



The Effect of Loans on College Enrollment Decisions

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Studies of National Data

- Two-year public colleges
 - Dowd, A.C. & Coury, T. (2006).
The effect of loans on the persistence and attainment of community college students.
- Four-year public colleges
 - Dowd, A.C. (2004, May 12).
Income and financial aid effects on persistence and degree attainment in public colleges.
 - <http://epaa.asu.edu/epaa/v12n21>



Literature Review--Empirical

- Studies of federal data
 - Ed St. John, Michael Paulsen and colleagues, Laura Perna, Michael Olivas
- Institutional data
 - Larry Singell, Steve DesJardins, D. Linsenmeier et al., Andrew LaManque
- Quasi-experimental data
 - Susan Dynarski
- Meta-analyses
 - Susan Dynarski, Don Heller



Literature Review--Methodological

- Econometric
 - Susan Dynarski, Sigal Alon, Larry Singell, Steve DesJardins, B. Kaufmann, Eric Bettinger, Michael Hilmer, J.S. Long
- Theoretical Integration
 - Amaury Nora, Ed. St. John, Alberto Cabrera, S. Beekhoven et al
- Case Studies
 - Bill Tierney, Mari Luna de la Rosa, Kristan Venegas, Patricia McDonough



Findings

Effect of Loans on...	Dowd	Other Studies
First-Time Enrollment	Not studied	Positive (Dynarski, Heller)
Persistence (2 nd year re-enrollment)	Positive at 4yr Negative at 2yr	Negative at 4yr (DesJardins) Positive at 4yr (Singell, St. John)
Degree attainment	Insignificant effects	Diminishing effects over time (DesJardins, Singell)



Caveats

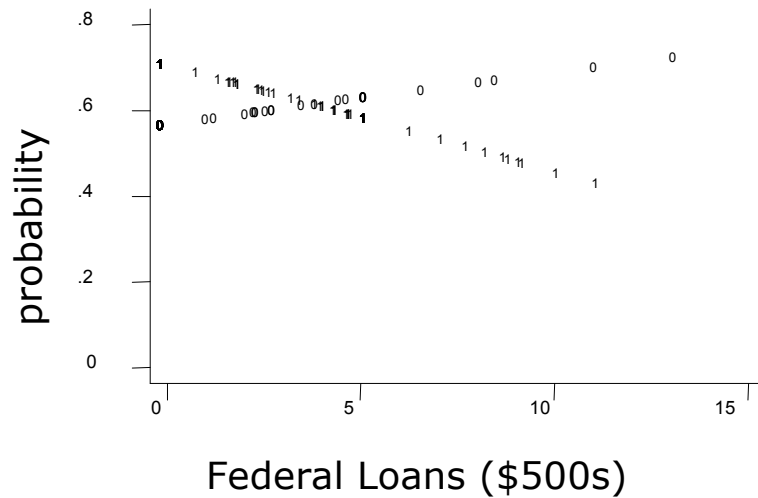
- Effects Differ by Income
 - Dowd, Dynarski, Titus, Paulsen & St. John
- Effects Differ by Racial/Ethnic Groups
 - Perna, Linsenmeier
- Willingness to Take Loans Differs by Cultural Groups
 - LaManque, Olivas, Nora

Effects on Persistence Differ by Income

Left Panel = High Income Students

Right Panel = Low Income

1 = Dependent Student 0 = Independent Student





Positive Effects of Loans

- Reduces the \$\$\$\$ needed from savings, work, and family, enabling students to enroll in college.
- Subsidies reduce the costs of loans and increase the chances of a positive investment return.



Negative Effects of Loans

- Fear of indebtedness, especially among those with low chances of degree completion.
- Fear of loss of quality of life due to high debt repayment burden.
- Conflicts with cultural values of financial independence and self-reliance.
- Loss of privacy when completing governmental loan applications.



Implications for Policy and Practice

- Providing information about loan applications and loan repayment.
- Niche marketing of benefits of educational investments.
- Counseling in high schools, colleges, and non-profit organizations.
- Community-based lending.



Implications for Research

- Refining estimates of average effects.
- Assuming differences in effects among groups.
- Distinguishing relevant cultural values.
- Studies of students':
 - Knowledge
 - Attitudes
 - Ideals and Ideology



Questions and Suggestions

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