

**Key Findings**

- 75.4% of non-traditional-age community college students used loans to pay for school compared to 45.6% of traditional-age students
- 69.3% of community college students decided on their own how much to borrow
- Using more information sources was associated with more intentional decision-making processes, such as using a budget when deciding how much to borrow

# LOAN BORROWING DECISIONS: COMMUNITY COLLEGE STUDENTS

## OVERVIEW

This report uses data from the 2014 administration of the Study on Collegiate Financial Wellness (SCFW) to examine the borrowing decisions of students enrolled at community colleges. The SCFW surveyed students at 51 public and private, two- and four-year U.S. colleges and universities; 18,795 students completed the survey. This report examines how community college students make decisions about student loan borrowing, using data from 1,699 students enrolled at two-year institutions.

## METHODS

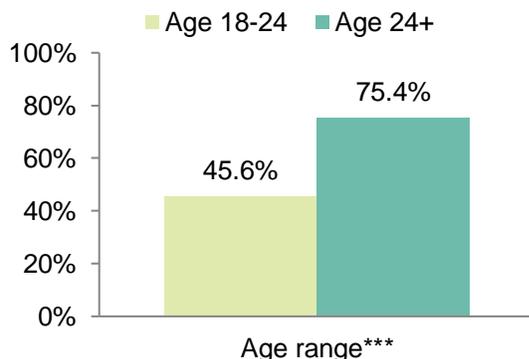
Students were asked which information sources they consulted when making decisions about how much money they needed to borrow for school. The options were: deciding on their own; consulting with a parent, guardian, or family member; consulting a financial aid counselor; consulting the internet; or other. Students could indicate that they had used more than one source of information to make borrowing decisions.

## FINDINGS

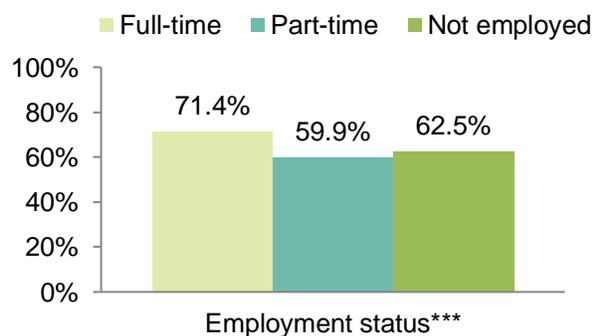
### Loan Use among Community College Students Varies by Demographic Characteristics

Nearly two-thirds (65.7%) of community college students reported using a student loan to pay for college. The majority of students at community colleges (64.1%) were non-traditional age (age 24 or older), and these students used loans at greater rates (75.4%) than those in the 18-23 age range (45.6%). More women (66.8%) than men (57.2%) used loans and smaller percentage (63.9%) of White students used loans compared to Black or African American students (78.5%). Slightly more first generation students reported using loans (66.8%) than their non-first generation peers (59.4%).

**Percent Using Loans by Age**



**Percent Using Loans by Employment Status**



Having family or work responsibilities was also associated with using student loans to pay for college. Most of the community college students (74.9%) worked during the school year. Students employed full-time reported the highest rates of student loan usage (71.4%), followed by those that were not employed (62.5%), and those that were employed part-time (59.9%). Over a third (39.1%) of community college students were financially responsible for one or more children and 21.4% reported being financially responsible for a spouse or partner. Three-fourths of students who reported being financially responsible for children (74.8%) or a spouse/partner (74.4%) also reported using loans.

### **Community College Students Rely on Federal Loans but Loan Amounts Vary**

Of the community college students that reported using loans to pay for their education, most (76.5%) exclusively used federal loans, 14.7% used a mix of federal and private loans, 2.6% used exclusively private loans and 6.1% did not know the source of their loans.

Students estimated how much student loan debt they had borrowed at that point in their college education. Of those taking loans:

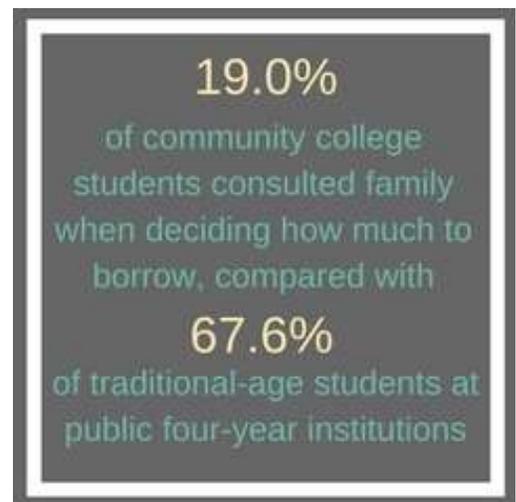
- 40.4% had borrowed \$1-\$9,999
- 26.5% had borrowed \$10,000-\$19,000
- 11.7% had borrowed \$20,000-\$29,999
- 7.9% had borrowed \$30,000-\$39,000
- 10.0% of students had borrowed more than \$40,000
- 3.4% did not know how much they had borrowed

When asked to estimate the amount of student loan debt they expected to have by the completion of their current degree, the majority of students (55.5%) expected to have accumulated under \$30,000 in loan debt, although nearly a tenth (9.5%) did not know what the amount would be.

### **Community College Students Rely on Themselves to Make Borrowing Decisions**

Students could select up to five sources of information that they consulted in making loan borrowing decisions. The majority of community college students (69.3%) reported deciding on their own how much to borrow. Fewer students reported consulting a parent, guardian, or other family members (19.0%), a financial aid counselor (18.4%) or the internet (13.4%) to make borrowing decisions.

Community college students reported relying on themselves to make loan decisions more often than traditional-age students at four-year institutions. The majority of traditional-age students at four-year institutions reported consulting family members (67.6%) and less than half (47.4%) reported deciding on their own how much to borrow (see *Loan Borrowing Decisions: Traditional Age Students at Four Year Institutions*).



### **Most Students Use One or Two Sources of Information to Make Borrowing Decisions**

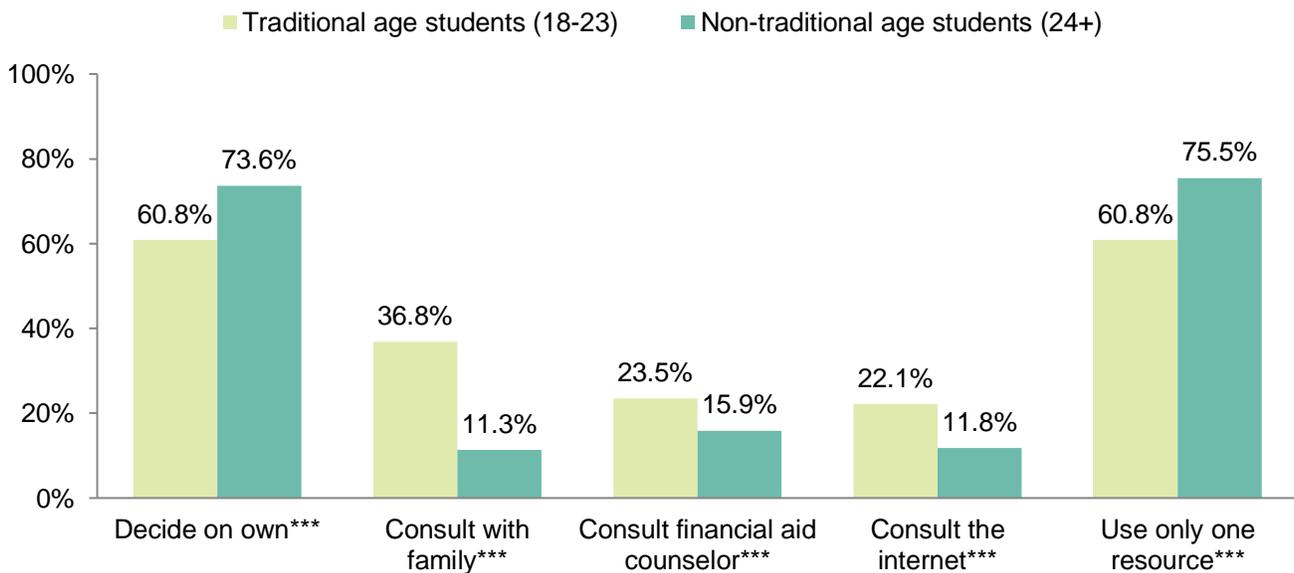
Although students could select up to five sources of information that they consulted in making borrowing decisions, most (89.3%) of the community college students reported using only one or two sources. Almost three-fourths (72.6%) of community college students reported using only one source of information and 16.8% reported using two sources.

Of students using only one source of information, 73.1% made loan decisions on their own. Fewer reported relying on family (11.0%) or a financial aid counselor (11.3%). In comparison, traditional-age students at four-year institutions were more likely to rely on family (58.4%) and only 36.3% made loan decisions on their own.

### Sources of Information for Loan Borrowing Decisions Varied by Demographic Characteristics

There were demographic differences in the types of information community college students used to make borrowing decisions. Almost three-fourths (73.6%) of non-traditional age community college students decided on their own how much to borrow compared to 60.8% of traditional-age community college students. Traditional-age community college students reported consulting with family in making loan decisions three times as often (36.8%) as non-traditional age students (11.3%). They also had higher rates of consulting financial aid counselors (23.5% traditional age v. 15.9% non-traditional age) and consulting the internet (22.1% traditional age v. 11.8% non-traditional age).

#### Age and Sources of Information for Borrowing Decisions



The information sources used to make loan borrowing decisions also varied based on a students' level of financial dependence and/or responsibilities. For example:

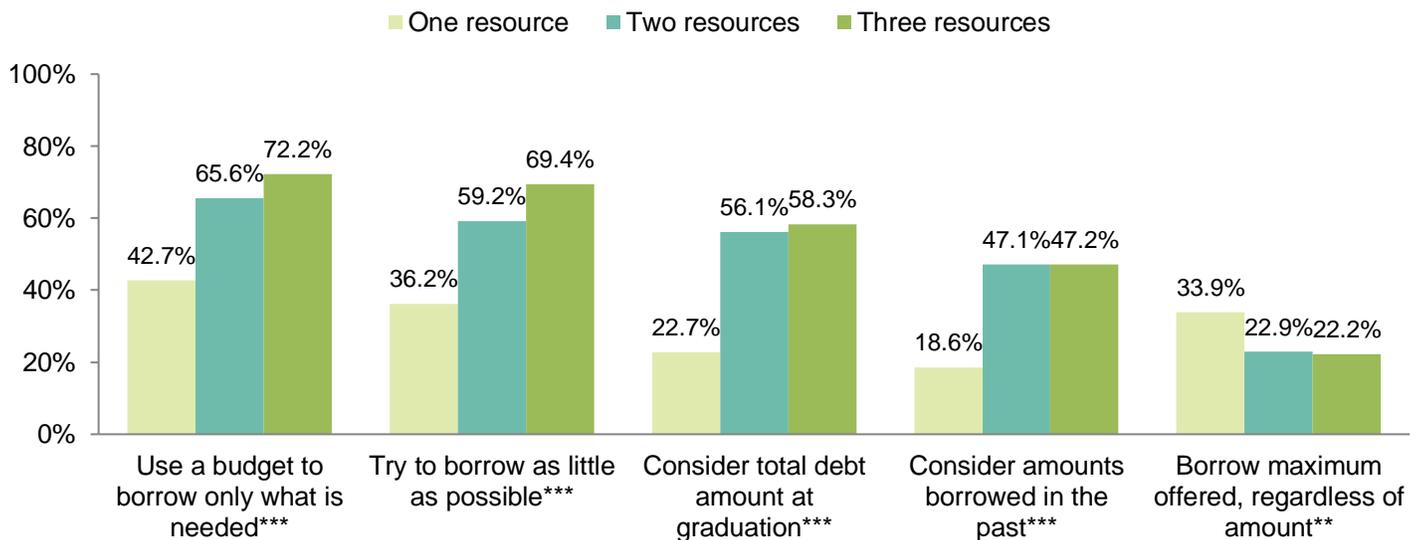
- Students who were financially dependent on their parents or guardians consulted family in borrowing decisions more often (30.2%) than those who were not dependent (15.3%)
- More independent students (71.8%) decided on their own how much to borrow than dependent students (61.8%)
- Students with children relied on only one resource slightly more often (75.5%) than those without children (70.4%) and were less likely to report consulting with family (11.1% with children, 25.4% without children)

More male (73.3%) than female (68.7%) students reported deciding on their own how much to borrow. White students reported consulting with family more often (19.5%) than Black or African American students (8.7%). While nearly a third of Black or African American students (32.5%) consulted a financial aid counselor when deciding how much to borrow, only 12.8% of White students did so.

## Using More Information Sources is Associated with Intentional Borrowing Decision Processes

The number of information sources students used when deciding how much money to borrow was associated with more intentional decision-making processes. Community college students who used multiple sources of information to make borrowing decisions were more likely to report using a budget to borrow only what is needed, considering the total amount of debt with which they would graduate and considering amounts borrowed in the past. In contrast, students relying on a single source of information were more likely to borrow the maximum amount offered.

### Number of Sources Used and Loan Borrowing Decision Processes



## IMPLICATIONS

These findings indicate that loan decision-making is an important component of financial wellness for community college students. Students use different types and amounts of information to make decisions about whether and how much to borrow in student loans. Understanding the relationships between students' backgrounds and the ways in which they make decisions about borrowing can help educators support students who use loans to pay for their education. Programs tailored to specific populations in order to bridge information gaps may contribute to smarter borrowing choices.

## MORE INFORMATION

The Study on Collegiate Financial Wellness (SCFW) is a national survey of college students examining financial attitudes, practices, and knowledge. The 2014 survey received a total of 18,795 respondents at 51 U.S. institutions. Most respondents were enrolled at four-year public institutions (81.0%); 9.9% were enrolled at four-year private institutions and 9.0% were enrolled at two-year public institutions.

*If your institution is interested in participating in the next administration of the SCFW, please contact us at [scfw@osu.edu](mailto:scfw@osu.edu).*

### Suggested Citation

Study on Collegiate Financial Wellness. (2016). *Loan borrowing decisions: Students at community colleges*. The Ohio State University, Columbus, Ohio.