p = 0.009). A higher percentage of individuals who maintained a budget also spoke with their parents or guardians about the expectation to work while in school. The need to work while in school and maintaining a budget demonstrated a high level of association between the variables.

Financial literacy impact on student’s financial perspectives (perception of student debt) and behaviors (credit card balances, budgets, and intention to repay student loans) was evaluated by examining several cross tabulations to better understand these relationships. Participating in a financial literacy program did not impact a student’s perception of debt or credit card usage. It appears that the participation in the program did not create a change in behavior related to financial matters or debt perception.

There was a relationship, however, between attending a financial literacy workshop and maintaining a budget as seen in Table 13. Among the students who participated in a financial literacy program, 56.1% also maintained a budget. It is not known whether or not the practice of maintaining came before or after their participation in the financial literacy program.

Lastly, the relationship between financial literacy and the intention to repay student debt was examined and was found to be significant (p<0.00). A higher percentage of students who attended a financial literacy program intend to repay their student loans (93%) compared to those who never attended a financial literacy program (83.2%). One of the things that must be measured in the future is the students’ intention prior to their participation in a financial literacy workshop.
Table 12: Analysis of Financial Literacy, Budget, and Intention to Repay a Student Loan

<table>
<thead>
<tr>
<th>Chi Square Analysis</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
<th>N Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Maintenance</td>
<td>3.866</td>
<td>1</td>
<td>.049</td>
<td>761</td>
</tr>
<tr>
<td>Intent to Repay Student Loan</td>
<td>18.777a</td>
<td>2</td>
<td>.000</td>
<td>754</td>
</tr>
</tbody>
</table>

The significance of the association between attending a financial literacy workshop, budgeting, and the intention to repay student debt cannot be lost and suggests that students who have been exposed to a financial literacy program have a different perception of finances.
Chapter 5

Recommendations and Conclusions

Across the nation there is a need to identify intervention strategies that support the academic progression of low income, minority students and first generation college students. It is clear that these students express a greater financial burden than that of their peers. Yet, financial concerns are playing a larger part in the students’ selection process, as well as the students’ ability to complete degree requirements. Each year, the Cooperative Institutional Research Program (CIRP) nationally surveys the entering freshman class and in 2012 the survey found that entering freshmen were more focused on current and future financial matters compared to the previous year’s results. Two out of three first year students stated that current economic conditions significantly affected their college choice (Pryor, Eagan, Blake-Palucki, Hurtado, Berdan, & Case H, 2012). Students also expressed the importance of college education providing them with a foundation to earn more and pursue a lifestyle that provides financial stability. Clearly, the ability to earn more is directly tied to their ability to repay their student loans. These results, are similar to the findings in this study; students are optimistic that their investment in their college education will allow them to earn higher wages, develop a satisfying professional career, and achieve a similar lifestyle as that of their parents. Of note, is the fact that the students who are most financially vulnerable are much more optimistic than their peers.

Strategies must be developed to support both parents and students in the college selection process and during the college enrollment period. Parents play a critical role in the development of the child and must initiate and remain engaged in discussions on critical issues related to financing their child’s education. In contrast to some of the literature which seemed to indicate that financially vulnerable households may not discuss finances with their children, this study
found that regardless of socioeconomic status, students who engaged in financial discussions were more confident in their abilities to complete degree requirements. Additionally, it appeared that students who were more financially vulnerable intentionally engaged with their parents on topics such as the need to work while in school, student debt, academic expectations, and limited resources. When evaluated by race, however, Hispanic students displayed differences in the manner in which they engaged parents and the topics discussed. It is not clear as to why this is happening, if there is a language barrier or a cultural bias. As a follow up to this work, it will be important to engage in qualitative research either through interviews or focus groups to better understand these differences. The fact that the students who indicated the need to work while in school maintained a budget at higher rates reflects the importance of parents setting expectations and demonstrates the connection between parent discussion and the student’s action and approach to fiscal matters.

The collective goal of students, parents, institutions and the federal government alike is to strengthen and support degree completion rates and to minimize conditions that result in loan default. In order to achieve this goal, unique intervention strategies must be developed, taking into consideration students’ familial background earlier in their educational careers. This will arm them with the knowledge and skills to make solid financial decisions on institutional choice and minimize the impact of the students’ financial condition on degree completion.

Comprehensive evaluation and reform of federal student aid programs is not a new effort and has been featured prominently in President Obama’s educational agenda. It is time, therefore, to implement thoughtful changes directed at increasing access to affordable higher education for the most vulnerable. An integral part of the implementation will be to align recommendations with programs featured in the K-12 educational agenda. The intent of these
recommendations is to simplify and improve access to higher education for low income students through accurate and timely information by providing resources for students and their families to make solid financial decisions, thus not limiting their capacity to participate in the economic life of society.

Aligning FAFSA Timeline with the Application Process

Traditionally, high school students begin to consider college in their junior or senior year. By late Fall of their senior year, many are submitting college applications. Although the federal government has recently developed tools, such as the College Score Card and Net Price Calculator, in order improve transparency and provide families with information on a college’s costs and “quality metrics,” the tools are complicated and use terminology that may be unfamiliar to families. This is particularly true for first generation, low income, and minority students. For the sophisticated consumer, these tools can be valuable resources, but ultimately, they may not serve their intended purpose, particularly because higher education is an emotionally charged decision for all involved. The results of this study found that minority students are less likely to intentionally discuss finances with their parents. With this in mind, efforts must be intentional and strategic to arm families and students with the information necessary to make not only the right academic fit, but, equally important, identify the institution that provides the best financial fit for the student. One of the simplest ways to accomplish this is to redesign the financial aid process to more closely mirror the admissions process, thereby providing families with more time to determine whether or not an institution is the right financial fit.

The first recommendation is to allow students and their families to use their tax return from the previous year in order to apply for financial aid earlier in the enrollment process. This
simple change buys precious time, allowing financially vulnerable families to consider the price point of the institution, evaluate current financial resources, as well as consider alternate financial resources, such as outside scholarships, state aid, and grants. This would limit the anxiety that was expressed by some of the survey respondents who believe that their educational expenses have placed a heavy financial burden on their families. The earlier pilot study identified that students are acutely aware of their parents' financial condition and hesitate to place additional burden on them. This made the student more willing to assume student loans either through a federal program or private loan program, thus placing the student in a precarious financial position. In the survey results, 88% of the respondents who applied for financial aid noted being burdened by debt, with 57% of them expressing they would have chosen a different college. This expressed difference may be an artifact of the compressed timeframe to arrive at the enrollment decision. In some ways, the shorter time frame that currently exists does not allow for discussion or consideration of other options that may present a stronger financial fit as well as an equally strong academic fit. Quite simply, the admissions application process and the financial aid process must be aligned. This will help students frame their college choice set in a manner that allows them to take cost into perspective without emotion and remove time as a prevailing factor or constraint.

Each year the Free Application for Federal Student Aid (FAFSA) is available beginning in January after a family has filed a tax return with the IRS. The awards are then sent to the institutions which the student lists on the FAFSA, but students do not receive an official award until early Spring, essentially providing families only 30-60 days to consider the financial package prior to committing to an institution by the May 1 admissions deadline. By allowing the FAFSA to be completed earlier in the student’s high school career, either early in the senior year
or late in junior year, families can have knowledge of the federal aid package before choosing to apply to a cost prohibitive college and incurring debt through the Stafford Loan. This would allow the federal government, state, and institutions of higher education to provide a relatively accurate financial award. The family would then have ample time moving the timeframe from 60 days to four-six months in order to consider other funding or consider a less expensive institution. Recently, the National Association of Student Financial Aid Administrators completed a study that found that only 18% of the awards nationwide would change based on income adjustments due to earlier filing. Yet, the study revealed the positive impact of this change would be focused on low income students, who would understand the amount of free money that would be available to assist them in pursuit of their college education through the Pell Grant before committing to an institution. Only 5% of Pell eligible students would see shifts in their award (National Association of Student Financial Aid Administrators, 2013).

As with any rule change, there are likely cost implications that must be assessed and understood. Colleges and universities rely heavily on information provided by the family on the FAFSA to determine how much institutional aid they will offer to the family and, in some instances, they may allocate more institutional resources than necessary. Critics of earlier financial awards state this approach may create an environment in which the federal government will award more money in Pell Grants due to changes in a family’s financial circumstances. Although it is possible that a family’s financial conditions may change within the first year, the effect will be minimal, but, of course, must be modeled. It is almost certain that it will be neutral, as income conditions may improve or deteriorate on an annual basis and a few individuals may access more funding the first year, but by the second year the issue will be
resolved. The stakeholders in the process are federal agencies, institutions of higher education and prospective students and the relationship between these stakeholders is illustrated below.

**Figure 10: Enrollment Timeline**

![Enrollment Timeline Diagram]

**Financial Literacy**

Several studies have found that students who participate in financial literacy programs or FAFSA workshops are more likely to make better decisions on how to finance their educational expenses. Although this study did not find a statistically significant relationship between financial literacy and improved decision making, there were definite connections made by the students based on open ended responses regarding the efficacy of the program. Students who attended a financial literacy program reported a greater awareness of financial topics and a solid understanding of their roles and responsibility as a student borrower. Most notably, students cited that the program provided them with strategies to access income contingent repayment plans as well as how to negotiate with student loan servicers to address repayment plans early to avoid loan default. Student Poll, an annual survey of college entrants, found that low income students are more likely to seek out financial aid workshops to support their educational
objectives. At the moment, the country is in the midst of developing and refining the Common Core, a common curriculum in the K-12 system. This presents a unique opportunity to mandate financial literacy as part of the curriculum in the student’s sophomore year in high school. The program could be designed in a manner to augment the current curriculum or as a standalone and non-credit bearing requirement.

Financial literacy programs provide students with a skill set to build strong budgeting and financial decision making skills. Access to financial tools will allow students to understand the benefits and risks associated with their educational choices. It may also help students approach their parents to discuss how they might pay for educational expenses. In both my personal and professional life, I have witnessed and experienced how too little information and or a lack of understanding of financial alternatives in the pursuit of higher education creates a dynamic that challenges students who seek a college degree as a way to advance both their intellectual and professional growth. The significance between literacy, budgeting, and the intention to repay student debt cannot be lost. The results here suggest that students who are exposed to a financial literacy program have a different perception of finances and may be able to navigate life choices and financial decision better as college graduates.

In order to fund this program the federal government could work with loan processors that are managing collections of the Stafford Loan program. Loan processing agencies have had to develop different business models due to the Department of Education transition from the Federal Education Loan Program (FELP) to Direct Lending (DL). As such, these companies are now service providers for the Department of Education and have begun to take on the charge of financial literacy for colleges and universities. It seems logical to assume that these companies
would want to support their biggest client by providing an online financial literacy platform for high schools. The online modality provides easy access whether at home or at school.

Although great strides have been made in bridging the digital divide, it still exists, particularly in low income households. It is important, therefore, that the online tools be compatible and usable via a mobile phone. A recent Pew Center Study indicated that a higher percentage of individuals access the internet via their smartphone and there has been a notable increase in usage among low income households (Raine, 2013). Still, these tools are best received when delivered in a classroom environment so it will be important to develop buy-in from middle school and high school teachers. The implementation strategy here implies a coercive incentive, as many schools will have no choice if they choose to adopt the Common Core, but there is an intrinsic benefit for the schools and the student they serve. The students who complete this online financial literacy program will be able to better understand the roles and responsibilities of a borrower, allowing these students to make appropriate financial life choices.

The result of this work provides a strong foundation for future work of this nature at institutions who participate in the federal aid program. Based on the survey data and the literature review, using student system data, institutions can develop models that identify students at risk of loan default or degree non-completion at the start of their academic career. These students would then be assigned a mentor and be required to participate in a financial literacy program, such as iGrad. Such intervention strategies would support the students’ academic progress, but also support the university’s effort to lower default rates.
Johnson & Wales University uses iGrad, a financial literacy program. The program is only mandatory at the Charlotte campus, but the tool allows university administrators to track participation. The product also tracks participant pre- and post-scores on specific module quizzes. The most recent results of iGrad tests indicate that there is a transfer of knowledge occurring. One module focuses on student loans. The pre-test for this module is only available after a student has successfully completed an Entrance Interview required by the federal government for recipients of federal loan programs.

It is apparent from the results on the online student loan pre-test that the required interview either does not resonate with students or does not provide students with a solid understanding of their rights and responsibilities as a student loan borrower. The iGrad student loan module pre-test score indicates the lowest of all the financial literacy modules. This indicates a need for a revised Entrance Interview process. Once a student completed the module and the post-test, there was a significant increase in the student’s average score from pre-test (39%) to post-test (79%).

The federal government is developing metrics to measure the quality of an institution based on retention, graduation and default rates. Each institution serves a set of unique students who believe that their academic goals can be achieved through the institution’s mission. There will be some institutions that will choose to modify their mission and alter their admissions criteria in order to achieve a positive ranking via these new metrics. By engaging in this practice, institutions will actually limit access to the individuals who are the most financially vulnerable and who can most benefit from an education. This is in direct conflict with the goals expressed by the Department of Education which, under President Obama’s Administration, is to increase access and completion rates in the country.
Of equal concern are the regulations being set in motion at the federal level that aim to support improved access, retention, completion rates, and default rates. To date, much of the work that has been done at the federal level is focused on holding institutions accountable for default rates. There is greater pressure now being placed on institutions with the implementation of the score card, shopping sheet, and gainful employment regulations. The first two efforts are focused on providing students and parents with information on costs, retention, graduation, and default rates, among others, which for an educated consumer can prove to be beneficial. It is uncertain, however, if these tools support the most financially vulnerable in making the best decision related to their college education. The Gainful Employment rule is a bit more complex and currently still in flux, as the courts found the first rule to be “arbitrary and capricious.” The Department of Education continues to refine this regulation, but its goal is to require all affected colleges to "make public disclosures regarding the performance and outcomes of their gainful-employment programs” (Blumenstyk, 2014). This will have a significant impact on smaller colleges and universities and place an onerous reporting requirement on institutions, but the rule will do little to support students in their educational attainment or to minimize default rates.

**Funding the Pell Grant**

Students who are the most financially vulnerable count on the Pell Grant to defer some of the cost associated with college tuition. For some, the Pell Grant lowers the amount of student debt they will incur during their college career. For others, this public investment in their education will support their degree completion. Each year colleges raise their tuition rates an average of 3 – 6%, yet the Pell Grant remains relatively fixed throughout the student's career. It is time to reinvest in the Pell Grant by allocating some of the revenue from the student loan program back into the Pell Grant. Many students can finance the first year of their college
experience, but when faced with the cost of the second year they become reluctant to make the investment by taking on additional debt. The Pell Grant must be restructured so that it supports increases on an annual basis. For example, if the maximum Pell Grant is $6,000 in the student's freshman year, it could be increased by 15% each subsequent year if the student remains in good academic standing. In order to incentivize students to complete their degree in a timely manner, the Pell Grant would only be available to students for five years instead of the current six years. This could easily be financed by reallocating revenue from the loan program back into education and the Pell Grant.

Conclusion

This study demonstrated the importance of parents and students intentionally engaging in discussions regarding academic and financial expectations. It is clear that some parents may feel incapable of providing the right level of guidance on these topics, particularly if the parent has not attended college. This study found that 68% of parents who held an associate’s degree or higher discussed finances with their children compared to 18% of parents who had not attended college. The challenge is how to address this concern. It is more likely that the parents of first generation college students require additional support and time to navigate the FAFSA process and the college application process. This support needs to be provided in a myriad of forums and languages to maximize its reach and efficacy. There must be a concerted effort to reach these families early in the student’s high school career through in-school programming and local city and town programming.

These recommendations will not immediately improve access to higher education for financially vulnerable populations, but it will provide information to encourage families to take
the necessary time to consider their higher education options. The recommendations require a Cost Benefit Analysis to determine the feasibility and cost of mandating financial literacy programs and shifting the federal financial aid timeline to use the previous year’s income statuses. They will, though, ultimately support greater transparency and access to education. In brief, students and families must be supplied with the knowledge, skills and time necessary to navigate both the college enrollment process and financial aid process in order to ascertain the best financial and academic fit possible. Three critical efforts, aligning the financial aid process with the enrollment process, developing financial literacy programs for parents and students, and reinvesting the profits from student loan payments back into the Pell Grant for the most deserving students can provide the path to achieving this goal.

Students who find themselves at the right institutions are more likely to complete degree requirements. At the moment, is unclear if the Department of Education is focused on transparency or if it using rigorous metrics as a guise to hold institutions more accountable for the use and allocation of federal dollars. If the United States is committed to improving access and completion rates, thereby impacting default rates, it is necessary to intentionally engage the most financially vulnerable and provide them with easy repayment plans, stable interest rates, and time to make what is likely the second biggest investment they will make in their lives, second only to purchasing a home. It is important to continually monitor the quality and accuracy of information provided to students and parents regarding the realities of financing their higher education pursuits. To achieve this, information to both parents and students must be provided earlier in the high school years.
Better opportunities for more students to take advantage of higher education will help ensure the United States is positioned as an economic world power. President James Garfield mirrored this position when he said, “Next in importance to freedom and justice is popular education, without which neither freedom nor justice can be maintained” (Garfield, 1880). It may be time for bold action to secure access to free or affordable higher education to ensure that the principles on which the United States was founded: freedom, justice, and liberty, are sustained.
References


# Appendix A

## Financial Attitudes and College Expenses

The purpose of the survey is to gain a better understanding of how students view their financial commitment to pursuing their educational objectives. Findings from this survey may be used to further the debate on how to provide access to an affordable education.

### Gender:
- Male
- Female
- Other

### Race:
- African American
- American Indian
- Asian
- Latino/Latina
- White
- Bi-Racial
- Other

### Year in School:
- Freshman
- Sophomore
- Junior
- Senior

### Age:
- 18-24
- 25-35
- Over 35

### Household Structure:
- Two parent household
- One parent household
- Independent
- Head of household (with own dependents)
- Other
<table>
<thead>
<tr>
<th>Financial Attitudes and College Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Campus:</strong></td>
</tr>
<tr>
<td>☐ Charlotte</td>
</tr>
<tr>
<td>☐ Denver</td>
</tr>
<tr>
<td>☐ North Miami</td>
</tr>
<tr>
<td>☐ Providence</td>
</tr>
</tbody>
</table>

**Did you apply for Federal Financial Aid?**

- ☐ Yes
- ☐ No
- ☐ Don't know
# Financial Attitudes and College Expenses

**Did you receive a Federal Pell Grant?**

- [ ] Yes
- [ ] No
- [ ] Don't know

**Using the scale below, rank each item listed as most similar, depends, or least similar**

<table>
<thead>
<tr>
<th>Description</th>
<th>Most similar</th>
<th>Depends</th>
<th>Least similar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscally conservative (e.g., maintains/adheres to a monthly budget, conscious of spending limits, has personal savings account, employed)</td>
<td>[ ]</td>
<td>[ ]</td>
<td></td>
</tr>
<tr>
<td>Fiscally balanced (e.g., may have a budget, but spends financial resources within reason, does not overdraw on accounts, or carry significant amounts of credit card debt, employed)</td>
<td>[ ]</td>
<td>[ ]</td>
<td></td>
</tr>
<tr>
<td>Fiscally aggressive (e.g., no budget, carries significant credit card debt, employed)</td>
<td>[ ]</td>
<td>[ ]</td>
<td></td>
</tr>
</tbody>
</table>

**Do you have a monthly budget?**

- [ ] Yes
- [ ] No
<table>
<thead>
<tr>
<th>Financial Attitudes and College Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Attitudes and College Expenses</td>
</tr>
<tr>
<td><strong>Do you adhere to it?</strong></td>
</tr>
<tr>
<td>☐ Yes</td>
</tr>
<tr>
<td>☐ No</td>
</tr>
<tr>
<td>☐ Depends</td>
</tr>
<tr>
<td><strong>What was your last extravagant purchase?</strong></td>
</tr>
<tr>
<td>☐</td>
</tr>
<tr>
<td><strong>Do you have a credit card?</strong></td>
</tr>
<tr>
<td>☐ Yes</td>
</tr>
<tr>
<td>☐ No</td>
</tr>
</tbody>
</table>
### Financial Attitudes and College Expenses

**Financial Attitudes and College Expenses**

**Do you carry a monthly balance? (please check one)**

- [ ] 0-49
- [ ] 50-200
- [ ] 201-500
- [ ] 501-700
- [ ] 700-1000
- [ ] 1001 or more
- [ ] Don't know

**Do you discuss finances with your parents or guardians?**

- [ ] Yes, all the time
- [ ] Sometimes
- [ ] No (please explain below)

**Do your parents discuss finances with you?**

- [ ] Yes
- [ ] Depends
- [ ] No (please explain below)

**Which, if any of the following topics of conversations did you have with your parents/guardians regarding your choice of college? (check all that apply)**

- [ ] Having limited financial resources that could affect choice of college
- [ ] The need to take out student loans to help pay for college
- [ ] The need to work while in college to pay for college
- [ ] The expectation that I must perform well academically and graduate on time
- [ ] Did not have conversation
- [ ] Other (please specify)
### Financial Attitudes and College Expenses

**To what extent did your family's financial or your own personal preparations (or lack of preparation) affect your college choice? (check all that apply)**

- [ ] Little or no effect on my choice - I would have made the same college choice and financed my education more or less the same way
- [ ] Moderate effect on my choice - I would have made the same college choice and financed my education differently
- [ ] Major effect on my choice - I would likely have made a different choice of institution
- [ ] Don't know

**Do you feel burdened by educational debt?**

- [ ] Yes
- [ ] Sometimes
- [ ] No

**To date, how much student debt have you taken on?**

- [ ] 0
- [ ] 1-5,000
- [ ] 5,001-10,000
- [ ] 10,001-15,000
- [ ] 15,001-20,000
- [ ] 20,001-25,000
- [ ] Greater than 25,000
- [ ] Don't know

**Do you intend to repay your student debt?**

- [ ] Yes
- [ ] No
- [ ] Depends

If you answered no or depends, please explain

![Input Field]

**Have you participated in a financial literacy program on campus?**

- [ ] Yes, in class
- [ ] Yes, online through iGrad
- [ ] No
- [ ] Don't know
Financial Attitudes and College Expenses

Did your participation in the financial literacy program impact your financial perceptions?

- Yes
- No
- Don't know

Please explain below.
Appendix B

For NU IRB use:

Date Received: ___________________________ NU IRB No. __________________

Review Category: ________________________ Approval Date _________________

Application for Approval for Use of Human Participants in Research

Before completing this application, please read the Application Instructions and Policies and Procedures for Human Research Protections to understand the responsibilities for which you are accountable as an investigator in conducting research with human participants. The document, Application Instructions, provides additional assistance in preparing this submission.

Incomplete applications will be returned to the investigator. You may complete this application online and save it as a Word document.

If this research is related to a grant, contract proposal or dissertation, a copy of the full grant/contract proposal/dissertation must accompany this application.

Please carefully edit and proof read before submitting the application. Applications that are not filled out completely and/or have any missing or incorrect information will be returned to the Principal Investigator.

REQUIRED TRAINING FOR RESEARCH INVOLVING HUMAN SUBJECTS

Under the direction of the Office of the Vice Provost for Research, Northeastern University is now requiring completion of the NIH Office of Extramural Research training for all human subject research, regardless of whether or not investigators have received funding to support their
The online course titled "Protecting Human Research Participants" can be accessed at the following url: http://phrp.nihtraining.com/users/login.php. This requirement will be effective as of November 15, 2008 for all new protocols.

Principal Investigators, student researchers and key personnel (participants who contribute substantively to the scientific development or execution of a project) must include a copy of their certificate of completion for this web-based tutorial with the protocol submission.

Certificate(s) Attached  □ Certificate(s) submitted previously – on file with the NU’s Office of Human Subject Research Protection

A. Investigator Information

Principal Investigator (PI cannot be a student)  Dr. Neenah Estrella-Luna

Investigator is: NU Faculty  X  NU Staff  _______  Other  _______

College: Choose an item. _______ CPS

Address  _______ Broad Street Northeastern University

Office Phone  _______  Email  n.estrellaluna@neu.edu
Is this student research? YES ___X___ NO ______ If yes, please provide the following information:

Student Name ______ Marie Bernardo-Sousa ______ Anticipated graduation date June 2014 ______

Undergrad ___ MA/MS ____ PhD ____ AuD ____ EdD ____ DLP ___x_ Other Degree Type ____

College: College of Professional Studies ______________________

Department/Program ___________ DLP ___________

Full Mailing Address _______ 10 Case Avenue Seekonk Massachusetts 02771 ____________________

____________________________________________________

Telephone ______ 508-399-5074 ______ Primary Email mberardo@jwu.edu
Cell phone _______ 401-573-6767 ______ Secondary Email Bernardo-sousa.m@husky.neu.edu

Protocol Information

Title ___ Impact of Student Financial Attitudes on Decisions Related to College Expenses for Low and Moderate Income Students ______

Projected # subjects 180 survey responses

Approx. begin date of project January 2014   Approx. end date June 2014________

month, day, year   month, day, year
It is the policy of Northeastern University that no activity involving human subjects be undertaken until those activities have been reviewed and approved by the University's Institutional Review Board (IRB).

- Anticipated funding source for project (or none) _____ None

Has/will this proposal been/be submitted through:

- NU’s Office of Research Administration and Finance (RAF) __No
- Provost ___ No
- Corp & Foundations _No

### C.

<table>
<thead>
<tr>
<th>Will Participants Be:</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children (&lt;18)</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Northeastern University Students?</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Institutionalized persons?</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Prisoners?</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Cognitively Impaired Persons?</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Non or Limited English Speaking Persons?</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>People Living outside the USA?</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Pregnant Women/Fetuses?</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Does the Project Involve:</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blood Removal?</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Investigational drug/device?</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Audiotapes/videotapes?</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>
D. What are the goals of this research? Please state your research question(s) and related hypotheses. The objective of this research is to understand how attitudes influence student’s perceptions of financial burden, loan repayment for students who are considered low and moderate income and whether or not these attitudes can be impacted by financial literacy programs.

The following research questions will be examined:

3. Is there a disproportionate financial burden placed on students of low and moderate incomes who pursue private education? If so, does this create a perceived barrier to degree completion and future loan repayment?

4. Do financial attitudes impact students’ financial decisions related to educational pursuits? If so, is this influenced by family dynamics or financial literacy programs?

E. Provide a brief summary of the purpose of the research in non-technical language.

This research will provide additional context in the educational policy debate. It may serve to validate common assumptions regarding student access to higher education and the financial decisions they make to support their educational goals. There appears to be a disproportionate impact on minority students from low and moderate incomes. This work may serve to demonstrate how to ease the financial burden by providing students with more information. By reflecting on the financial values and attitudes of students related to their educational choices there may be an opportunity to implement strategies to broaden the students’ and family members’ knowledge of the process and the responsibilities associated with student loan borrowing.

F. Identify study personnel on this project. Include name, credentials, role, and organization affiliation.
G. Identify other organizations or institutions that are involved. Attach current Institutional Review Board (IRB) approvals or letters of permission as necessary.

The case study will be focused on Johnson & Wales University (JWU) students and therefore the IRB process for the institution will need to be followed a letter of preliminary approval may be found in appendix A.

H. Recruitment Procedures

Describe the participants you intend to recruit. Provide all inclusion and exclusion criteria. Include age range, number of subjects, gender, ethnicity/race, socio-economic level, literacy level and health (as applicable) and reasons for exempting any groups. Describe how/when/by whom inclusion/exclusion criteria will be determined.

With assistance from the Institutional Research (IR) and Student Communications undergraduate students receive an email with a survey link. JWU students will be invited to participate who are freshman, sophomore or junior and full-time students in full academic programs and in good academic standing with an overall GPA of 2.00. If the response rate does not achieve the desired result the survey will be given to students who are participating in a financial literacy workshop which is offered during specific classes, and a link to the survey will also be placed on a residential life Facebook page.

Describe the procedures that you will use to recruit these participants. Be specific. How will potential subjects be identified? Who will ask for participation? If you intend to recruit using letters, posters, fliers, ads, website, email etc., copies must be included as attachments for stamped approval. Include scripts for intended telephone recruitment.

The students will receive an email and a link to the survey. Students who do not complete the survey within the first two weeks will receive a reminder via email with a link. The survey will remain open for thirty days. An announcement describing the program will be sent to the general
student population via the portal with a link to the survey. If the response rate does not appear to be meeting the stated objective, the survey will then be administered to students who are in attendance at non mandatory financial literacy programs which are held in classes or in the residence halls.

What remuneration, if any, is offered?

None

I. Consent Process

Describe the process of obtaining informed consent*. Be specific. How will the project and the participants’ role be presented to potential participants? By whom? When? Where? Having the participant read and sign a consent statement is done only after the researcher provides a detailed oral explanation and answers all questions.

If your study population includes non-English speaking people, translations of consent information are necessary. Describe how information will be translated and by whom. You may wait until the consent is approved in English before having it translated.

An unsigned consent form will be used. The unsigned consent form may be found in appendix B or on the first page of the survey which may be found in appendix D.

The study does not include non-English speaking participants.
If your population includes children, prisoners, people with limited mental capacity, language barriers, problems with reading or understanding, or other issues that may make them vulnerable or limit their ability to understand and provide consent, describe special procedures that you will institute to obtain consent appropriately. If participants are potentially decisionally impaired, how will you determine competency?

This study does not include any known participants with limited mental capacity, language barriers and the like.

*If incomplete disclosure during the initial consent process is essential to carrying out the proposed research, please provide a detailed description of the debriefing process. Be specific. When will full disclosure of the research goals be presented to subjects (e.g., immediately after the subject has completed the research task(s) or held off until the completion of the study’s data collection)? By whom? Please attach a copy of the written debriefing statement that will be given to subjects.

Not applicable
J. Study Procedures

Provide a detailed description of all activities the participant will be asked to do and what will be done to the participants. Include the location, number of sessions, time for each session, and total time period anticipated for each participant, including long term follow up.

Participants will be asked via email to complete a survey which will take 10 -15 minutes to complete. The survey will be available to participants for thirty days during which time response rates will be monitored closely. If the email recruitment process does not elicit the appropriate response rate, the survey will be delivered in non-mandatory financial literacy workshops for a period of two weeks. These sessions will take place in scheduled courses in which the faculty member has requested a financial literacy presentation.

Who will conduct the experimental procedures, questionnaires, etc? Where will this be done? Attach copies of all questionnaires, interview questions, tests, survey instruments, links to online surveys, etc.

I will work with Institutional Research and Student Communications to distribute the surveys through the JWU’s email system. A link to the survey may be found here

https://www.surveymonkey.com/s.aspx?PREVIEW_MODE=DO_NOT_USE_THIS_LINK_FOR_COLLECTION&sm=wwzl8DsAXzCYIl11lo23qfdscHluGCXGgxN7qJ3Zzw%3d

A PDF is also available in the appendix c.

K. Risks

Identify possible risks to the participant as a result of the research. Consider possible psychological harm, loss of confidentiality, financial, social, or legal damages as well as
physical risks. What is the seriousness of these risks and what is the likelihood that they may occur?

The survey will be anonymous. The survey is a web based survey therefore it does introduce a slight probability that the participant IP address could be traced. The survey questions could create a low level of discomfort in the respondent due to the nature of the financial questions.

Describe in detail the safeguards that will be implemented to minimize risks. What follow-up procedures are in place if harm occurs? What special precautions will be instituted for vulnerable populations?

The survey is voluntary and is not targeted at vulnerable populations. The data will be used in aggregate form only.
L. Confidentiality

Describe in detail the procedures that will be used to maintain anonymity or confidentiality during collection and entry of data. Who will have access to data? How will the data be used, now and in the future?

The survey will be anonymous and the data will only be used in aggregate. The survey results will be stored in a password-protected cloud database and an external hard drive. Once the research is completed the data will be stored to provide at the institution this may assist with a future longitudinal study.

How and where will data be stored? When will data, including audiotapes and videotapes, be destroyed? If data is to be retained, explain why. Will identifiers or links to identification be destroyed? When? Signed consent documents must be retained for 3 years following the end of the study. Where and how will they be maintained?

The data will be stored in a password-protected cloud storage system and on an external hard drive. The results of the data will be stored at JWU when the report is completed and successfully defended.

M. If your research is HIPAA-protected, please complete the following;

Individual Access to PHI

Describe the procedure that will be used for allowing individuals to access their PHI or, alternatively, advising them that they must wait until the end of the study to review their PHI.

Not applicable.
N. Benefits

What benefits can the participant reasonably expect from his/her involvement in the research? If none, state that. What are potential benefits to others?

Survey respondents will not receive any discernable benefit. The research will be used to contribute to inform the policy debate related to affordability of higher education. The results will be used to inform policy discussions to improve affordability in higher education and promote interventions to support student’s educational financing decisions.

Attachments

Identify attachments that have been included and those that are not applicable (n/a).

- Copy of fliers, ads, posters, emails, web pages, letters for recruitment *
- Scripts of intended telephone conversations*
- Copies of IRB approvals or letters of permission from other sites
- Informed Consent Form(s)* (see our templates for examples)
- Debriefing Statement*

Copies of all instruments, surveys, focus group or interview questions, tests, etc.

Signed Assurance of Principal Investigator Form (required)

NIH Human Subject Training Certificate(s) (required if not already on file at HSRP)

*(Approved forms must be stamped by the IRB before use)

O. Health Care Provision During Study

Please check the applicable line:
I have read the description of HIPAA “health care” within Section 4 of the Policies & Procedures for Human Research Protection. I am not a HIPAA-covered health care provider and no health care will be provided in connection with this study.

I am a HIPAA-covered health care provider or I will provide health care in connection with this study as described in Section 4 of the Policies & Procedures for Human Research Protection. This health care is described above under “Study Procedures,” and the Informed Consent and Health Information Use and Disclosure Authorization form will be used with all prospective study participants.

If you have any questions about whether you are a HIPAA-covered health care provider, please contact Nan C. Regina, Director, Human Subject Research Protection at n.regina@neu.edu or (617) 373-4588.

Completed applications should be submitted to Nan C. Regina, Director, Human Subject Research Protection with the exception of applications from faculty and students of the College of Professional Studies, which should be submitted to Kate Skophammer, IRB Coordinator for CPS.

<table>
<thead>
<tr>
<th>Nan C. Regina, Director</th>
<th>CPS applications only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeastern Univ., Human Subject Research Protection</td>
<td>Kate Skophammer, IRB Coordinator</td>
</tr>
<tr>
<td>360 Huntington Ave., Mailstop: 960 Renaissance Park</td>
<td>Northeastern Univ., College of Professional Studies</td>
</tr>
<tr>
<td>Boston, MA 02115-5000</td>
<td>360 Huntington Ave., Mailstop: 20 Belvidere</td>
</tr>
<tr>
<td>Tel: 617.373.4588; Fax: 617.373.4595</td>
<td>Boston, MA 02115</td>
</tr>
<tr>
<td><a href="mailto:n.regina@neu.edu">n.regina@neu.edu</a></td>
<td>Tel: 617.373.6659; Fax: 617.373.6600</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:k.skophammer@neu.edu">k.skophammer@neu.edu</a></td>
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</tbody>
</table>

The application and accompanying materials may be sent as email attachments or in hard copy. A signed Assurance of Principal Investigator Form may be sent via fax or in hard copy.
Appendix A

November 15, 2013

Dear Members of the Northeastern University Institutional Review Board,

I am the chairperson of Johnson & Wales University’s Research Review Committee, the group that approves research studies conducted at the University. The committee consists of the Director of Institutional Research, the University Provost, and the Associate General Counsel. On behalf of the committee, I wish to inform you that the committee has approved Maria Bernardo-Sousa’s request to utilize undergraduate student email addresses for her research. The committee has granted her access to undergraduate student email addresses at Johnson and Wales University which have been identified as directory information. This access applies only to undergraduate students who have not placed a confidential block on their records. As the Director of Institutional Research I will provide the student email addresses to the JWU Student Communications office. The JWU Student Communications office will be responsible for sending all communications to the JWU students in coordination with the researcher.

Should you have any questions, please feel free to contact me.

Sincerely,

George J. Rezendes, Ph.D.
Director of Institutional Research &
Chair of University Research Review Committee
Email george.rezendes@jwru.edu
UNSIGNED CONSENT DOCUMENT FOR WEB-BASED ONLINE SURVEYS

In certain instances, an IRB may waive the requirement for the investigator to obtain a signed consent form for some or all subjects. In cases in which the documentation requirement is waived, the IRB may require the investigator to provide subjects with a written statement regarding the research. Only the IRB can waive or modify the consent process. Researchers are not authorized to make this decision. Please modify the following information as necessary.

~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~
Northeastern University, Department of:
Name of Investigator(s): Primary Investigator Dr. Neenha Estrella-Luna Student Investigator Marie Bernardo Sousa
Title of Project: Impact of Student Financial Attitudes on Decisions Related to College Expenses for Low and Moderate Income Students

Request to Participate in Research
We/I would like to invite you to participate in a web-based online survey. The survey is part of a research study whose purpose is to understand the financial attitudes of college students and how this may impact college financing decisions. This survey should take about 10 - 15 minutes to complete.

We/I are asking you to participate in this study because you are a college student who has recently made financing decisions related to their educational goals. You must be at least 18 years old to take this survey.

The decision to participate in this research project is voluntary. You do not have to participate and you can refuse to answer any question. Even if you begin the web-based online survey, you can stop at any time.

The possible risks or discomforts of the study are minimal. You may feel a little uncomfortable when answering survey questions related to financial habits.

There are no direct benefits to you from participating in this study. However, your responses may help us learn more how to develop intervention strategies to support students financial decisions related to their educational goals.

Your part in this study will be handled in a confidential manner. Any reports or publications based on this research will use only group data and will not identify you or any individual as being affiliated with this project.

If you have any questions regarding electronic privacy, please feel free to contact Mark Nardone, NU’s Director of Information Security via phone at 617-373-7901, or via email at privacy@neu.edu.

If you have any questions about this study, please feel free to contact Marie Bernardo-Sousa mbernardo@jwu.edu, the person mainly responsible for the research. You can also contact TBD, the Principal Investigator.

If you have any questions regarding your rights as a research participant, please contact Nan C. Regina, Director, Human Subject Research Protection, 960 Renaissance Park, Northeastern University, Boston, MA 02115. Tel: 617.373.4588, Email: n.regina@neu.edu. You may call anonymously if you wish.

By clicking on the survey link below [Or the “accept” button below] you are indicating that you consent to participate in this study. Please print out a copy of this consent form for your records.
http://_____________________________________________________

Thank you for your time.
Marie Bernardo-Sousa
Appendix C Survey PDF Format

Survey_46700750.pdf
- Adobe Acrobat Pro.p