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# Students' Attitudes Toward Debt—A Study of Atkinson Faculty of Liberal and Professional Studies, York University, and Ryerson University

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*In Ontario, the university system has been put on notice that there will be financial consequences for those universities whose Ontario Student Assistance Plan (OSAP) default rates are greater than the norm. As a result, it is important to determine all of the factors that affect students' decisions to borrow. This paper uses survey information gathered from Atkinson Faculty of Liberal and Professional Studies, York University, and Ryerson University to focus attention on the relationship between students' attitudes toward going into debt to finance their university education and their actual borrowing behavior. The study found that when all else is held constant, students with positive attitudes toward debt are more likely than others to be on the OSAP.*

In the United States, Great Britain, Australia, and Canada, more and more of the costs of higher education are being placed on the shoulders of students and their families. Slaughter and Leslie (1997) have argued that this development is directly related to policies designed to enhance national competitiveness in a global economy. Other consequences of this response to globalization include an increased emphasis on "techno-science" and a decrease in university autonomy.

There are two developments that have resulted in students and their families assuming more of the costs of higher education: increases in tuition and reduced grants to students from the government. At York University, for example, tuition rose from \$2,501 for an undergraduate arts and science degree in 1995-96 to \$3,920 in 1999-2000. While tuition has risen considerably, government programs for assisting students have changed. For several years, the Ontario Student Assistance Plan (OSAP), which had both grant and loan components, was the primary way students could obtain resources to finance their education. The amount of assistance made available to each student was based on parental income, student earnings, and other need factors. In the early 1990s, the provincial government discontinued the grant portion, which predictably increased the average debt load assumed by students. Although in a subsequent year the government required universities to put aside funds for bursaries (need-based

grants) some of the money they accrued through tuition increases, there is growing national concern with the amount of money students borrow from the OSAP to finance the costs of a university education. This concern stems from a number of sources.

First, in all provinces, students are borrowing increasingly greater amounts to finance university education. For example, a 1997 study of 1995 Canadian university graduates showed that 50% had borrowed from the government. The average amount borrowed, \$13,300, was 140% higher than it had been in 1982 (Clark, 1998). Data collected for the current study indicate that at Ryerson University the accumulated OSAP debt of students in their first, second, third, and fourth levels of study were \$8,746, \$15,174, \$18,437, and \$26,038, respectively. It is important to note that, because it focuses on applied programs, many students enroll at Ryerson after having a first degree; as a result, Ryerson has a disproportionate number of students who incurred debt at other universities. The corresponding figures for Atkinson were \$14,377, \$12,690, \$22,300, and \$27,883. The reason for the second year decline in average debt for Atkinson is unclear.

Second, many students are having difficulty paying back, or are defaulting on, their loans. In 1997, 18% of students who graduated from a college or university in 1995 reported difficulty in making their loan payments and 4% had already defaulted (Clark, 1998).

Third, in Ontario, universities are required to share the costs of OSAP defaults with the government. As stated on the OSAP Web page, "Beginning with loans issued in 1998/99, institutions with a 1997 default rate 15 percentage points or more above the 1997 provincial average of 23.5% are required to share the costs of defaults. In 1999-2000 the policy will also apply to institutions with a 1997 default rate 10 percentage points or more above 23.5%" (see <http://osap.gov.on.ca/eng/intro.htm>). The 1998 default rates for York and Ryerson are 15.6% and 15.2% respectively.

Finally, some believe that students should not have to start their adult lives with a debilitating debt.

### **Related Research**

Because universities in Ontario have been told that there will be financial consequences if OSAP defaults exceed the norm and that student debt is growing, it is important to determine the attitudinal and other factors that predispose students to obtain OSAP support. In carrying out this analysis, it is necessary to keep in mind that the relationship between attitudes toward debt and actual debt is not clear. For example, while we may assume that attitude toward debt affects borrowing behavior, cognitive dissonance theory (Festinger, 1962), and self-perception theory (Bem, 1972) suggest that if people must acquire debt, they will adjust their attitudes to accept it.

Unfortunately, researchers have focused little attention on attitudes toward debt and, in particular, on the attitudes of students toward debt. A few general studies of attitudes toward debt carried out in the United States and in the United Kingdom have shown that compared to those with no debt, borrowers are relatively poor, have more positive attitudes toward debt, and know others who are in debt (Lea et al., 1993; Duca & Whitesell, 1995; Lea et al., 1995). It is unclear from the studies, however, whether positive attitudes precede debt or if positive attitudes are a post hoc rationalization of debt.

In a small study of student debtors in the United Kingdom (Davies & Lea, 1995), it was found that debtors tended to be older, to have a more pro-debt attitude, to have several kinds of debt, to worry less about the level of their bank account, and to be male. Level of indebtedness was predicted by being in the second or third year of the course, having more credit cards, being atheist or agnostic rather than protestant in religion, and having a more pro-debt attitude. Even in this study, because positive attitudes toward debt and actual amount of debt varied directly with year of study, it was difficult to determine if positive attitudes toward debt preceded or were a result of debt.

Independent of the origins of attitudes toward debt, it is evident that Canadian students are borrowing more and more money. The same is true in the United States, where loan aid to students has more than doubled in constant dollars between 1988 and 1998 (College Board, 1999, p. 12). In addition, the proportion of student aid received as a loans has also changed significantly, from 48% of total financial aid in 1990-91 to 58% in 1998-99 (Ibid., p. 12). Interestingly, student aid received as a non-repayable grant, while shrinking as a percentage of total aid, is still a significant part of student financial aid in the United States (40%).

Other U.S. research has dealt with the effects of borrowing on consumption behavior. In the late 1980s the Massachusetts Higher Education Assistance Corporation and the New England Loan Marketing Corporation undertook a comprehensive survey of the impact of student loans on borrowers, their consumption patterns, and their attitudes towards repayment. The study found that there was "a gap between borrowers'" subjective perceptions of burden and the objective impact of loan payments on their economic behavior. When other variables are held constant, the likelihood of buying things like cars and houses, or the probability of living with one's parents, is only minimally related to monthly payments for educational debt (Baum & Schwartz, 1988). These results were confirmed in an updated survey in the early 1990s (Pedalino, et al., 1991). With respect to student loan attitudes and behavior, both studies showed that individuals with higher debt levels are more likely to perceive their debts as burdensome, but that the debt level has little impact on post-graduation consumption.

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Studies of student loan default rates show that in the United States, being Black or Native American, male, or separated or divorced, increases the likelihood of default. Conversely, getting good grades and completing a degree decrease the likelihood of default (Flint, 1997; Volkwein & Szelest, 1995).

While in most studies information on attitudes toward debt is not collected, in an examination of data from the 1990 National Postsecondary Student Aid Study, Flint (1998) found that after the effects of pre-college, institutional, academic, and financial characteristics had been taken into account, students who scored high on a "cost avoidance scale" were less likely than others to borrow to finance their education. When they did borrow, they went less into debt than other students. As Flint (*Ibid.*, p. 20) points out, "This finding confirms the importance of students' values in their approach to student loans, a dimension rarely recognized when academic, financial, or social variables are the focus of the research." Other studies have shown that in the United States, while gender differences in borrowing are small, more Black students than White students go into debt to finance their education (Sjogren, 1998). Other research indicates that Black students are more likely than other students to say that their loans caused them problems (Baum & Saunders, 1998). As a result, Baum and Saunders (p. 20) state that, "further research into the variations in attitudes toward debt among different demographic groups is an important part of maintaining meaningful access to postsecondary education." In short, there is a growing recognition that student debt cannot be explained by financial need alone.

Concern about student debt and an unwillingness to borrow large amounts of money to finance postsecondary education have prevented low income students from attending more expensive schools (community college versus university; public versus private) in the United States, or has caused them to devote fewer years to their education (Mortenson, 1990). With the increase in tuition rates in the province of Ontario and the unavailability of grant assistance, this would suggest that if current conditions continue, student enrollment may be affected. That is, if university tuition increases further, and grant assistance to students continues to be unavailable, students may well choose community college over a four-year university or decide not to pursue professional or graduate studies after completion of an undergraduate degree.

This article focuses on the relationship between, on the one hand, attitudes toward debt and having an OSAP loan and, on the other hand, demographic characteristics, level of study, resources available from sources other than OSAP, and total educational costs. The general hypothesis is that, all else being equal, there will be a positive relationship between believing debt is acceptable and applying for OSAP.

## Method

Data for the study were collected in a survey of full-time undergraduate university students' financing at five Canadian institutions: York University, Ryerson University, the University of Western Ontario, Queen's University, and the University of Toronto. The survey was carried out from October 1998 to February 1999. The overall response rate to this mail survey was 54%. This report is based on the responses of students from the Atkinson Faculty of Liberal and Professional Studies, York University (hereafter referred to as Atkinson), and Ryerson University. The response rates for these two institutions were 50% and 55% respectively. The total usable number of respondents for Atkinson and Ryerson University were 292 and 833 respectively. Like the vast majority of Canadian universities, York and Ryerson are both publicly funded.

## Students' Characteristics

Before examining students' attitudes toward debt, it is necessary to compare students at Atkinson and Ryerson University and to examine the variables to be used in the following analyses. Information on students' demographics is provided in Table 1 (note that some numbers are lower than the total sample size because of missing data). Table 1 shows that there is a statistically significant difference in parental income between the two institutions. A higher percentage of Atkinson (18%) than Ryerson (13%) students report parental income of less than \$30,000. By contrast, slightly higher percentages of Ryerson (4%) than Atkinson (2%) students' parents earn \$130,000 or more.

Another area in which the student body from Ryerson differs from that of Atkinson is in ethno-racial origin. While Ryerson has higher percentages of other non-European (14%) and European (56%) origin students than Atkinson (7% and 36%, respectively), Atkinson has higher percentages of Black students (15% versus 8%), Chinese students (28% compared with 15%), and students of South Asian origin (14% versus 7%). Another statistically significant difference between Ryerson and Atkinson students is in age. On average, undergraduates at Ryerson are 24 years old, compared with 28 years old for Atkinson students.

No statistically significant differences were found between the two universities with regard to students' gender and study levels. Although the differences are not statistically significant, there are noticeably large differences between Ryerson and Atkinson in the percentage of students who live with a spouse or children: Atkinson has 23% and Ryerson 8%.

Table 2 illustrates the differences between the various sources from which students at both schools obtain funding for their education and the average amount of funding per capita obtained from these sources. For all students at these institutions, the largest amount of per capita funding is the OSAP and other provincial grants (\$3,344). Relatives' support (especially

**TABLE 1**  
**Demographics by Institution**

		Institution		
		Ryerson	Atkinson	Total
Parental income***	Less than \$30,000	13%	18%	14%
	<i>n</i>	107	50	157
	\$30,000 to \$49,999	18%	14%	17%
	<i>n</i>	146	40	186
	\$50,000 to \$69,999	14%	7%	12%
	<i>n</i>	113	21	134
	\$70,000 to \$89,999	13%	7%	11%
	<i>n</i>	106	19	125
Ethno-racial origin***	\$90,000 to \$109,999	5%	4%	5%
	<i>n</i>	45	12	57
	\$110,000 to \$129,999	3%	2%	3%
	<i>n</i>	27	7	34
	\$130,000 or more	4%	2%	4%
	<i>n</i>	37	7	44
	Don't know	30%	45%	33%
<i>n</i>	245	126	371	
Ethno-racial origin***	Black	8%	15%	10%
	<i>n</i>	64	45	109
	Chinese	15%	28%	18%
	<i>n</i>	124	83	207
	South Asian	7%	14%	9%
	<i>n</i>	62	40	102
Ethno-racial origin***	Other non-European	14%	7%	12%
	<i>n</i>	113	20	133
	European	56%	36%	51%
<i>n</i>	470	106	576	
Male		44%	44%	44%
<i>n</i>		368	128	496
Live with spouse or children		8%	23%	12%
<i>n</i>		68	67	135
Study level	Level 1	26%	26%	26%
	<i>n</i>	215	76	291
	Level 2	24%	23%	24%
	<i>n</i>	200	70	270
	Level 3	25%	27%	26%
<i>n</i>	214	81	295	
Level 4	25%	24%	25%	
<i>n</i>	212	71	283	
Students' age***	Mean	24	28	25
	<i>n</i>	833	292	1,125

*Chi-square or F sig. \*.05; \*\*.01; \*\*\*.001.*

**TABLE 2**  
**Student Finances by Institution**

		Institution		
		Ryerson	Atkinson	Total
Weekly pay***	Mean	\$149	\$285	\$188
	<i>n</i>	386	151	537
Total student savings	Mean	\$2,372	\$1,343	\$2,073
	<i>n</i>	629	257	886
Total scholarships and bursaries	Mean	\$231	\$521	\$317
	<i>n</i>	589	249	838
Total OSAP and other provincial loans	Mean	\$3,099	\$3,910	\$3,344
	<i>n</i>	600	261	861
Total bank and other loans	Mean	\$413	\$422	\$416
	<i>n</i>	576	245	821
Total from parents and relatives***	Mean	\$2,159	\$3,031	\$2,418
	<i>n</i>	613	259	872
Total other sources funds	Mean	\$401	\$534	\$441
	<i>n</i>	620	265	885
Total annual costs***	Mean	\$9,810	\$11,609	\$10,363
	<i>n</i>	651	289	940

*F* sig. \*.05; \*\*.01; \*\*\*.001.

parents) is next in importance (\$2,418). Students' savings from sources like summer jobs are third in importance (\$2,073). "Other" sources of funding provide \$441, total bank and other loans \$416, total scholarships and bursaries \$317, and weekly pay \$188.

Of the variables in Table 2, there are statistically significant differences between the two schools in terms of funding from per capita weekly pay, total funding from parents and other relatives, and students' savings. Ryerson students receive less per capita from both pay (\$149) and support from parents and relatives (\$2,159) than do students from Atkinson (\$285 and \$3,031 respectively); moreover, Ryerson students' total savings (\$2,372) are larger than those of Atkinson students (\$1,343).

On average, students' per capita annual costs for education were \$10,363. Ryerson students face lower per capita annual costs (\$9,810) than Atkinson students (\$11,609). These differences are statistically significant.

In addition to demographics and sources of financing, students were asked to state their general beliefs about debt along with the beliefs of their mothers and fathers.

The majority of students (72%) reported that they would only borrow if they had to do so. Lower percentages of students responded that they would borrow but they would resent it (13%), and another 8% indicated that they would not borrow under any circumstances. Only 3% said that they would borrow readily.



Similar results were found when students were asked to report their mothers' views. The majority indicated that their mothers would borrow only if they had to (62%), 12% indicated that their mothers would not borrow under any circumstances, and 9% said that their mothers would borrow but resent it. Differences between Atkinson and Ryerson on this dimension are not statistically significant.

There are statistically significant differences between Ryerson and Atkinson students when reporting about their fathers' beliefs on borrowing money. Again, like students and their mothers, the majority of fathers would only borrow if they had to (53%), 13% would not borrow under any circumstances, 9% would borrow but resent it, and 6% would borrow readily. More Atkinson students (18%) than Ryerson students (12%) indicated that their fathers would not borrow under any circumstances; and more Ryerson (54%) than Atkinson students (47%) said that their fathers would borrow only if it were absolutely necessary.

### **Attitudes Toward Debt**

The information in Table 3 indicates that very few students at either Atkinson or Ryerson University would borrow willingly to finance their education. The extent to which students' attitudes toward debt for their education are randomly distributed throughout the student population was determined through a least squares regression analysis in which attitude toward debt was the dependent variable and the variables described in Tables 1 to 3 were the independent variables.

The results of a regression analysis (not shown in table form) indicate that only the total value of OSAP and other provincial loans (beta = .154), the total value of bank and other loans (beta = .273), and mothers' general attitudes toward debt (beta = .186) had a statistically significant effect on students' attitudes toward debt to finance their education (the higher the value of these variables, the greater the willingness to assume debt). Parental income, ethno-racial origin, gender, living with a spouse or children, school (Ryerson or Atkinson), study level, age, weekly pay, total value of scholarships and bursaries, the amount of support received from parents and relatives, total resources available from other sources, total annual costs, and fathers' beliefs about debt, were not statistically significant. The overall amount of variance explained by the model was only 10.5%. In essence, attitudes toward debt are fairly widely distributed among different demographic groups on the campuses and are affected in a statistically significant way only by amounts of OSAP and other provincial loans, amounts of bank and other loans, and mothers' attitudes toward debt.

### **Likelihood of Having an OSAP Loan**

Equally important to an understanding of students' attitudes toward debt is the relationship between attitudes and borrowing behavior. This relationship was investigated through a

**TABLE 3**  
**Views on Debt by Institution**

		Institution		
		Ryerson	Atkinson	Total
Students' general beliefs about debt	Would not borrow under any circumstances	8% <i>n</i> 66	9% 25	8% 91
	Only borrow if I had to	72% <i>n</i> 605	70% 204	72% 809
	Borrow but resent it	13% <i>n</i> 108	14% 40	13% 148
	Borrow readily	3% <i>n</i> 23	3% 8	3% 31
	Don't know	4% <i>n</i> 34	5% 16	4% 50
Mothers' general beliefs about debt (as reported by students)	Would not borrow under any circumstances	11% <i>n</i> 94	14% 41	12% 135
	Only borrow if I had to	63% <i>n</i> 527	59% 173	62% 700
	Borrow but resent it	9% <i>n</i> 75	8% 23	9% 98
	Borrow readily	4% <i>n</i> 31	4% 11	4% 42
	Don't know	13% <i>n</i> 105	15% 43	13% 148
Fathers' general beliefs about debt (as reported by students)	Would not borrow under any circumstances	12% <i>n</i> 96	18% 52	13% 148
	Only borrow if I had to	54% <i>n</i> 452	47% 134	53% 586
	Borrow but resent it	9% <i>n</i> 75	9% 26	9% 101
	Borrow readily	6% <i>n</i> 52	5% 14	6% 66
	Don't know	19% <i>n</i> 155	21% 60	19% 215

Chi-square sig. \*0.05; \*\*.01; \*\*\*.001.

logistic regression procedure involving 539 cases in which having or not having an OSAP loan was the dependent variable (0 = no loan, 1 = OSAP loan). The independent variables, with the omission of total OSAP received, were the same as described in Tables 1 to 3 and as used in the ordinary least squares regression above. In essence, after controlling for factors such

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*For each dollar of job earnings the likelihood of having an OSAP loan decreases by .03%. For each dollar of student savings the probability of having an OSAP loan decreases by .01%. Similarly, each dollar received from parents and other relatives decreases the likelihood of having an OSAP loan by just .01%.*

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as family income, we are able to see if there is a relationship between having a liberal attitude toward debt and having an OSAP loan.

The results of the logistic regression analysis are shown in Table 4. To simplify presentation, information is shown only for variables that are statistically significant. The impacts of gender, living with a spouse or children, school (Atkinson or Ryerson), study level, total scholarships and bursaries, total bank and other loans, total other sources of funds, and total annual costs are not statistically significant. For family income, all income groups are compared with the lowest, (i.e., families earning less than \$30,000). As there was no statistically significant difference between students from this low income family group and those with parents earning \$31,000 to \$50,000, the "odds ratio" is not included in the table.

Compared with the reference category, the data indicate that the likelihood of students with family incomes of \$51,000 to \$70,000 having OSAP are 61.0% lower [ $100 * (.384 - 1)$ ] than those whose parents have incomes in the lowest category. The likelihood of students with family incomes in the other categories to have an OSAP loan are 88.0%, 86.6%, 90.9%, 96.0%, and 63.9% lower, respectively, than students from families with the lowest incomes. In essence, all else being equal, students in categories other than the reference category are less likely to have an OSAP loan; however, there appears to be no monotonic relationship between income and the likelihood of an OSAP loan.

Information on ethno-racial origin indicates that with all else held constant, students of Chinese and European origin are 65.5% and 65.3% less likely than Black students (reference category) to have OSAP loans. There are no differences among Black students and students of South Asian and other non-European origins in this regard.

For each dollar of job earnings the likelihood of having an OSAP loan decreases by .03%. For each dollar of student savings the probability of having an OSAP loan decreases by .01%. Similarly, each dollar received from parents and other relatives decreases the likelihood of having an OSAP loan by just .01%.

Most important for present purposes are data on the likelihood of having an OSAP loan according to students' attitudes toward debt. After controls have been imposed for all other variables, Table 4 data show that students who say that they would borrow for their education only if they had to are 486% more likely to have an OSAP loan than those who would borrow for their education under no circumstances (the reference category). Similarly, compared with the reference category, the probability of having an OSAP loan increases by 801% for students who would borrow but resent it. Finally, the likelihood of having an OSAP loan increases by 2,382% for those who say that they would borrow readily.

**TABLE 4**  
**Odds Ratios for Likelihood of Having OSAP Loan**  
**for Statistically Significant Variables**

	Odds Ratio	Increases in odds of having OSAP for 1 unit increase in value
<b>Family Income</b>		
Less than \$30K	reference category	
\$31K to \$50K	not significant	
\$51K to \$70K	(.384)	-61.0%
\$71K to \$90K	(.114)	-88.0%
\$91K to \$110K	(.134)	-86.6%
\$111K to \$130K	(.091)	-90.9%
More than \$130K	(.040)	-96.0%
Don't know	(.361)	-63.9%
<b>Ethno-racial Origin</b>		
Black	reference category	
Chinese	(.335)	-66.5%
European	(.347)	-65.3%
Weekly job earnings (for every dollar)	(.997)	-.03%
Total savings (for every dollar)	(.999)	-.01%
Amount of money from parents (for every dollar)	(.999)	-.01%
<b>Beliefs about Debt for Education</b>		
Under no circumstances	reference category	
Only if had to	5.860	486.0%
Borrow but resent it	9.010	801.0%
Borrow readily	24.824	2382.4%

*Note: Parentheses ( ) signify a negative regression coefficient.*

These findings suggest that while family income, ethno-racial origin, job earnings, total student savings, and the amount of money received from parents have statistically significant effects on the likelihood of having an OSAP loan, the attitudes that students have toward educational debt are very important in determining the probability of OSAP debt. While more than family income is taken into consideration when assessing eligibility for OSAP, these findings nonetheless suggest that students' attitudes may intercede between need for, and the actual accrual of, OSAP debt to finance education.

## Conclusion

The preceding analysis suggests that attitudes toward debt to finance a university education are fairly evenly spread among identifiable groups of students at Atkinson and Ryerson

University and that there are no real differences between the two institutions with regard to attitudes toward educational debt. The results of the logistic regression indicate that students who have positive attitudes toward educational debt are much more likely than other students to have an OSAP loan.

Are these attitudes a rationalization of debt or do particular attitudes predispose students to obtain OSAP loans? The least squares regression focused on, among other things, the distribution of attitudes toward debt, and does not allow us to settle this question. By comparison, as the logistic regression controlled for variables such as family income, total costs of university, and the amount of resources received from several sources, it can be argued that students with positive attitudes toward debt are more likely than others to take out an OSAP loan.

Suppose, for example, that two students are being examined. Each is from the lowest income group, is of European origin, is the same age, earns the same amount of money, and gets the same amount of money from parents. Where they differ is that one believes that he or she should go into debt under no circumstances while the second would borrow readily. Under these conditions the second would be far more likely than the first to take out an OSAP loan.

What these findings mean for Ontario universities is difficult to say with certainty. One implication derives from a recognition that some students may take out OSAP loans for discretionary reasons. Even if we accept the flawed logic that universities should be responsible for OSAP defaults, it is difficult to accept the idea that they should be accountable for the debts of discretionary borrowers. Unfortunately, there is no way in which those borrowing for discretionary reasons can be distinguished from others. We do know, however, that of students receiving OSAP at Atkinson and Ryerson, 66% stated that they did not know how the OSAP repayment scheme works. Increasing awareness of borrowers' repayment obligations may have the result of deterring students from going into debt to finance discretionary expenditures.

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