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# *"A Model for Institutional Research On The Effects Of Student Loans"*

by  
*Dennis J. Martin*

The author provides an outline of an institutional research model as well as offers other practical suggestions for financial aid administrators who might be inspired to conduct similar research.

## *Background*

### *Introduction*

*Question:* how does a harried financial aid administrator find the time to conduct a research project on an important policy question?

- Answer:* (a) you'll never find the time.  
(b) you have to find the time.  
(c) you find the time by finding help.  
(d) all of the above.

It was this very question which led to the study described in this article and, as the reader has no doubt already concluded, the ubiquitous "all of the above" is the most truthful response.

The particular policy question examined deals with student loans, an important and widely discussed aspect of financial aid. The purpose of this article is to provide the outline of an institutional research model and offer practical suggestions to other financial aid administrators who might be inspired to conduct similar research.

### *The Washington University Study*

In the spring of 1987, the Washington University Financial Aid Office conducted a research project involving a survey of past students who are now repaying their student loans. The purpose of this study was twofold: to collect demographic information on the characteristics of our student borrowers and to gather information on attitudes about student debt. To what extent does the burden of loan repayments affect decisions regarding careers, personal lifestyles, etc.? These very questions are those pursued in a national study on GSL borrowers (NASFAA, 1985). The NASFAA study provides the basis for the institutional research model described in this article.

Washington University is a high cost, independent institution which enrolls approximately 10,000 students each year. Student loans are central to the University's financial aid program. Indeed, for many students they are a way of life. More than half of all undergraduate students rely upon student loans to finance their study and, in certain graduate and professional schools, loans are the predomi-

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nant form of student assistance. The Washington University Financial Aid Office administers financial aid for students enrolling in each of the five undergraduate schools, for part-time students enrolling in the evening program and coordinates the awarding of financial aid to students in each of ten graduate and professional schools on campus.

While student loans and debt management have been long-standing concerns at Washington University, no attempt had been made to conduct research on the effect loans have on students once they had left the University. To assist in ongoing policy development with respect to packaging student loans with other forms of financial aid, to provide students with better information on the consequences of loan repayments, and to measure the effects loans repayments have on our alumni, the Financial Aid Office decided to replicate the NASFAA study at an institutional level. As in the NASFAA study, the research examines borrowers currently repaying their loans and does not include those in default or in deferment status.

An additional purpose emerged as the study took shape: to develop an institutional model that other colleges and universities could efficiently adapt for their use. Such an institutional research model, if utilized in various settings, would shed much needed light on an area of ongoing concern and public debate; an area too often clouded by emotional, political, and misinformed reactions.

#### *An Institutional Model*

In outline form, an institutional model to conduct research on student debt (or other clearly identified topics or questions, for that matter) can be structured as follows:

- Step 1 - acquire research support;
- Step 2 - identify a sample population;
- Step 3 - develop a survey instrument;
- Step 4 - conduct the survey;
- Step 5 - tabulate results;
- Step 6 - perform analysis;
- Step 7 - develop findings.

A premise of this model is that the Financial Aid Office must provide overall leadership and coordinate the research, but that help from outside the office is needed. This may not be true in all cases, but it was certainly so for the project described here. An important lesson learned, in this case, was that help can be found and that the resources of our own campuses may provide the best solutions.

A more detailed review of components for an institutional research model follows.

#### *Step 1: Acquire Research Support*

This step in the process may be the most essential one. There are several options that are available. Many institutions have institutional research offices that can lend support to research efforts of this kind. Faculty can provide extremely valuable insights and support. For the Washington University study, another option proved quite workable. A senior majoring in math was employed (as a College Work Study student) to assist in design, data tabulation and analysis. An arrangement was made with the student's academic advisor to structure an independent study for the spring semester in which the student would assist the Director of Financial Aid in conducting the research project. A faculty advisor was designated to assist the student in the development of the independent study and to provide ongoing input to the project. This arrangement proved to be quite workable. The student gained practical experience in her field of study, and the Financial Aid Office gained the expertise of a statistician.

### *Step 2: Identify Sample Population*

The second most crucial element of this model is to identify a sample that is both representative of student borrowers and provides a manageable data base. Creating efficiencies in practical terms is important since the time frame for conducting such a project may be short. In our case, one semester was allocated for data collection and analysis. Unique characteristics of institutions will have a real bearing on how the sample can be drawn. For instance, institutions with easy access to out-of-residence student records or to alumni records may be able to merge student aid history files for students who borrowed loans with the records of students who have left the institution. A sample can then be drawn with the desired size to produce representative results.

Other options include cooperative efforts with local lenders who have historically offered Guaranteed Student Loans to the majority of the institution's students. The institution's GSL school code is a readily available means of selecting the appropriate records from a lender's data base of borrowers currently in repayment. Various GSL agencies (at the state and national levels) offer yet another source of information on a particular institution's borrowing population. Whichever option is pursued, the sample must be reasonably representative of all the institution's borrowers in repayment. The project should be designed as an anonymous survey, for purposes of confidentiality. Research assistance acquired in the first step of the process will help to ensure that the best decisions are made given the limitations of the resources available and the constraints of time.

### *Step 3: Develop A Survey Instrument*

This step may be one of the easier tasks in the project since the NASFAA survey instrument provides a readily adaptable tool for this purpose. It has the benefit of having been field tested and has successfully been applied in a major research effort. The survey instrument should be modified slightly to conform with local institutional characteristics. For instance, in the Washington University study, a question was added to solicit information from respondents as to the effect loan repayments have on alumni contributions. The instrument was also modified to better focus the questions for Washington University borrowers (rather than for a nationally representative sample). Such modifications, however, are minor and the NASFAA survey instrument provides a useful collection tool.

The format of the survey instrument is another important consideration. The design and layout should take into account tabulation methods (discussed in Step 5 below). For example (though it was not applied in the Washington University study), institutions with optical scanning capabilities should consider this level of survey instrument design. Optical scanning greatly expedites the coding process and provides excellent quality control.

### *Step 4: Conduct the Study*

Once a sample has been identified, mailing labels secured, and the survey instrument finalized, the document should be mailed with a cover letter from the Financial Aid Office. The purpose of the cover letter is to explain the research project, in brief terms, and to let former students know that there is a meaningful role they can play in responding. For these reasons the letter should come from the Financial Aid Office and should clearly indicate the policy interest in the matter. It is recommended that return-addressed, postage paid envelopes be included so that the response can be made that much more convenient. Sample copies of the instrument would be available from the Author or NASFAA upon request.

### *Step 5: Tabulate Results*

Before responses are due back, the method of tabulating data should be established and a tabulating system designed. A variety of options exist, including Lotus for personal computer users, such software as the statistical Software Package for Social Science (SPSS) for main frame data base analysis, and, conceivably, non-computer supported manual tabulation.

For obvious reasons, computer support for tabulation and analysis is most desirable. This is especially true if cross tabulation, analysis of range, median, mode and standard deviation are envisioned. In the Washington University study, the student assistant had access to main frame support and SPSS software. A data base was designated, cross tabs identified, and responses were keyed directly into a file that can be analyzed with the powerful resources SPSS provides.

This is not the only way to go, however. The Lotus spread sheet software for personal computers offers a number of useful applications to data. Readers may be interested to know that NASFAA's original study was conducted with Lotus Software, modified specifically for this purpose by Dr. Joseph Boyd. As suggested earlier, computer support of this kind need not be directly available to the Financial Aid Office, but can possibly be provided by other departments on the campus.

Finally, for those unable to secure the computer support necessary for either of these two options, the time tested (though time consuming) method of manual computation is not out of the question. This is especially true if the level of interest is such that averages and percentages for particular responses are adequate. If this is the only option available, than rather than keying responses they would be entered as counts on a pre-designed grid. Such entries would later be summed (how many respondents are male or female, for instance) or averaged (total reported GSL amounts divided by number of responses). Much can be learned even at this level — certainly much more than was known before such a survey was conducted.

### *Step 6: Perform Analysis*

Part of the analysis should include a cross check with historical enrollment, demographic, or other available data to ensure that the responses used for developing the findings are representative of the actual population of student borrowers. Some consideration of the kinds of students who were enrolled and who borrowed loans over the period of years to be covered in the research will help in evaluating the credibility of the responses and the extent to which they are representative. For instance, data on the distribution of the general population by age, race, gender, academic program and the like will provide a meaningful contrast to the distribution of the sample and respondent populations along these lines.

### *Step 7: Develop Findings*

As they are developed, findings should be categorized in the following way: 1) a demographic review of borrower characteristics; 2) information on average debt levels and the relationship of income to repayment; 3) a review of attitudes about student debt. The survey instrument is designed to collect data in these three areas, and findings are naturally expressed in these terms. For purposes of base line comparison with national data it would also be useful to organize the analysis in a way that allows for cross comparison with the findings reported in NASFAA's or other research on the topic.

### *Discussion/Conclusion*

After each of these steps is followed, data can be organized and presented to others interested in the topic. For illustrative purposes, Exhibit 1 is provided as an

example of the kind of report that can be distributed to interested parties. Though there are important limitations in this research, which must be noted in any discussion of results, there is a good deal to be learned. As importantly, interest is stimulated by such research, new questions asked, and a more informed debate ensues.

The purpose of this article has been to describe an institutional model that can be adapted by others interested in similar questions. In conducting the Washington University study briefly described here, the author faced head-on the question posed at the beginning of this article. It is true that financial aid administrators do not have the time to conduct research. It is also true that we must find the time to do so. Most of us can find this time only with a good deal of help. At the campus level, in our facilities, faculty and (in this particular case) in our students, we have access to resources that can provide the answer to our dilemma. Even so, the time and effort required is significant and should not be underestimated.

More often than not, the truth is "all of the above." Though it creates yet another dimension to an already busy job, the role of the aid administrator as an institutional researcher is a critical one which holds a great deal of potential. Fundamental questions about student aid — its impact, use, and effect — can be best addressed at the campus level by those who directly administer the programs.

#### Exhibit 1

#### Washington University Loan Study

Dennis J. Martin

In February, 1987, the Financial Aid Office, with valuable assistance from a senior math major working on an independent study, conducted a mail survey of 2,045 former WU students now repaying Guaranteed Student Loans (GSLs). The survey population focused on borrowers who entered repayment status from May 1978 through May 1985. The study includes both undergraduates and graduates.

A total of 834 responses were received. The response rate, 41%, is nearly double that typically experienced in state-wide and national surveys of this kind. Of the 834 responses, 200 were randomly selected for data entry and analysis. Findings based on these responses follow.

#### Findings

- . The average (total) GSL borrowed by students enrolled as undergraduates is \$5,381. For undergraduates who borrowed both GSL and NDSL the combined debt averages \$7,856.
- . Students enrolled as both undergraduate and graduate students at WU report an average GSL debt of \$9,868 and an average combined NDSL/GSL debt of \$13,908.
- . Students enrolled as graduate/professional students (having attended undergraduate school elsewhere) report average GSL debt, at WU, of \$8,743 and average NDSL/GSL combined debt, at WU, of \$13,698.
- . Overall, roughly 40% of GSL borrowers also had NDSL.

- For undergraduate borrowers, total loan repayments average 6.4% of gross income. For those attending WU at both the undergraduate and graduate level, loan repayments are 4.6% of gross income; while for graduate students the loan repayment represents 6.8% of gross income.

### Attitudes

Strong agreement was expressed by all respondents with the observation that loans were essential in allowing enrollment at WU. In addition, there is agreement that loans permitted a degree of choice in selecting a postsecondary institution. There is a mixed response to the degree to which loan repayments negatively effect ability and willingness to make alumni contributions to WU.

### Discussion

Limitations of the data should be noted. First, in any such survey, legitimate questions arise as to the representative nature of the sample. What of the characteristics and attitudes of non-respondents? Some attempt was made to cross examine characteristics of survey respondents with known demographics of students actually enrolled in the period examined. Indeed, by this method, the respondents in this study appear quite representative. Even so, there are limits in asserting that survey respondents do in fact represent the universe of WU GSL borrowers. Second, while providing a statistically sound measure of respondents, findings based on 200 responses prohibit extensive disaggregation of the data. For example, meaningful findings by control groups like academic major or race are not possible with such a small sample size. Other concerns include the fact that loan amounts are self reported and may not reflect actual amounts borrowed. Finally, borrowers entering repayment in 1986, 1987 and 1988 (years not covered in the research) no doubt demonstrate higher levels of debt than suggested in the averages reported among these students.

Notwithstanding these limitations, the research offers useful insight into the effect of loan repayments on our students. In general, survey respondents view student loans favorably: they were essential in meeting the cost of our education; repayments are manageable and do not negatively impact career decisions or personal ones.

Loan repayments have some effect on an individual's ability to save and on the borrower's ability and willingness to make alumni contributions.

Finally, though it does not come through in these findings, some borrowers express hardship in managing their payments and convey negative attitudes about debt. This is a minority, but future research may focus more specifically on this subset of borrowers. Indeed, it will be important to conduct additional research in the next few years in order to measure trends in student attitudes about debt. The average debt levels of seniors graduating in more recent years are higher than those reported here.

Will this lead to different perceptions about borrowing? An analysis using the findings reported here as a base-line will provide some answers to this question.