CHANGES IN STUDENTS' PERCEPTIONS TOWARD STUDENT LOAN INDEBTEDNESS FROM THE FRESHMEN TO SENIOR YEAR

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ABSTRACT

College students become victims of uninformed consumer choice when they unwittingly burden themselves with large amounts of student loans. The high debt loads could mortgage the students' future, a time when they have a variety of other demands placed on their income. Results of a study indicate that students' perceive their debt as having little or no impact on their future level of living. They perceive their parents as being aware of but mainly unconcerned about the debt level of their children.

Student borrowing for college education has increased dramatically in the last few years. The accumulation of school loans without considering the potential income of their chosen academic field or the impact of this debt on their future level of living could create financial difficulties for students when they graduate. At a time when the graduates have a variety of other demands placed on their income, repayment of a large student loan could produce an additional hardship. However, there is little evidence that students, parents, and/or educators have paid much attention to how such consumer indebtedness will impact the future lives of these young people.

The study reported here has three specific objectives:

- Determine how students perceive the future impact of the student debt they undertake as undergraduates.
- Determine how students' perception about the impact of their debt load changes from the freshman to senior year of study.
- Determine students' perceptions of their parents' awareness and concern level toward their children's debt load.

A survey instrument was developed and administered to 209 undergraduate students at the University of Arkansas (N = 77) and the University of Massachusetts (N = 132). Students in consumer economics classes and fashion marketing classes were chosen to participate in the survey to see if students in consumer economics courses would have a higher awareness level of the impact of student loans on their future. The fashion marketing program is the largest nonconsumer economics program at both schools. The sample consisted overwhelmingly of female students (AR = 13%; MA = 11.8%) and were mainly between the ages of 19 and 22.

Results of the survey indicated that scholarships (AR = 28.6%; MA = 34.1%), loans (AR = 26.0%; MA = 31.8%), and the work study program (AR = 14.3%; MA = 16.7%) were sources of money for students at both universities. A greater percentage of Arkansas students held small loans of less than $2,000 (AR = 40%; MA = 26.2%), while a greater percentage of Massachusetts students held large loans of $7-10,000 (AR = 5%; MA = 16.7%). Loans of more than $5,000 were held exclusively by seniors in Arkansas. Seniors were more likely to have loans of more than $5,000 in Massachusetts, however, sophomores and juniors had also borrowed similar amounts.

The majority of students at both schools used their loan money for tuition. Those who borrowed amounts greater than $2,000 were more likely to use their loan money for books as well as living expenses. The students in the survey represented several fields of study in Home Economics. No clear pattern between amounts borrowed and majors of students emerged.

Anticipated income upon graduation ranged from less than $20,000 to over $40,000, with the majority of students at both schools expecting to earn between $20,000 and $24,000. Those in Arkansas who borrowed over $5,000 anticipated incomes under $20,000 or between $20,000 and $24,000. Among student borrowers in Massachusetts with loans over $5,000, the anticipated income ranged from $20,000 to more than $40,000.

In both schools, the majority of students who borrowed under $7,000 reported that they expected their student loans to have little or no impact on their future level of living. Students in Arkansas who had borrowed over $7,000 expected their loans to significantly lower their future level of living. While some students in Massachusetts with over $7,000 in loans expected a significantly lowered level of living (14.3%), the majority (85.7%) expected their school loans to only slightly lower their future level of living.

Generally, parents of student borrowers were aware of the amount of debt their children had incurred to attend school. However, the majority of students perceived their parents as not being concerned about the children's amount of debt; the effect of repayment amounts on the children's future level of living; and the length of repayment time. Students who had borrowed more than $5,000 reported higher level of concern among their parents.

In summary, students expect their loans to have little impact on their future adult life. There has been a gradual change in the way people view debt and, in general, there is less concern about the impact of debt on individuals and society. The results presented here is merely a reflection of that societal change. Consumer economists need to develop ways to educate the public regarding the impact of consumer debt on their desired level of living.

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