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## The Effects of Parental Educational Attainment on Student Loan Debt

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# The Effects of Parental Educational Attainment on Student Loan Debt

Megan JF Will

Advisor: Dr. Graham Hunter

## Purpose

To determine if a relationship exists between a parent's / guardian's (PG) level of education and their child's student loan type, amount, and involvement in the process.

## Current Literature

The Rising Costs of Higher Ed:

- Fall 2015 students with loans: 54.7%<sup>8</sup>
- Avg/student: \$36,200<sup>1</sup>
- Avg tuition rate increase Fall 1985-Fall 2015: 108.2%<sup>6,7</sup>

Student Financial Socialization (FS)

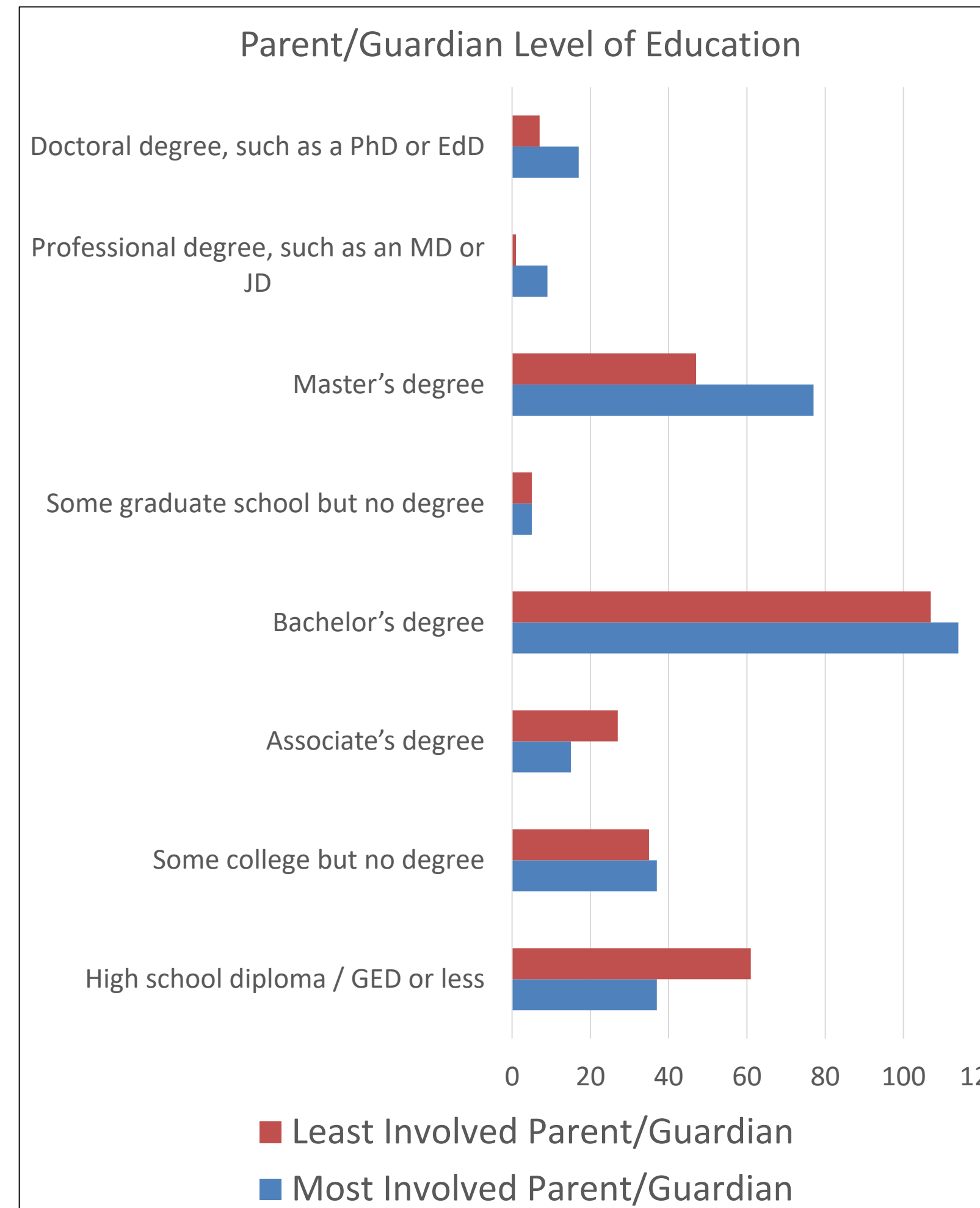
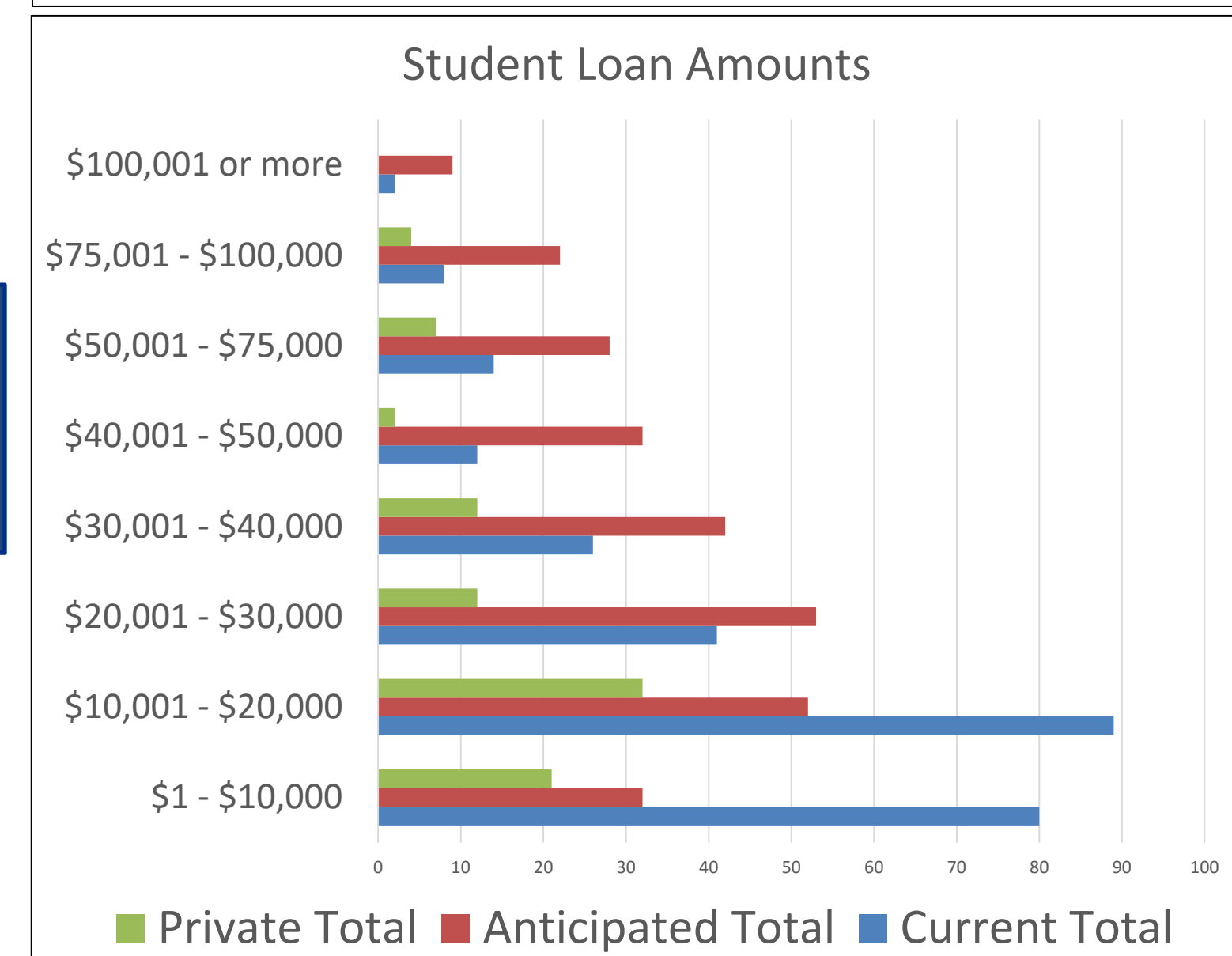
- Acquiring financial knowledge through family interactions<sup>3,9</sup>
- Leads to lower debt & increased college savings<sup>2,3,4,5</sup>

## Methodology

- 21 question, multiple choice, anonymous online survey
- Sent to 4,660 current undergrads with student loan indicators on their bursar accounts
- 353 students opened the survey, 326 indicated they are currently using student loans, and 292 completed the survey

## Sample

| Sample Data       | % of Respondents |
|-------------------|------------------|
| Gender            | 65.8% Female     |
| Race/Ethnicity    | 83.6% White      |
| Enrollment Status | 98.3% Full-Time  |
| Class Years 1-4   | 24.2% Avg/Year   |
| Loan Type         | 94.0% Federal    |



## Pearson Correlation Results

\*p-value < 0.05, \*\*p-value < 0.01

| Loan Type & Amount          | MIPG Level of Ed | LIPG Level of Ed | CPG Level of Ed |
|-----------------------------|------------------|------------------|-----------------|
| Loan Type                   | -0.098           | -0.032           | -0.075          |
| Current Loan Total          | -0.088           | -0.032           | -0.053          |
| Anticipated Loan Total      | -0.096           | -0.083           | -0.075          |
| Private Loan Total          | -0.162           | -0.066           | -0.101          |
| Loan Involvement            | MIPG Level of Ed | LIPG Level of Ed | CPG Level of Ed |
| MIPG Level of Involvement   | **0.296          | **0.241          | **0.319         |
| LIPG Level of Involvement   | **0.193          | **0.230          | **0.244         |
| FAFSA Completion            | **0.155          | *0.124           | **0.178         |
| Private Loan App Completion | 0.136            | 0.077            | 0.143           |
| Who Decided Loan Amt        | **0.255          | **0.209          | **0.261         |

| Loan Responsibility              | Who Decided Loan Amt | Who is Responsible for Repmt |
|----------------------------------|----------------------|------------------------------|
| FAFSA Completion                 | **0.378              | **0.161                      |
| Private Loan App Completion      | **0.550              | *0.251                       |
| Who Decided Loan Amt             | 1                    | **0.389                      |
| Who is Responsible for Repayment | **0.389              | 1                            |
| Who is Currently Making Payments | **0.354              | **0.533                      |

## Discussion

There is a direct relationship between increased levels of PG education and increased PG involvement in the student loan process.

- First-gen students and students whose PG have lower levels of education were more likely to be solely responsible for their student loan applications.
- Increased parental involvement could hinder a student's financial socialization, which can lead to increased debt and decreased savings<sup>2,3,4,5</sup>
- However, there is no relationship between PG level of education and student loan type & amount.

**Future Research:** Parent perspectives, institutional variety, policy impacts, etc.

**Current Practice:** Informational materials, orientation sessions, etc.

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