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The Perspective of Financial Aid Personnel on Middle-income Student Loan Borrowing

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ABSTRACT

THE PERSPECTIVE OF FINANCIAL AID PERSONNEL ON MIDDLE-INCOME STUDENT LOAN BORROWING

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Northern Illinois University, 2023
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The purpose of this dissertation was to understand the financial aid personnel's perspective on the impacts of middle-income student loan borrowing. Student loan borrowing is a concern for many due to the current debt reaching extraordinary amounts. This research explored the impacts specifically on middle-income students as opposed to low- or high-income students. Middle-income, for the purposes of this research, was defined as students who are above the threshold for need-based aid, but still have a remaining need. Four themes occurred as a result of this research: 1) payment opportunities for middle-income students 2) opt in and opt out loan awarding, 3) impacts of default for schools and students, and 4) communication methods to increase middle-income informed borrowing.

NORTHERN ILLINOIS UNIVERSITY
DE KALB, ILLINOIS

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THE PERSPECTIVE OF FINANCIAL AID PERSONNEL
ON MIDDLE-INCOME STUDENT LOAN BORROWING

BY

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A DISSERTATION SUBMITTED TO THE GRADUATE SCHOOL
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
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Thesis Director:

Dr. Xiaodan Hu

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Thank you, mom and dad, for always being my biggest supporters. When I would come home defeated, you always knew I had a bit more fight left in me. He terrors and I appreciate you more than you know.

Donna, thank you for always motivating me, even when you didn't know what you were motivating me towards.

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DEDICATION

To 10 year old me. We did it.

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PREFACE

The purpose of this dissertation was to understand the impacts of middle-income student loan borrowing through the lens of financial aid personnel. A multi-site case study was used to gather the insights from 8 different financial aid personnel that worked at community colleges within Illinois. The chapters included describe an initial proposal, the findings from the study, as well as a scholarly reflection.

Chapter One is a proposal to do research that was successfully defended in May of 2021. The proposal was based on the original topic of the experience of middle-class student loan borrowing and was originally planned to be a single site case study. Additionally, the case study was intended to understand the experience of middle-income loan borrowing process from the perspectives of both financial aid personnel and students. An inability to get approval from the intended host site resulted in a change of topic. Chapters Two and Three introduce the new topic, method, and framework.

Chapter Two is an overview on the findings of this research. The chapter goes over the research design, the research sites, and the data collection process. Additionally, this chapter highlights the outcomes of the research completed in November and December of 2022. The findings comprise of four areas that play a role in the impact of middle-income student loan borrowing: 1) payment opportunities for middle-income students 2) opt in and opt out loan awarding, 3) impacts of default for schools and students, and 4) communication methods to increase middle-income informed borrowing.

Chapter Three is a scholarly reflection of the dissertation writing process.

CHAPTER 1 INTRODUCTION

The topic of college tuition and student loan debt has been on the rise (Gervais & Ziebarth, 2019). While many see community college as an affordable route, even these two-year colleges have increased their tuitions with the sticker price raising 2.15 times since 1988 (Feldman & Romano, 2019). According to Lane (2003), “tuition at community colleges increased faster than family incomes in 34 states between 1992 and 2001” (p. 6). Given the need for financial aid, the Higher Education Act was implemented in 1965. This Act allowed for Title IV aid to be disbursed to students that have financial need. The Act has grown throughout the years allowing for more and different types of Title IV funds, such as federal scholarships, federal student work-study, federal grants, and federal student loans to be disbursed (Riggs, 2020). A pattern of increased tuition has been seen despite increased financial aid. While different types of aid are covered under the Higher Education Act such as tax credits, student loans, and grants, the need-based aid that does not need to be paid back is only eligible to those of lower income families.

Middle-class students, while eligible for student loans and tax credits, miss out on need-based grant eligibility, but still feel the effects of increasing college costs (Gervais & Ziebarth, 2019). Low-income students have access to grant aid that lifts some of the financial burden of paying for college, and wealthy students have the funds to pay outright; however, middle-class students are left with little options but to borrow loans to pay for college (Tevington & Furstenberg, 2017). Community colleges are roughly one-third of the cost of the public four-year

institution (Mckinney et al., 2015). This increased affordability is a prime reason for middle-class students to attend due to the decreased out-of-pocket costs that would be incurred for two of the four years of a Bachelor's degree. Additionally, community colleges are typically within a close range of where students live. This proximity allows for students living with their parents to forgo the costs associated with living on campus at a four-year college.

As of 2020, the outstanding student loan debt nationwide has increased to over \$1.6 trillion (Riggs, 2020). The effects of student loan borrowing range from credit score impacts to increased work hours to psychological implications, such as stress and anxiety (Mckinney et al., 2015). While there are seemingly negative effects of student loans, there are also positive ones such as allowing for accessibility. The ability to borrow student loans is the reason that some middle-class students can take a full-time course load, and this ultimately allows students to complete their degree and get into the work force in less time (Mckinney et al., 2015). Mckinney et al. (2015) found that 30% of fulltime community college students, and 40% of all community college students, took out student loans to fund their education. These loans helped to cover tuition and fees, as well as non-tuition expenses. Students are allowed to take out loans for things such as housing and transportation, which ultimately can alleviate stress while the student is in school, and provide short term financial relief (Mckinney et al., 2015). This study will take a closer look at the emotional and psychological well-being of middle-class loan borrowing students in order to better understand middle-class students' experiences of loan borrowing at the community college level, and contribute to practices to help this subset of students through the process of paying for college.

Purpose Statement

The cost of attending college in America is high for all students, but middle-class students are faced with extensive amounts of student loans that impact them both in school, and after graduation. Brandon (2006) explained that students have tuition costs, but are also burdened by everyday living costs such as housing, food, and transportation. Middle-class students usually cannot cover all these costs out of pocket, yet are not eligible for the Pell grant due to their income levels, and thus are forced to come up with the tuition costs (Brandon, 2006). Without need-based grant aid, middle-class students have been seen to take out higher amounts of student loans than their low-income and wealthier counterparts (Tevington & Furstenberg, 2017).

Community college is the fiscally sensible route for students. Tuition at community colleges is less than half of the cost of four-year colleges (Feldman & Romano, 2019). Additionally, in 2015 community college prices had only risen 2.15 times since 1988 versus public four-year schools that have a cost more than three times higher than in 1988 (Feldman & Romano, 2019). This is not to say that community colleges do not come at a cost. The average tuition at public community colleges in 2017 was \$3,570, compared to \$9,970 at public four-year universities (Baum, 2019). In order to pay tuition, some middle-class students opt to take out loans. With much prior literature based on the low-income student's experience, it is equally important to gain insight to the middle-class student's experience of paying for college.

The purpose of this case study is to examine the middle-class students' perspectives on how student loan borrowing at community college is shaping their social and financial wellbeing. In order to research this, this study is guided by the main research question: How does loan borrowing influence middle-class students' wellbeing? The three sub-research questions include:

1. How does loan borrowing influence middle-class students' academic performance?
2. How does loan borrowing influence middle-class students' emotional and psychological well-being?
3. What is the students' perception on student loan borrowing on their future life events?

These guiding questions will help the researcher to understand the student perspective on not only student loan borrowing, but the entire experience of paying for college. This study aims to explore the middle-class students' perspective on student loan debt related experiences, providing implications for decision-making about college costs and student financial assistance.

Literature Review

Financial aid is a major component for many students in the process of paying for college. The completion of the Federal Application for Federal Student Aid (FAFSA) is crucial for student success, as it is the starting point of the financial aid process. Without a completed FAFSA on file, students are ineligible to be packaged for state and federal grants, as well as federal student loans. Most of the awards granted from the FAFSA are need-based. For students who are ineligible for need-based aid, yet cannot afford college tuition and fees out of pocket, the reality of loans sets in. In this study, middle-class students are defined as students who are above the threshold for need-based aid, but still require assistance with paying for college. Since the middle-class students' family income is above the threshold of need-based aid eligibility, the cost of college attendance can take a disproportional share of their family income (Tevington & Furstenberg, 2017). Federal and state grants are often directed at low-income students (Mckinney et al., 2015). This leaves middle-class students to rely on student loans, in addition to many also working throughout their college career (Tevington & Furstenberg, 2017). The impact of student

loans can influence student's social and financial wellbeing while in school, as well as once they leave and go into repayment.

Financial Aid and Student Loans

College enrollment is on the rise, specifically within middle-class families where 64% of students continue on to a two or four-year college directly after high school (Tevington & Furstenberg, 2017). This increase in enrollment can be linked to the benefits of post-secondary education including lower unemployment and higher wages (Tevington & Furstenberg, 2017). Webber (2016) explained that there is a social push for a college degree, and an overall consensus that a degree coincides with success. Webber (2016) also found that in most cases, the benefits of going to college outweighed the negative attributes, such as student loan debt and the possibility of dropping out. Since more people are both entering and completing college, how students pay for college and the availability of financial aid is becoming an ever-important topic. The first step of the financial aid process at any school, including federal student loans, is the Federal Application for Federal Student Aid (FAFSA). From the FAFSA, an Estimated Family Contribution (EFC) is formulated. This EFC takes into consideration multiple aspects including income, assets, household size, and number in college (Federal Student Aid, 2016). In 2012, the average EFC for households with income between \$60,000-\$79,000 was 9300 (Tevington & Furstenberg, 2017). This EFC would not allow for any need-based aid at a community college.

When comparing the types of aid awarded in prior years, a dramatic difference can be seen. In 1973, the financial aid makeup was 70% grants, 25% student loans and 5% work-study (Baum, 2019). This makeup changed to 50% grants, 42% student loans, and the remaining 8% tax credits by 2016 (Baum, 2019). Grant aid, at the federal level, consists of the Pell Grant and

SEOG. These grants are awarded to students based directly on the EFC, with lower EFC's being awarded higher amounts. The change in financial aid makeup from 1973 to 2016 shows a higher dependency on student loans in order to pay for college. Furthermore, Wiederspan (2016) found that in 2011-2012, over \$80 billion in federal student loans was provided to students, while only \$36 billion in Pell Grants was provided. This shows that while a large amount of government funds are going towards need-based grants, there is still a higher need for student loans to cover the remaining costs of college.

After grants and scholarships are awarded, students may still have a financial need remaining and costs left unmet. In these cases, students have the option to take out student loans. There are different types of student loans including subsidized and unsubsidized from the federal government, as well as from other private sources (Quinn & Hawkins, 2002). All loans come with the stipulation that they must be paid back, typically six months after graduation, with interest. Over 90% of student loans come from the federal government, and 10% are private loans (Webber, 2016). This breakdown shows that positive outcomes of a college education to society, and the workforce, warrant that paying for college should be subsidized (Webber, 2016). Furthermore, private student loans are at such a small percent due to private markets undersupplying funds for human capital, which attending college is (Webber, 2016). Based on the type of loan a student takes out, federal or private, different repayment plans are available to them (Brown, 2019). Once a borrower picks a repayment plan, they must navigate the process with their lender (Brown, 2019).

The number of households who owe on a student loan doubled from one in ten to one in five since 1989 (Kakar, 2019). This shows that more people are taking out loans in order to

help fund their college tuition. The College Board (2016) stated that the use of student loans is becoming more and more necessary due to increasing tuition prices. Herzog (2018) stated that the decision to take out loans to fund college is directly correlated with the student's parent's financial contributions, and the remaining need after all aid is considered. In addition, the amount of student debt has grown almost five times since 2004 with an encompassing amount of over \$1.3 trillion in current student loans (Herzog, 2018). This staggering amount continues to grow, calling for additional public funding to help students cover the cost of college.

Impact of Student Loans

As the third largest type of debt, followed by mortgage and credit card debt, student loan debt has started to be referred to as a crisis (Dellar & Parr, 2020). Not only is the amount of debt alarming, but the rate at which it is growing is also concerning. From 2006 to 2020, the student loan debt amount grew 232%, in comparison to the mortgage debt that grew only 24% (Dellar & Parr, 2020). Avery and Turner (2012) explained that this crisis is often referred to as an "educational bubble". This bubble reference means that those of college age tend to overestimate their economic value to society and end up borrowing amounts that end up not being feasible to pay back. McKinney and Burrige (2015) went on to explain that loan borrowers are more likely to become unsatisfied with the decision to borrow student loans over those who do not borrow student loans and are more apt to drop out instead of increasing their debt amount. In addition, it was found that community college students have higher default and dropout rates than their four-year university counterparts (McKinney & Burrige, 2015). Further, Zhan and Elliott (2018) pointed out that student loans are beneficial to graduation rates, but only when they are under \$19,753. With that said, the value of a college degree, and the pay associated with it,

has dramatically increased over the last three decades allowing for flexibility for students when determining what their future economic value will be.

There is a clear correlation between student loan debt and negative mental health impacts according to Tran (2018). Borrowing student loans affects both the individual, and the economy as a whole. As a direct student impact, Stoddard and Schmeiser (2018) explained that there is a direct link between student loan borrowing and negative academic outcomes such as decreased GPA. Stoddard and Schmeiser also go on to say that while student loans provide access to more credit hours, it was also found that when more credit hours were taken, a decrease in performance was found (2018). The reason for this negative impact can be speculated; however, the stress of increased financial burden is one theory. It should also be noted that there were some cases where GPA improved with loan debt; however, this was not the typical case (Stoddard & Schmeiser, 2018).

In addition to academic impacts, potential earnings are also negatively impacted by increased student loan borrowing (Gervais & Ziebarth, 2019). When comparing the earnings of those who took out loans versus those who did not take out loans one year after graduation, it was found that those who did borrow had earnings of 4.3% less than those who were debt free (Gervais, 2019). The reasons for this inequity could be for a multitude of reasons, including family support, the rush to take a job to pay back the debt, and motivation (Gervais & Ziebarth, 2019). In addition to the decreased potential earnings that student loan borrowing graduates might encounter, the types of jobs that they may or may not take impacts the economy. For many possible reasons, including lack of stable income and inability to secure funding, recent graduates may not start new businesses that could help the economy thrive (Dellar & Parr, 2020).

When looking at students who left college in 2010 and 2011, delinquency and default rates spiked (Brown, 2019). It has been seen that students with an Associate's degree are more likely to default than those with a Bachelor's degree (Dellar & Parr, 2020). Further, students who completed only coursework, but then dropped out, are the most likely to default, with a default rate of almost 30% (Dellar & Parr, 2020). This is of interest because delinquency and default not only affect the borrower, but the economy as a whole. When a borrower can no longer make their payments, their credit score is dramatically affected (Brown, 2019). This, in turn, affects their ability to take out other loans, purchase a home, or add to the economy as a whole (Brown, 2019). If too many students default, especially during an economic crisis such as COVID-19, the stability of the economy becomes weakened (Dellar & Parr, 2020). Furthermore, defaulted student loans have an impact on schools, whom need to maintain certain default rates in order to maintain the ability to process loans (Middleton, 2011). Wiederspan (2016) explained that the federal government calculates a cohort default rate (CDR) for all schools that participate in the federal loan program. If the CDR is over 30% for three years, or over 40% one year, then the school loses out on the ability to continue disbursing aid for students. The idea about putting onus and responsibility on schools for defaults comes from the idea that schools with lower tuition, higher aid, and more hand-on guidance have lower default rates, ultimately helping students (Middleton, 2011). Student loans in and of themselves are not an issue; however, the mass amount of student loans taken out, and the burden it has on students is troublesome.

Finally, major life events have been found to be delayed due to the increased amount of student loan debt students are facing. In a ten-year span, from 2005 to 2015, the percent of people aged 18-30 who own a home dropped from 11% to 7% (Demyanyk & Kolliner, 2015).

This may be due to one of the requirements in obtaining a mortgage is the debt-to-income ratio. This means that banks review how much debt a person has in comparison to their earnings. Since students, especially middle-class students, are often taking out student loans to fund their education, this ratio can be high leaving them ineligible for a mortgage. Additionally, it was found that students who took out more than \$10,000 of student loans had a 7% decreased chance of getting married (Avery and Turner, 2012).

It should be noted that while there are negative effects to student loan borrowing, loans also provide an opportunity for students to get degrees that ultimately will allow for higher incomes throughout their life (Baum, 2019). While a student with loans may make less than a student without loans, a college-educated person is more likely to make higher wages than someone with just a high school diploma. It was found in 2014 that millennials with college degrees made \$17,500 more, per year, than those with just a high school diploma (Kurtzleben, 2014).

Financial Impacts on Wellness

Financial stressors, and debt, have been seen to have a negative impact on one's mental health. Zhang and Kim (2019) explained that stress triggering events, whether planned or unplanned for, had a positive correlation with psychological distress. In a 2016 survey, the National College Health Assessment found that over 33% of college students thought their finances were traumatic and/or hard to handle (Monalto, 2019). Credit card debt among college students has increased substantially along with student loan debt (Zhang & Kim, 2019). This increase in credit card usage can be attributed to the need to pay for school, as well as the "buy now pay later" mentality (Zhang & Kim, 2019). Despite the Credit CARD Act of 2009, that

prevents credit card companies from reaching out to college students, 25% of college students between the ages of 21-23 thought credit card debt was a major concern. Further, a positive correlation between decreased wages and having student loans, as well as other debt, was seen.

Financial wellness, as defined by Montlto (2019), includes having the resources needed to create a financially sound situation, in addition to having a clear understanding of one's current financial situation and how to achieve further financial goals. As a whole, financial wellness can influence if a student borrows, as well as how much they borrow. It is important to note, however, that financial wellness is only a part of wellness, and can have an impact on the other parts of wellness. With a lower amount of financial wellness, students may borrow more than they can pay back, leading to negative impacts on their psychological, social, and other dimensions of wellness.

One part of financial wellness is understanding one's current financial situation, and how much one is able to feasibly afford. Fan (2019) pointed out that higher education costs are rising faster than inflation, and the median income, leaving students with a decision that may put them into debt. For many, higher education is seen as the pathway to success, and is worth the cost; thus, leaving them with no choice but to borrow loans (Montlto, 2019). With this in mind, indebtedness does not automatically equate to negative mental health outcomes. It was found that students who learned about responsible borrowing and spending from their parents and formal financial education had less late payments (Fan, 2019).

Middle-Class Students at Community Colleges

Middle-class students have qualities and traits that distinguish them from their low-income and wealth peers. One example of this is their higher tendency to exhibit adult tendencies

earlier than their peers (Smith, 2015). Adult tendencies include exploring, questing, and experimenting. Some may think that these tendencies would be exhibited by those of higher incomes, but middle-class students, while of lower income status, are seen to have an emphasis of education, as well as moving up career-wise (Smith, 2015). These tendencies are seen as a direct correlation from the “middle-class mentality” of always wanting to achieve more and better for themselves and their children (Smith, 2015). Additionally, DiMaria (2006) points out that middle-class students often value the educational process for the education it provides instead of simply seeing it as a means to an end as some lower-class students see it.

The need for student loans in middle-class families has increased over the years due to increasing tuition. Middleton (2011) explained that in 1992 the federal student loan program became available to all students, regardless of need. The reason for this expansion was because middle-class students could no longer keep up with the cost of college out of pocket, so an additional funding source was needed to allow accessibility (Middleton, 2011). The rising costs of tuition have continued to increase around the country, and the reasons behind this includes a lack of state funding, as well as the drive to become more competitive (Middleton, 2011). Students with higher levels of student debt are shown to have more stress, lower self-esteem, and a lack of ability to handle their money (Mckinney et al., 2015). These negative effects can be made worse among community college students as these students report lower levels of financial stability and higher levels of stress than four-year students (Mckinney et al., 2015).

It should further be noted that aid affects students differently. Chen and Wiederspan (2014) explained that with rising costs that the Pell Grant cannot keep up with, there is a higher need for loans across the board. With that being said, the burden of student loan debt effects

different classes differently, and there are multiple factors including gender, college, and major as to how much a student borrows (Chen & Widerspan, 2014). For example, middle-class students typically do not have any need-based aid to help cover the costs that low-income students would, so they borrow more, but low-income students have a higher burden from the student loans they do borrow based on their financial standings. Tevington and Furstenberg (2017) found that while there is extensive research on the financial barriers low-income students face, there are also financial burdens for middle-class students that have resulted in these students choosing less selective schools such as community colleges. In addition, it has been found that community college students often lack the resources, and understanding of financial aid, to make informed decisions about college and borrowing (Mckinney et al., 2015). It should further be noted that students who attend community college directly after high school have a higher chance of transferring to a four-year school and are more willing to borrow student loans (Mckinney et al., 2015).

Silva and Snellman (2018) found that it is common for middle-class students choose colleges based on their parent's morals and ideals. While middle-class students will apply to their "dream" schools, they are encouraged to have backups by their parents to make the most cost-effective decision in the long run. For these reasons, in addition to rising costs, middle-class students are finding community college more attractive (Silva & Snellman, 2018).

Supporting middle-class students enrolled at community colleges is critical given their large number of racial minority students. Jackson and Reynolds (2013) found that Black students borrow more than any other racial group, and the amount of loans taken out by Black students that do not complete a degree is significantly higher than the debt taken out by white students

that do not complete a degree (Jackson & Reynolds, 2013). While college graduates are expected to make over double their non-degree holding peers, racial minorities are more likely to obtain a lower wage job (Flores & Baker, 2017). Additionally, it has been found that students who obtain an Associate's degree have a default rate of 11% whereas students who attended some college, but dropped out, have a default rate of 29.9% (Deller & Parr, 2020). This means that racial minorities with lower completion rates have higher chances of default. Further, Baker (2019) pointed out that during repayment, students with the highest payment amounts are typically those with the lowest student loan balances. This has an impact on racially minoritized students because they are seen to have higher dropout rates, and in turn, borrow less than their white counterparts who are seen to complete degrees at higher rates (Baker, 2019). Avery and Turner (2012) pointed out that racially minoritized students that come from disadvantaged areas tend to have the same wages as others who have a college degree, versus those who do not have a college degree by age 25. This is important because while student loans may be necessary for racial minority students to obtain a degree, their economic worth is considered the same as their peers.

Outside of student loan borrowing, racially minoritized students also have a different experience throughout their college career when compared to white students (Carter, 2006). When looking at the probability of success and retention, it has been found that white students succeed at lower rates when both of their parents did not attend college and at higher rates when their family has higher wealth amounts. In contrast, the academic holding of parents has no effect on racially minoritized student success rates, and family income has minimal impact (Carter, 2006). Further, once in the college atmosphere, racially minoritized students often

experience anxiety about being one of the few minorities in certain settings. Racial minorities can feel that they must devote extensive amounts of time to the intellectual and academic survival (Carter, 2006). This can lead to them not spending as much time on social and personal development. While these structural disadvantages can negatively impact the overall success of racially minoritized students, they can also be overcome by diversity initiatives that promote the inclusion of diverse populations in the classroom, as well as social groups (Carter, 2006).

Theoretical Framework

The theoretical framework that will be used is Hettler's six dimensions of wellness (2017), which is presented in Figure 1. The original six dimension that Hettler refers to in the model are: occupational, physical, social, intellectual, spiritual, and emotional. Since the framework's inception in 1977, two additional pillars have been added which include financial and environmental (Baldwin, 2017). This model was created to promote the wellness of those in college, and has since been used to change and enhance the wellness of college students (Baldwin, 2017). This framework, as shown below with a graphic from the Substance Abuse and Mental Health Services Administration, addresses the psychological and emotional aspects of the question at hand, in addition to the financial aspect.



Figure 1. Dimensions of Wellness

Note. From the Substance Abuse and Mental Health Services Administration, 2006

(<https://store.samhsa.gov/sites/default/files/d7/priv/sma16-4958.pdf>)

In particular, the occupational dimension refers to how effectively a person applies their skills to obtain a paying job. The physical dimension refers to how a person treats their body and physical being. The social dimension refers to how a person integrates with society and the relationships they build with others. The intellectual dimension refers to the engagement of the mind allowing for the ability to analyze and critically think. The spiritual dimension has to do with a person's view on life and the big picture. The emotional dimension, which is closely tied to the social dimension, has to do with how a person accepts emotions and feelings for what they are. The financial and environmental dimensions have to do with how a person is able to navigate the financial and environmental options available to them. All of these dimensions are affected by middle-class loan borrowing due to the psychological and emotional affects that the borrowing has on a person's overall outlook and wellbeing. Furthermore, Horton and Snyder (2009) explain that all of these dimensions of wellness work together, and often affect each other.

Hettler's dimensions of wellness have been used by Baldwin (2017) to explore the wellness factors of undergraduates. In his study, Baldwin found that different aspects of the college experience had impacts on the different dimensions of wellness (2017). Wellness is defined as, "health is a state of complete physical, mental, and social well-being, and not merely the absence of disease and infirmity (World Health Organization, 2007)." Wellness, then, is impacted by many different sources and outside influences. For the purposes of this study, student loans are a source impacting wellness, and the effects of these loans will be researched. Similarly, this theory will guide this study by providing a framework of understanding how middle-income loan borrowing affects students both psychologically and emotionally.

Research Design

While investigating the middle-class students' perspectives on how student loan borrowing is shaping their psychological and emotional well-being, the theoretical underpinning of constructivism will be used. The main idea of Constructivism is that people are trying to understand the world, and create meanings based on their prior experiences (Creswell & Poth, 2016). People learn based on their environment and experiences. As a person grows older and has more experiences, their perspective will evolve. This idea is crucial to this study because the perspectives of students is being examined. Specifically, students will have gained a perspective on college costs, student loan borrowing, and education in general based on their own individual experiences. If these middle-class students had similar experiences due to their income class then their perspectives may be similar.

Furthermore, a qualitative case study will be conducted in order to effectively understand a single unit in order to better understand the larger group. Merriam (1985) explains that a case study, used in education, helps the researcher to understand a problem or situation that could not be done via surveys, or other designs. Further, case studies are used to explore an idea, define a current situation, or test possible explanations (Merriam, 1985). Case studies consist of three main sources of data including observation, interviewing, and document analysis (Merriam, 1985). An important note about the case study process is that observation and analysis occur simultaneously versus independently (Merriam, 1985).

Research Site

The case study will take place at Triton College, a public community college located in River Grove, Illinois. The college is located in the suburbs of the major city of Chicago. This

location allows for easy access to the city, as well as all of the urban conveniences that the city offers including readily available transportation and housing. Triton offers over 110 different degree and certificate programs that are broken into 7 different areas of study (Triton Facts Sheet-2020 Fall). This location was selected because it is a two year- college where students are eligible to take out federal student loans. Triton College has a very diverse population, consisting of 58% of its students being racial/ethnic minority students, which it prides itself on (Triton Facts Sheet-2020 Fall). Being a Hispanic Serving Institution (HSI), Triton offers programs designed to better assist both Hispanic/Latinx and African American students. One aspect of being an HSI includes additional aid being provided to the school to promote racial minority programs and students. Triton implemented two programs aimed at to promote a sense of belonging for racial minorities, specifically African American students, TRIUMPH and SURGE.

The Triton College district, for the 2020 school year is made up of 318,020 people with a median family income of \$67,515 (Triton Facts Sheet-2020 Fall). In 2020 Fall the college had an enrollment of 9,192 students, of which had an average age of 25.2 (Triton Facts Sheet-2020 Fall). The communities it pulls from ranges from Rosemont where students are often above the need for financial aid to Maywood where students are typically awarded the maximum amount of aid. All of the cities that Triton serves brings a different viewpoint, and it is important to have a variety of viewpoints provided in this case study.

Data Collection

This case study will include semi-structured interviews with students in order to get a direct insight into their perspectives on the student loan borrowing process. I plan to recruit at least 25 participants via the student's triton.edu email, which is the standard of contacting

students at the college. When selecting the sample, purposeful sampling will be used, not only to make sure that middle-class students are included, but also to make sure a diverse population is also involved. There are many different definitions of middle-class ranging from income to credentials to mindset. In this study, middle-class will be defined as students who are above the threshold for need-based aid, but still have an unmet need. Due to the focus of this study being around loans, students will have needed to borrow loans to be included in the study. This is because while non-student loan borrowing students can assume the effects of loan borrowing, they have not gone through the process to have a clear understanding. Additionally, as already stated, the need for a diverse candidate pool is crucial. Students who are of different ethnic backgrounds, genders, ages, and year in college will be considered. A semi-structured interview will be used in order to gain further insight into the student's perspective on how loans have made an impact on them. There will be base questions (see Appendix A), but the researcher is free to follow up on questions and truly converse with the participant about their views. In addition to the interview with students, the researcher plans to also interview financial aid staff, both financial aid specialists, and loan specialists, to gain insight on how they perceive the impact on middle-class loan borrowers to be. There will be four staff members that will be interviewed (see Appendix B) via Zoom.

In the initial contact email, the 25 students will be invited to participate in a Zoom interview which will last approximately 45 minutes. The goal is to obtain consent from 12 to 15 students to participate. Furthermore, once an email confirmation is received, students will be sent a follow-up email with a disclosure providing consent to be recorded during the Zoom meeting. The disclosure will have the option of "video and audio" or "audio only" for the participants to

choose. While in-person interviews would be preferred, there are currently COVID-19 related concerns that limit the ability to perform any in-person activities. In order to keep the researcher and participant's safe, the use of technology and Zoom was chosen. Zoom is a platform that does not mandate any software be downloaded and has the ability to record the session in its entirety. Furthermore, the platform has been widely used during the COVID-19 pandemic in classroom settings, so it should be comfortable for participants to use.

Data Analysis

During each Zoom interview, participants will give permission to be recorded. They will have the option to be recorded via video and audio, or just audio; however, for coding purposes, participants will need to choose the option of being recorded in one way or another. Once each interview is recorded, it will be transcribed, and sent back to the participant to verify the validity of the transcription. While manual, and tedious, this is a crucial step in order to move forward in coding and finding themes within all of the interviews conducted. Sending each transcribed interview to the participant is also highly important as it verifies that they provide consent as to what was said in the exact usage of words.

Once all of the interviews are transcribed and typed out, the coding process can begin. Coding is the process of finding themes within the information provided via qualitative research. For the purposes of this study, inductive coding will be used (Fowler & Wilson, 2016). Inductive coding means that the researcher starts with a clean slate, and through the process of going through each of the interviews, themes are made (Fowler & Wilson, 2016). The researcher will come up with codes to apply to each of the interviews based on a small sample, and if additional codes are needed beyond the small sample then they will be created. The idea of these codes is to

help categorize similar ideas and themes that come up throughout all of the qualitative data (Fowler & Wilson, 2016).

After codes are assigned to all of the interviews conducted, the codes will be grouped which is the process of analyzing the qualitative data (Fowler & Wilson, 2016). This process ultimately includes reviewing all of the interviews to find what similar themes are found. Once categories, or codes, are established, the interviewer can come up with conclusions. If there are many interviews that have one code assigned to it, the researcher may conclude that a running theme has been established. Likewise, if only a select few interviews have a code attached to them, the researcher may decide that there is not as much significance.

Criteria for Quality

This qualitative case study will be held to a high standard of quality throughout its entirety. One way to maintain this high standard is having participants of the study verify the transcription of their interview is correct. The researcher could simply transcribe the audio to text, but the extra step of having the participant verify the correctness allows for a smaller margin of error. This process is called member checking and requires that the researcher follow a thorough procedure to make sure it done adequately (Birt, 2016). To begin, after the qualitative interviews are completed, with the signed consent form of the participant, the researcher will listen to the audio and type out the entirety of the interview. It is crucial that every word is typed out correctly, in order, and to the best ability of the researcher. Due to the length and number of interviews being completed, there is a possibility of human error to occur during this process. Once completed, the researcher will email the participant the transcribed interview, along with themes that were discovered asking them to verify that all the information is correct. Having the

participant do this part is crucial because the participants know best in terms of what they said, meant, and why they stated the things they did during the interview. If any changes are needed, the participant will inform the researcher.

In addition to member checking, triangulation was used. According to Heale and Forbes (2013), triangulation is, “the use of more than one approach to researching a question” (p.98). Specifically in this study, triangulation can be seen in reviewing literature, interviewing students, as well as interviewing financial aid staff. All of this data allows for overlap, and ultimately increased confidence in the findings.

Researcher’s Positionality

I, the researcher, have an interesting and integrated positionality for the purposes of this research. I was a middle-class student who took out loans in order to pay for college and felt the struggle of not being able to afford college due to the lack of any grant aid and high tuition costs. For this reason, I chose a community college for my first two years of schooling. Additionally, I am an Assistant Director at Triton College, a community college. I work closely with students who are forced to take out loans in order to afford college and have fears about paying them back. I also have a clear understanding, due to my position, about the lack of knowledge regarding the financial aid process. Students of all backgrounds are often confused between grants and loans, and some even think that college is automatically free. These misconceptions add to the stress associated with paying for college.

Significance

The research on middle-class student loan borrowers is significant because it will allow colleges to have a better understanding of how middle-class students are impacted by loans

allowing for further, more impactful intervention. Student loans have both positive and negative impacts, understanding exactly how middle-class students are impacted, as well as their view on student loan borrowing, colleges can better assess their current practices, and adjust as needed. There is little research done on the middle-class student's experience, and even less on the middle-class student loan experience. The student loan debt crisis is of concern for everyone, including students, colleges, and the everyday citizen who may be impacted by the economic effects of this crisis. Further, the student loan debt crisis plays a major impact on the economy as a whole, and by providing insight into the impacts of student loan borrowing, further negative impacts can be mitigated.

Triton College participates in the federal student loan program. This means that they take on a responsibility to inform students about student loan borrowing, as well as maintaining cohort default rates under 30%. Additionally, due to its financially diverse population, Triton does have middle-class students with a need to borrow student loans in order to fund their education. With research on middle-class student loan borrowers, Triton could adjust their current outreach to students to be better targeted to their student loan borrowing population. Currently, one federal regulation is that students must complete Loan Entrance and Exit Counseling. These counseling sessions can be completed either on-line, or the school can offer it. With a better understanding of how students, specifically middle-class students are impacted by loans, Triton can adjust its counseling sessions to help students prepare and prevent negative consequences of student loan borrowing. Additionally, understanding why students borrow, as well as the short and long-term effects of student loan borrowing, allows Triton to push other financial opportunities to help students succeed.

Further, this research is beneficial to students, specifically middle-class students, who plan to, or already have borrowed student loans. Middle-class students have different impacts of loan borrowing than their low-income and wealthy counterparts. In order for students to borrow responsibly, and decrease the possible negative impacts, they must be informed. Having all the information about student loan borrowing will help them to make informed decisions about how much to borrow, as well as if borrowing is worth it for them. Overall, research on the middle-class student loan borrowing experience will help higher education as a whole to better prepare these students for the impacts, as well as possibly provide other financial options for students who currently have no other option but to take out loans to fund their education.

CHAPTER 2 THE PERSPECTIVE OF FINANCIAL AID PERSONNEL ON MIDDLE-INCOME STUDENT LOAN BORROWING

Student loan borrowing is a reality for many students to afford the rising cost of college. While different types of financial aid exist, ranging from grants to scholarships, many students are still in need of further financial assistance after need-based aid has been applied, even at the community college level. Middle-income students, defined as those above the EFC threshold for need-based aid, but still have a remaining unmet need, are left to rely on paying out of pocket, scholarships, payment plans, or loans. While many different types of scholarships exist, ranging from academic, cultural, to athletic, not everyone who applies for a scholarship will be granted one (U.S. Department of Education, 2023). Furthermore, for students to pay out of pocket, either in full or on a payment plan, a source of income is required, which typically means they are working and attending school simultaneously. It has been found that students who work while attending school often do not take a full schedule, resulting in delayed graduation (Smith, 2015). Student loans ultimately can have a very heavy burden on borrowers ranging from short-term impacts, such as increased stress, to long-term impacts like default and higher debt-to-income ratios (Avery and Turner, 2012). Some specific impacts loan borrowing has on students include repayment after graduation with interest, impacts on credit scores which may be negative if payments are not made on time, default, and lowered future loan acquiring power (Demyanyk & Kolliner, 2015).

The impact of student loan borrowing is undeniable. The term “student loan crisis” has been seen in media, and other researchers have referred to the loan amount as a “bubble”, similar to the phrasing that was used during the 2008 mortgage crisis (Riggs, 2020). There are few requirements for students to be eligible for federal student loans. A FAFSA, Entrance Counseling, and a Master Promissory note are all needed, and further processes can be put in place by individual colleges (Wiederspan, 2016). Colleges have to opt in to disburse federal student loans, and are regulated based on their default rates, which can prevent them from being eligible to participate in the loan program (Wiederspan, 2016). While there are proactive regulations in place to prevent misinformed borrowing, there is also a lot of freedom left to colleges in how they implement their loan process. Some processes that school’s implement can lead to increased borrowing or default rates, ultimately hindering the student. An example of this is colleges that auto package loans. This means that instead of having to opt into student loans, students must opt out. When presenting an award letter, the format of how grants versus loans is displayed can be rather deceiving to students, leading to possible increased, and uninformed borrowing.

Student loan borrowing is a highly researched topic, however, there is very little research on middle-income student loan borrowing. This subset of students is often left out despite their higher levels of loan borrowing when compared to low-income students (Mckinney et al, 2015). The purpose of this case study was to understand the student loan borrowing process and its impacts on middle-income students through the lens of financial aid personnel. The research examined student options for paying for college, the loan borrowing process, the school’s impact

of student loan borrowing, and the financial aid personnel's perception of middle-income student loan borrowing.

Literature Review

Student loan borrowing is a highly complex process, and while researched vastly, little research is done specifically on middle-income student loan borrowing. The process of student loan borrowing is not just taking out a loan, but also researching ahead of time different alternatives, as well as whether the loan will pay off in the end. Middle-income students, due to their excessive amount of borrowing when compared to low income students, have an increased responsibility to make sure the pros outweigh the cons when it comes to borrowing.

Payment Options

Payment options for students vary from college to college. Some colleges participate in a process sometimes referred to as a "DNP", or drop for non payment. This means that after a specified date, students who have unpaid balances are unregistered for their classes.

Furthermore, in these cases, prior to the specified date, students must have set up some sort of payment arrangement. This can vary from federal and state grants, to scholarships, to out of pocket payments, to payment plans. It is important to note that while these options may be available, it is dependent on each specific college as to what their policies and procedures are.

Financial aid is a program overseen by the federal and state governments and requires approval from such entities for schools to participate. There are different forms and processes for schools to maintain compliance with these programs.

Included in federal financial aid is the federal student loan program. Schools must opt into disbursing loans, and must follow federal regulations to maintain their eligibility to do so

(Federal Student Aid, 2023). One of the requirements to maintain compliance is to maintain a default rate below 40% for one year, and below 30% for over two years (Federal Student Aid, 2023). There are caveats to this that include government intervention, but the goal is that schools responsibly allow for student loan borrowing. No matter what school a student attends, there are some basic requirements needed in order to take out a student loan. These include a Master Promissory Note, Entrance Counseling, and completed FAFSA (Federal Student Aid, 2023). Outside of that, schools have the freedom to implement any further requirements. One main difference between different colleges is the opt in versus opt in options. Some schools auto package loans, requiring students to opt out if they don't want to borrow. On the other hand, some schools require an additional form for students to complete if they want to opt into borrowing. There are pros and cons to both, and schools are able to choose which best works for them.

Another payment option for students is scholarships. Scholarships can be from multiple sources including private and public companies, athletic, merit, etc. (U.S. Department of Education, 2023). While it depends on the specifics of the scholarship, they can cover different expenses such as tuition, room and board, transportation, or books and supplies (U.S. Department of Education, 2023). Many scholarships require an application process, and can require additional documentation from applicants such as an essay, letters of recommendation, community service, etc. While there are many different scholarships available to students, there are also many that go unclaimed, or with very few applicants.

Some schools choose to provide payment plan options. These options can be either manual or via an outside company. Turner (2012) explained that when payment plans first came

out, over 30 years ago, many schools tried the manual route, but after finding how labor intensive it was, they moved to outside companies to handle the payment plans. Payment plans are helpful to students because it allows them to budget throughout the semester instead of having a lump sum available at the beginning of the term. These spaced-out payments can be an option that replaces student loan borrowing for some students, and can ultimately save them from interest charges.

The final payment option for students is a student loan. A loan, by definition, means that it needs to be paid back. There are different loan sources including the federal government, private companies, and directly from the school in some cases. Student loans allow students to fund their education up front, and then focus on the repayment after they have graduated or stopped attending classes. Repayment typically occurs 6 months after students stop taking courses, and the repayment options are chosen by the loan provider (Federal Student Aid, 2023).

Student Loan Borrowing Process

The student loan borrowing process can seem overwhelming to many. With multiple funding sources for different kinds of loans, the process can become very confusing. Further, knowing if and when a student should borrow loans can be perplexing. Not all students need a loan to fund their education due to other sources covering the balance; however, knowing when and if a student should borrow is vital to responsible borrowing. Federal student loans are those that are funded via the federal government and disbursed through schools. In these cases, the colleges have agreed to participate in the federal loan program and are regulated and audited to make sure they follow the regulations (Federal Student Aid, 2023). Colleges agree to stay under a specified cohort default rate, verify students have completed all necessary documentation and

are eligible for a student loan, verify students are at least half time, and deny loans only on a case-by-case basis (Federal Student Aid, 2023). In order to accomplish this, colleges have different requirements and processes set up for students to follow. While the basic requirements must be met, it is up to the school's discretion as to whether they implement more stringent requirements. An example of this is schools that auto package loans and require students to opt out versus schools that require an additional loan application. There are pros and cons to both ways, but schools that require an additional loan application entail an extra step for students to complete to be eligible for a loan.

One of the requirements that schools must meet in order to maintain in good status to disburse loans is maintaining a set cohort default rate. A cohort default rate is:

The percentage of a school's borrowers who enter repayment on certain William D. Ford Federal Direct Loans (Direct Loans) and Federal Family Education Loans (FFELs) during that fiscal year and default (or meet the other specified condition) before the end of the second fiscal year following the fiscal year that the borrower entered repayment. (Federal Student Loans, 2023)

The required CDR is under 30%. If a school reaches a CDR of 30% they must come up with a default prevention task force which is reviewed by the Federal Government (Federal Student Aid, 2023). If the school maintains a CDR of 30% or higher for two years in a row they must adjust their default prevention plan and run the risk of losing their eligibility if they do not lower the CDR (Federal Student Aid, 2023). Schools can work to keep their CDRs low by informing students of responsible borrowing as well as their repayment options.

From a student perspective, the loan borrowing process isn't always cut and dry. The steps required by the government for all student loan borrowing is: submitting the FAFSA, receive a financial aid award letter, accept or deny loans, complete Entrance Counseling, sign an

MPN, and get the loan disbursement (Federal Student Aid, 2023). Unfortunately, there are a few steps in-between these that can vary from school to school. Between submitting a FAFSA and obtaining an award letter is often additional verification documentation requested by the school. This is communicated to the students directly from the school, and there are times where discrepant information can lead to further documentation being requested. Some schools require an additional loan application prior to awarding a loan. This can be confusing to students who attend multiple colleges with different processes. Finally, loan disbursement processes also vary from school to school. Some schools send the excess loan amount via paper checks, some make students sign over the check towards prior balances, and others use direct deposit. Overall, the process to borrow a loan is not straight forward, and students must educate themselves at any college that they go to.

Middle-Income Student Loan Borrowing

The definition of financial aid is vast and includes everything from grants that do not need to be repaid, scholarships, tax incentives, and loans (Riggs, 2020). Middle-income students are outside of the eligible range of any grant-based aid and often rely heavily on loans. Middle-income students are those who have an EFC that makes them ineligible for any grants through the FAFSA; however, still have a financial need to pay for college. This demographic of students is diverse and is made up of different ethnicities, genders, and many are first generation students (Smith, 2015). It has been found that middle-income students have a stronger focus on obtaining higher education in order to move up within their career paths when compared to their lower and higher income counterparts (Smith, 2015). This focus on higher education puts

middle-income students in a situation to go into student loan debt due to the lack of other funding sources available to them to pay for their education.

Middle-income students, specifically, have limited other payment options, and their reliance on loan borrowing is higher. Without any need-based aid like grants, these students are forced to look at paying out of pocket, payment plans, scholarships, or loans. While some middle-income students may opt to work, allowing them to pay up front or through a payment plan, there is a correlation between students who work and delayed graduation (Stoddard & Schmeiser, 2018). The reason for this is the lack of time in a day to both work and attend school, in addition to the cost (Stoddard & Schmeiser, 2018). Further, this delay in graduation can possibly impact their future earning potential. If students delay their graduation, they are delaying their entry to their profession, and ultimately delaying work experience and future promotions (Gervais & Ziebarth, 2019). While there is a strong push for students to apply for scholarships, there is no guarantee a student will be awarded. With this in mind, middle-income students must have backup payment options if part, or all, their tuition is not covered by a scholarship. If paying out of pocket, in full or by payment plan, and scholarships are not an option, then middle-income students are forced to decide if loan borrowing is worth the benefits that an education can provide them.

Supporting middle-income students through the loan borrowing process is crucial to their success. Besides the processes for borrowing a loan differing from school to school, many middle-income students come from first generation families as well as rationally marginalized family that have been found to struggle with the college process (Baker, 2019). Additionally, it has been found that middle-income students borrow more student loans than their low-income

peers due to a lack of other funding sources (Mckinney et al, 2015). Mckinney et al. (2015) explained that students who have more debt also have more stress, low-self-esteem, as well as bad money managing abilities. While loans are a necessity for many middle-income students to provide access to higher education, there should be a focus on understanding and minimizing the negative impacts that are involved with student loan borrowing.

Theoretical Framework

The theoretical framework that guided this study was based on human capital theory. This theory is the idea that when one invests in higher education there is a correlation with increased wages and earning potential (Holden & Biddle, 2017). According to OECD (2011), the definition of human capital theory is, “productive wealth embodied in labor, skills and knowledge”. To put this simply, education increases a person’s possible earnings, and should be considered an investment. This model also suggests while individuals may make investments in education because they simply have interests, they also do it for the possible return via increased wages that the education can provide them (Tan, 2014). Other reasons for choosing to invest in education that differ from increased wages are considered “positive externalities” (Tan, 2014).

This theory is rooted in education because the skills and assets that are acquired in education will be the reason for higher productivity and output in the workforce which ultimately will lead to higher wages. The theory is used to shape many educational policies (Tan, 2014). When curriculum, and other educational policies, are being formed there is a focus on providing students with skills that will ultimately make them more employable.

Human capital theory was a main concept in Goldin and Katz (1999) study on the rise of secondary schooling in American from 1910-1940. This period of time is referred to as “the high

school movement” due to the increase in high school accessibility and graduation (Goldin & Katz, 1999, p. 685). From 1910 to 1935, high school graduation rates increased over 30% (Goldin & Katz, 1999). One of the reasons that many did not attend high school was due to how expensive it was, however, in the Goldin and Katz’s (1999) study, it was found that increased education had a direct correlation on increased wages. Specifically, for each year of high school completed, a return of 12% increase in wages occurred (Golden & Katz, 1999). Further, it was found that in both 1910 and 1928 the economic benefits of attending high school outweighed that opportunity costs (Golden & Katz, 1999, p. 699). While there were many factors that contributed to the high school movement, a main one was the direct positive economic impacts that resulted from further education.

In this study, while students are choosing to make the investment in higher education, to ultimately make higher wages, they must fund the investment, which many do with student loans. These students must take a calculated risk in whether the outcome of their education, in hopes a high paying career, is worth the associated impacts, and direct costs of the student loan. These impacts vary from high loan payments, default, decreased buying power, as well as increased stress during and after the degree. The investment in a college degree ultimately provides the skills and knowledge to make a student more employable, which can lead to increased wages throughout their lifetime. When making the choice to invest in college, students must explore all avenues of payment opportunities. Students with lower incomes may be eligible for need-based aid; however, middle-income students have a more limited scope of payment opportunities available to them and should understand how much potential output (wages) they will get before committing to funding the investment (education). Student loans are often an

option of funding education for middle-income students, and while it may benefit them in the long run, they should understand the price they are truly paying for these loans.

Research Design

This study utilizes a multi-site case study approach which is used to explain or describe events or situations in an everyday context. The case study approach allows for an in-depth understanding of a topic in a real-world context (Merriam, 1985). Additionally, case studies take detailed, specific instances and allow for a more generally applied understanding of the topic (Merriam, 1985). Furthermore, a case study, specifically a multi-site case study, allows for a holistic view due to gaining viewpoints from a diverse group of individuals (Merriam, 1985). While one site, a college in this case, may have a diverse population, increasing the number of sites increases the diversity, and helps to provide a more holistic view of all community colleges in Illinois. The case study approach was appropriate for this study because it focuses on the viewpoint of financial aid personnel on student loan borrowing, which they see daily. Financial aid personnel were chosen for this study because they have hands on experience with many kinds of students who have chosen to borrow a student loan. Further, having multiple colleges included in the study was important because it allowed for more diverse viewpoints on the loan borrowing process.

Research Sites

A multi-site case study approach was used to gain a holistic understanding of the financial aid personnel's perspective on middle-income student loan borrowing. Types of diversity in middle-income students ranges from ethnicity, religion, major of study, family type, etc. To make sure all of these different types of diversity were included, multiple colleges (sites)

needed to be included in the study. While a single college may have a diverse student group, it cannot account for all the different types of middle-income students that exist. Expanding the number of colleges that had financial aid personnel interviewed, ultimately expands the different types of students that they have a perspective on. Additionally, the location of the college (site) and whether it is urban, suburban, or rural has an impact on the types of students that are attending.

The case study took place at multiple community colleges within Illinois. There is a total of 48 community colleges in Illinois. These colleges vary vastly in terms of enrollment, location (urban, suburban, rural), and student demographic makeup. The smallest community college in Illinois, based on headcount in 2020 is Lincoln Train with a total of 1108 students. In comparison, the largest community college is College of DuPage with a headcount in 2020 of over 39,000 (Illinois Community College Board, 2021). All of the 48 community colleges that were contacted had eligibility and elected to disburse federal student loans.

After the recruitment process was completed, five different sites were used as seen below in Table 1 with the data coming from IPEDS from the 2021 Fall term. Pseudonyms were used for the name of the college in order to keep discretion. One college was urban, two were suburban, and two were rural. There was a mix of sizes between the colleges, with one being large, two being midsized, and two being fringe. Most of the colleges had a percent of Pell recipients that ranged between 20-25%, but College 4 had almost 50% of Pell recipients. All the colleges had under 10% of their student population as loan borrowers.

Table 1
Breakdown of Colleges

College Name	Urbanity	Size	% Pell Recipients	% Loan Borrowers
College 1	Urban	Midsized	25	3
College 2	Suburban	Large	25	3
College 3	Suburban	Midsized	20	2
College 4	Rural	Fringe	47	8
College 5	Rural	Fringe	24	7

Note. From National Center for Education Statistics (NCES). *Institution Profile, 2020-21.*

Retrieved from: <https://nces.ed.gov/ipeds/datacenter/InstitutionProfile.aspx?unitId=acafb1afacb3>

Participants

The recruitment process for this study included reaching out to all the community colleges in Illinois that have elected to disburse federal student loan. The list was obtained via the ISAC (Illinois Student Aid Commission). Emails were individually sent to all the schools inviting them to participate in the study via Zoom. The researcher had access to a listserv of community colleges in Illinois that provided contacts at many schools, but this was not exhaustive of all the community colleges in Illinois. For the schools that the listserv did not provide a contact for, emails were sent to the email posted on the school's website. Through this process many bounce back emails were received due to staff no longer working at the college, as well as many unanswered emails. Originally, 10 participants from 7 different colleges agreed to participate; however, due to unforeseen circumstances on their end, they were unable to participate. This study includes 8 financial aid personnel from community colleges throughout Illinois. Five participants identified as women and three as men. Six of the participants identified as White or Caucasian and two identified as Hispanic. Their titles varied from financial aid specialist, to loan specialist, to assistant financial aid director to financial aid director, but were

all financial aid personnel that had some hand in the student loan borrowing process. The 8 participants worked at 5 different community colleges in Illinois. It was important that financial aid personnel from multiple colleges were included to help get a more diverse viewpoint and be inclusive of all types of middle-income student loan borrowers. To keep discretion, the financial aid personnel will be referred to only by a pseudonym (see Table 2).

Table 2
Breakdown of Participants

First Name	Title	Gender	Race	Years of Financial Aid Experience	College Size	College Location	Pell Eligible	Ethnic Minority Students	Published Tuition
Collin	Financial Aid Coordinator	Man	White	14	Fringe	Rural	24%	63%	\$4,980.00
Justin	Financial Aid Specialist	Man	White	11	Mid-size	Suburban	20%	65%	\$4,116.00
Kris	Loan Specialist	Woman	Hispanic	1	Large	Suburban	25%	67%	\$4,620.00
Izabela	Assistant Financial Aid Director	Woman	White	17	Large	Suburban	25%	67%	\$4,620.00
Brian	Financial Aid Advisor	Man	White	17	Midsized	Urban	25%	61%	\$3,180.00
Pat	Financial Aid Director	Woman	White	38	Fringe	Rural	47%	25%	\$5,250.00
Brenda	Financial Aid Director	Woman	White	13	Midsized	Urban	25%	61%	\$3,180.00
Leslie	Financial Aid Specialist	Woman	Hispanic	11	Large	Suburban	25%	67%	\$4,620.00

Data Collection and Analysis

The form of data collection used was semi-structured interviews via Zoom. After receiving IRB approval, participants were recruited through emails sent to financial aid personnel at community colleges throughout the state of Illinois which were obtained from a listserv and individual college websites. Once participants agreed to participate, an in-depth review of the different college's webpages and ISAC's publicly available statistics was completed prior to the interviews. Reviewing the different college's websites allowed for a more

holistic understanding of the loan processes, as well as what documentation is available for students at each college.

Each of the financial aid personnel participated in a semi-structured interview that lasted between 45-60 minutes. The interviews were all conducted in November and December of 2022. Interview questions, found in Appendix C, were based on the personnel's viewpoint on the impacts of middle-income student loan borrowing. The interviews were recorded on Zoom with 4 participants agreeing to only audio recording and 4 agreeing to audio and video recording. After being recorded, the interviews were transcribed, and then sent back to the participants to verify they were accurately transcribed.

Once the interviews were transcribed and member checked, coding of the data began. Coding is the process of taking the raw data from a qualitative study, and putting it into a story that summarizes key elements (Skjott Linneberg & Korsgaard, 2019). Further, coding takes a large amount of data and summarizes it to better allow the researcher to analyze it (Skjott Linneberg & Korsgaard, 2019) The coding process that was used is referred to as double coding. Baxter and Jack (2008) explained that double coding is the process of initially coding the results and then, after a period of time, coding the data again and comparing the results. Double coding helps to increase accuracy due to the data being viewed in multiple perspectives (Baxter & Jack, 2008). In this case, the researcher initially coded the data using deductive coding, and then went back after a period of time and used inductive coding. In the deductive coding process, I looked at each interview, right after it was completed, on its own, and made codes. After all the interviews were complete, inductive coding was used. Fowler and Wilson (2016) explained that inductive coding is when the researcher starts with a clean slate, and finds themes throughout all

the interviews. After both coding processes were complete, the results were compared. When using this process of double coding, increased validity is established, and ensures more accurate data (Baxter & Jack, 2008).

Trustworthiness

Case study validity was achieved in this study through external validity. External validity is the extent that the data of a study can apply to the broader population (Findley & Denly, 2021). External validity was achieved through member checking where participants could verify findings, as well as direct quotes and detailed descriptions from participants. Additionally, document analysis was conducted with data collected from each college's websites to gain a better understanding of school processes and information that is publicly available to students. The document analysis contributes to the rich description of the cases and serves as a triangulation of the analysis of semi-structured interviews. Furthermore, the participants in question are all experts in student loan borrowing, as they work with it on a daily basis. The combination of the participants' expertise with the researcher's over 10 years of working with student loan borrowing, increases the overall validity of the study.

Findings

From the research, four themes were discovered relating to middle-income student loan borrowing: 1) payment opportunities for middle-income students 2) opt in and opt out loan awarding, 3) impacts of default for schools and students, and 4) communication methods to increase middle-income informed borrowing. Financial aid personnel work closely with all students, including middle-income student looking to borrow student loans to fund their

education. They are highly knowledgeable and provide students with insight on the different payment options, as well as the process for those options. Further, these personnel have a unique insight on how the impacts of loan borrowing, including default, impact schools as well as borrowers. Finally, these personnel are often tasked with communicating with students, and are aware of external communications they receive from the government, loan processors, etc.

Payment Opportunities for Middle-Income Students

While the questions asked of the financial aid personnel for this study were based around student loan borrowing, all the personnel stressed that other payment options should be considered before student loans. The two specific forms of payment options that were noted by all 8 participants were payment plans and scholarships, all noting that student loans were that of a “last resort”. Further, Collin, a financial aid coordinator with 14 years of experience in financial aid, stated, “by completing the FAFSA early, there will be time to look for alternative funding sources like scholarships, employment, or payment plans before deciding to take out a loan.”

Payment plans allow students to pay for their tuition throughout the semester. Each school has a specific plan in place and is available for students to review and access on their websites. Payment plans still require students to have a source of income, but do not include interest, and if planned out early, manageable payments are available. Brenda, a Financial Aid Director at a large suburban school, states, “(students have) three or four installment payment plans each semester so they can spread out the cost of their classes”. She goes on to reference the other financial burdens that students face, and the choice between full-time school and full-time work that students are often forced to make.

Another payment option available to middle-income students that are above the threshold for need-based aid is scholarships. There are many different types of scholarships including internal foundation and external scholarships. All participants agreed that despite the amount of scholarships available, they are an underutilized source of funding. All the participants referred to a scholar's scholarship that they offer to incoming high school students; however, they all seemed to have different names and requirements. After further research was done on each of the college's websites, it was found that all these scholarships are eligible to newly graduated high school seniors that meet a GPA requirement, class ranks, or other requirements, and pays out after financial aid has been applied. Leslie, a financial aid specialist with over 10 years of experience, explains that the scholar's scholarship at her urban school "is a great opportunity to incoming freshmen that have over a 3.0 GPA. Their entire tuition can be covered for two years leaving them without any loans." This sentiment is echoed by Brenda who states "as a student you should apply for scholarships. If funds are available, you'll automatically get (the trustee scholarship) if you're in the top 10% or 20% of your graduating high school class." She goes on to mention that these students should continue to apply for other scholarships because additional ones can help to cover books and supplies that the trustee scholarship does not cover. This is also similar to Pat's explanation of her small rural school's promise scholarship that covers tuition after the FAFSA and is eligible to all incoming students that have completed a FAFSA and applied to two outside scholarships.

In addition to these specific scholarships geared towards incoming freshman, many other scholarships exist that have little or no applicants. Justin, a financial aid specialist who has extensive experience with financial aid students, states, "I can't beat this drum hard enough that

we have so many scholarships through our foundation and a lot of these scholarships sometimes go unclaimed”. Further, some schools help students to narrow down legitimate scholarships by only promoting specific external ones. Kris, a loan specialist, states, “we do have a lot of scholarships that I feel are a bit difficult of a process (to apply for), and not a lot of people realize they are even available.” In order to help students from being overwhelmed or confused, Pat explains that they filter though external scholarships by only promoting those that have been awarded to one of their students within the past year.

Opt-In and Opt-Out Loan Awarding

The majority of the participants had similar loan processes which included the mandatory federal requirements, in addition to a separate loan request form. Some schools took it a step further and required a meeting of some sort prior to a loan disbursement, but 7 out of the 8 participants stated that, at the minimum, students must opt into a loan by completing a separate loan request form. The loan request form in question was similar for the 7 participants which comprised of 4 different schools. Within the form included a budget worksheet as well as information about the consequences of borrowing.

Having a separate loan request form decreases the incentive for students to borrow.. All participants agreed that they wanted as few loan borrowers at their school as possible, and it was agreed upon that letting students leave school with excessive debt was a disservice. Izabela, an Assistant Director of Financial Aid with over 15 years of experience, stated, “as a college we are here to provide an education, but if students leave here with loan amounts that cannot be paid off with their career, we did not really help them.” The outlier was Pat, a Financial Aid Director at a small rural college, who was the strictest in the way she awarded students, stating, “we’re really

making the decision for them. They either get a letter that says you're allowed to have a loan, or you're not allowed to have a loan". Pat's school has their system weed out anyone with specific criteria such as excessive debt, not meeting standards of academic progress, GPA, etc. and excludes these student's from being packaged loans.

Impact of Default on Students and Schools

The impact of default for both the student and the school was stressed heavily by all participants. Default for a student can have lasting financial impacts, and all 8 participant's agreed students should be more mindful of the impacts of default. Justin explains this well by saying:

Student loans are unique compared to other loans. You're stuck with them until you pay them off. They're not dischargeable in bankruptcy unless it's a very specific situation, and the government can take real action against you if you do not pay them back.

If a student defaults on a loan, then it impacts their credit in a negative way. For this reason, there was a consensus among participants that responsible and informed borrowing was key for students.

In addition to the direct impact default has on students, it also has a major impact on school's eligibility to disburse loans. As Pat explains, "If your default rate is high, for three years, so over 30% for three years in a row, you risk losing not only your student loan program, but all financial aid programs." There was a shared sense of pride between three of the participants in having dramatically cut both their CDR, as well as their overall loan borrowing population. Brenda states, "12 years ago when we started the loan program, we had huge numbers of student's taking out loans. Our volume has dropped by 75%, not only in terms of the

number of students taking out loans, but also in terms of the dollar amount.” Pat and Collin also had similar sentiments and shared examples of their decrease in overall loan borrowing.

Financial aid personnel have a desire to make sure students are aware of the consequences and help defer default from happening. Not only do financial aid personnel want the best for their students, but if too many students default then the school has repercussions that can impact the ability to participate in any financial aid programs.

Communication Methods to Increase Middle-Income Informed Borrowing

Communication to students about loan borrowing can be a difficult task because of the heavy regulation-based language that it involves. Izabela and Justin both allude to the complex nature of financial aid lingo. Izabela says, “sometimes I have to stop myself and remember that students don’t understand the terminology I am using, and I need to reword in a way that they understand.” Justin also shares this sentiment by stating, “(financial aid) is like a different language, and I am so fluent in it that I could be speaking and I’m like, wait, they don’t understand.” Despite there being a language barrier, financial aid personnel are still tasked with getting students the information they need to make informed borrowing decisions. Based on the participant’s responses there seems to be an even split when it comes to the approach of getting information to students. One approach is guiding students in the direction of the information they need via email communication and the other is mandating in person meetings with a set topic list to cover.

Those who guide students to different resources in their communications, and loan request forms acknowledge that students do not always know the questions to ask. Kris references this by saying, “I talk to (students) and its very rare that I go beyond the very general.

Here's the information. You can read it on the official federal website". Additionally, Leslie and Pat made references to sending out email communications, and only going more in depth with students if they come asking further questions.

The contrary to this is not allowing students to borrow without verbally verifying that they comprehend the regulations and impacts of their loan borrowing, which is done via in-person loan counseling. While entrance counseling is mandated for all students borrowing a loan, it is up to the school as to whether it is completed in person or online. Both Brenda and Justin provided detail descriptions of their in-person entrance counseling mandates and credit it for much of their decreased loan portfolios. In both cases, students are required to meet with a financial aid advisor to discuss all payment options, the impacts of defaulting, as well as what repayment looks like.

Different schools go about communicating with loan borrowers in different ways, there is a consensus that the language around loan borrowing is advanced, and providing students with as much information as possible, despite the format, is necessary for responsible borrowing. While all of the participants did comment on their forms of communicating with loan borrowers, none specifically noted separate communication to middle-income students.

Discussion

The purpose of this study is to understand the impacts of middle-income student loan borrowing through the lens of financial aid personnel. Student loan borrowing as a whole is an important topic to understand because it not only impacts borrowers, but also the economy. As college costs continue to rise, along with the emphasis on the value of a college degree, the student loan debt will continue to rise. There is a lot of research surrounding low-income

students in terms of loan borrowing, but there is very little that covers the scope of middle-income students. Middle-income students, for the purpose of this study, are those who have an income level that is above the threshold for need-based aid, but still have an unmet need to pay for college. According to College Scorecard, Elgin Community College, a mid-sized urban Illinois college, has an average annual cost of \$7,184 which includes tuition, transportation, books, etc. However, those making over \$48,001 per year have a much higher average cost per year. The income range of \$48,001-\$75,000 has an average annual cost of \$9,346, and this amount increases as income increases. According to the 2016 consumer finance report, on the national level, 12% of education debt in people 25 and older belongs to those earning less than \$27,000, 24% belongs to those earning \$27,001-\$52,000, 29% belongs to those earning \$52,001-\$97,000, and 34% belongs to those earning over \$97,000. These numbers are not surprising because there is a direct correlation between income level and degree attainment. Those with higher incomes often have higher degrees, which have a cost meaning that more loans are needed to cover the cost.

Community colleges are entities that provide students with an education at an affordable cost. Feldman and Romano (2019) made the statement that community colleges are less than half the price of four-year institutions. Going back to the human capital theory, colleges provide students with skills that make them employable, and community colleges do this at a fraction of the price. This makes an investment in one's education at a community college more valuable because the financial investment is less overall. Keeping loan borrowing to a minimum is in the best interest of both the school, which must stay in regulation, and students who will eventually have to pay back the debt. Further, students must take into consideration whether the amount of

loans that they take will be offset by their future income that will be a result of their education.

The lower the amount of loans, the less negative impact they may have, and the higher the probability that future wages will be enough to offset the loan costs. With that in mind, access to student loans, specifically for middle-income students is vital to success. Those who have any degree are found to make, on average, more than \$14,000 per year than those with just a high school diploma (Kurtzleben, 2014). If middle-income students did not have access to loans to fund their education, then they may not have had the opportunity to make more money over their lifetime.

Financial aid personnel were chosen to be participants in this case study because their perspectives take into consideration their entire financial aid career. Financial aid personnel have the advantage of seeing many students over a long period of time, depending on their career length in financial aid, and are able to pick up on trends that they see in this subset of students. The personnel in question have gained a perspective on how middle-income students navigate college costs, student loan borrowing, and education in general based on their experiences. If the middle-income students had similar experiences due to their income class then the perspectives of the financial aid personnel should be similar. While these personnel do have knowledge on loan borrowers, there is a lack of information on middle-income students. This could be because each school has a different cost of attendance which results in different thresholds for aid. Additionally, a focus of financial aid is awarding the need-based grants to low-income students. Financial aid personnel have less contact with those not receiving aid unless the students request further information.

Having a multisite case study allowed for increased diversity. The schools included have different enrollment amounts, meaning that some have a smaller student to financial aid personnel ratio, while others have larger ones. The racial demographic makeup will also differ. When looking at the racial demographic makeup at Malcolm X, an urban community college in the city of Chicago, in the year of 2020, it can be seen that of all students who were enrolled an Associates of General Studies, 39% were African American, 49% were Latinx, and only 5% were white (College Board, 2021). Illinois Central, on the other hand, a small, rural college, had 21% African American, 5% Latinx, and 64% White students enrolled in their Associates of General Studies program (College Board, 2021). Furthermore, the locations ranging from urban, suburban, and rural provide different viewpoints of the middle-income student's loan borrowing experiences based on their background, and this is vital for a case study.

From this case study, it was found that student loans are seen as a necessary evil. This idea coincides with a study done by McKinney and Burrige (2015) that found that while loan borrowing did increase retention after the first year at a community college, it was also seen to decrease retention after three and six years. Further, it was found that students may regret their decision to borrow, and ultimately stop attending all together (McKinney & Burrige, 2015). The McKinney and Burrige study had consistent findings with the results of this study. McKinney and Burrige took on the viewpoint of the student, and this study looked at the viewpoint of the financial aid personnel that look for ways to decrease borrowing and ultimately limit the dissatisfaction that loan borrowers will have in the future. Loans do provide access for middle-income students, but they also come with a heavy burden. Within the community college atmosphere, loans are not pushed, and instead, schools aim to decrease their loan portfolios.

Several tactics are used to do this including adding additional steps to defer students from borrowing, implementing communication tactics that involve one on one dialogue, and educating students on the loan borrowing process as well as possible impacts it may have on the future. These tactics all ultimately impact a student's financial wellness. Montlo (2019) defines financial wellness as having a clear understanding of one's financial situation as well as how to achieve economic goals. This study found that financial aid personnel stress the need of informed borrowing which ultimately helps students to increase their financial wellness. It should be noted that having debt does not equate to negative financial wellness, instead, understanding the impacts of debt and how to manage it help increase financial wellness (Fan, 2019).

In a study done by Marx and Turner (2019), research was done on auto packaged loans versus schools requiring a loan application. It was found that students who were auto packaged were 40% more likely to borrow a loan than those who were not awarded an amount up front (Marx & Turner, 2019). These results coincide with this study based on the answers from 7 out of 8 participants in this study who did not auto package loans. All 8 participants agreed that there was a push to decrease their loan portfolio, and 7 participants found the best course of action to do so was to create a separate loan application. Further, it the Marx and Turner study enforces the findings in this study that award letters can be confusing to students, and by having loans separate, there is no room for students to mistake a loan for a grant. This data is important, and pushes the idea that while an additional application can be more work for the school, it is considered the better tactic when trying to help middle-income students navigate through the loan borrowing process and decrease default.

Another researcher, Dynarski (2000), did research on the Georgia HOPE scholarship. This scholarship is state funded via the Georgia lottery, and unlike many other federal programs, it is academic based, not need-based. The scholarship pays for a student's tuition, given that they had a B average in high school and maintain a 3.0 GPA. Additionally, federal financial aid is applied first, and the HOPE scholarship only covers what is owed after aid is applied. It was found that each \$1000 HOPE subsidy increased middle- and upper-income students by 4 to 6 percentage points (Dynarski, 2000). The findings were consistent with the data from this study because it proves that the push for scholarships as a source of funding from the financial aid personnel is valid. Further, it substantiates that there is a need for additional financial resources for middle-income students. It should also be noted that if more financial resources were available to middle-income students, then their investment in education would be easier to pay off and result in higher lifelong wages due to not having to repay loans.

Another study that had results that were consistent with this study were by Mark Weiderspan in 2016. In this study, Weiderspan looks at the result of colleges that opt out of the federal student loan program. The reason these colleges opt out is so their students graduate without debt, and the schools are not impacted by Cohort Default Rates, which could result in schools not being eligible to participate in any federal aid programs (Weiderspan, 2016). The concern over default rates were consistent in this study; however, only schools that opted into loan borrowing were included in this study. The results of Weiderspan's study showed that while loans did have negative impacts like default, they also allowed for accessibility. Students were 7.6% more likely to borrow at schools that opted into loan borrowing but were also more likely to enroll in math and science classes, as well as more credit hours (Weiderspan, 2016). The

results of this study showed that while financial aid personnel were cautious about loan borrowing, they also knew it was necessary, especially for middle-income students that did not have other forms of payment.

Implications for Practice and Future Research

Student loan borrowing is currently an issue for society as a whole, and will continue to be in the upcoming future until a solution is found. Community colleges in the state of Illinois have to choose to participate in the federal student loan program, and must stay in regulation, and also serve students to the best of their ability. This means setting students up for success through helping them engage in responsible borrowing. This can be tricky because while the goal is to decrease the amount of loans a school disburses, it is equally important for middle-income students to have access to loans when needed.

Solutions to be Implemented

With research from this case study on middle-income student loan borrowing, Illinois community colleges could adjust their current outreach to students to better target their middle-income student loan borrowing population. Middle-income students have a limited amount of payment options available to them, so making sure this population is well informed of those limited resource will help them to make more informed decisions. Students who are unaware of scholarships, and the scholarship process, may choose to take out a loan because they don't see any other options. This study found that financial aid personnel acknowledge that the language around financial aid and loan borrowing can be confusing and complex for students to understand. Trying to use understandable language in person, and on paper documentation, will help middle-income students to make more informed decision. Additionally, while the

information on government websites may be useful, and a good option to provide students with, it is equally important to provide that information in an understandable format. This can be accomplished by changing the wording on any current loan paper materials a school has and replacing it with more student friendly language. A barrier here is that many regulations are required to be on certain documentation and webpages; however, providing additional documentation that is more understandable will help bridge the language barrier. Additionally, it would be important to have students review the wording and verify that they comprehend before distributing documentation. Language used may seem understandable to financial aid personnel, but double checking with the population that will be reading it helps to verify the change will be of use.

Currently, one federal regulation is that students must complete loan entrance and exit counseling; however, the format in which these are done is not currently regulated. This case study showed that in-person entrance counseling was a contributor for multiple schools to decrease their loan portfolios. Having a better understanding of how students interpret and retain communication regarding loans can guide future outreach programs. While it is still optional, schools should highly consider implementing some form of entrance counseling that requires a conversation with a financial aid personnel. Each student has a different background and need, so having the opportunity to engage with them allows the personnel to better tailor guidance to them. Middle-income students who can be informed about other payment options may choose to borrow less or not at all. It should be noted while this approach would be considered a best practice, it also puts a strain on the financial aid office, which can often be understaffed.

Further Research Ideas

Further, the way in which loans are applied to by students varies from school to school. This lack of uniformity can confuse a student that goes from one school to another, and could ultimately hinder them. This study gave insight as to different ways that schools can require loans to be applied for, including a separate loan form or auto packaging. There are pros and cons to both ways. It would be interesting to see 1) if the school population size had an impact on how schools choose their loan application process to be and 2) if one way is considered more valuable over the other.

In order to accomplish a further study to research if school population size has an impact on how schools choose their loan process, a mixed methods study could be done. To keep congruent with the current study, the population of Illinois community colleges should be used. From there, the quantitative aspect of the study would be focused on reviewing the enrollment of each school and comparing it to the type of loan process (auto packaging or separate loan application) to see if there is a correlation. After establishing if there is or is not a correlation, the qualitative side would include a case study approach by interviewing financial aid directors to see why they chose the loan process that they did, and if there are any further steps taken outside simply auto packaging or a separate loan application. It can be seen from this case study that while some schools do auto package, they also take additional precautions like heavily filtering who they auto package loans to in order to keep their loan portfolio small.

Based on the findings of this study, middle-income students face many negative consequences of student loan borrowing. With limited other financial resources, many students have no other option but to borrow in order to attain a degree. As human capital theory suggests,

investing in education will ultimately lead to higher wages, so it is not surprising that these students want to make the investment in hopes of a positive return. Unfortunately, loan borrowing can lead to things like high loan payments, default, delayed life events, etc. Financial aid personnel understand this, and push loans only as a last resort. In order to better assist middle-income students, financial aid personnel can adjust the way loans are awarded, use student friendly language, and implement entrance counseling that requires a conversation with the financial aid office.

Conclusion

Student loan borrowing is not going away in the foreseeable future. While loan borrowing is applicable to many subsets of students, middle-income students have a higher need for more loans due to the lack of other funding available to them. The impacts of middle-income student loan borrowing are vast, and are not all negative, but increasing national loan debt amount is alarming. Financial aid personnel have major impacts on the loan borrowing process which range from the process of applying to a loan, the information they provide to students, and the way in which they provide information to students.

CHAPTER 3

SCHOLARLY REFLECTION

I always knew I wanted to get a doctoral degree, but I didn't always understand exactly what that entailed. As the graduation date of my MBA came and went, I was on hunt for a doctoral program that fit what I was looking for. At this point I had been working fulltime at a community college for over 6 years and had made many strides within my career. I had found a passion for higher education, specifically helping students to fund their education. I came across NIU's Community College Leadership program, and I knew it was the program for me. When it came time to choose a topic, I went with something that I not only knew a lot about and had interest in, but was also personal. When I graduated high school, I, like many others, had a dream school I wanted to attend. Unfortunately, that dream school also had a dream price. I was unable to afford the cost of attendance and ended up starting my college career at a community college. While my first two years of college were free due to scholarships, I ended up taking out loans to fund the following years. The path that I took led to my interest in middle-income student loan borrowing, and ultimately became the topic of my dissertation.

Dissertation Process Reflection

The title I chose for my dissertation is *When in Doubt, Don't Take That Loan Out: A Financial Aid Personnel's Perspective on Middle-income Student Loan Borrowing*. The goal of my research was to understand, from the perspective of those who work with middle-income students and loan processing every day, the impact of student loan borrowing on a very under

researched group of students. Financial aid personnel work with students on a daily basis to help them fund their education. From experience, I can say that this can be both a fulfilling and heartbreaking job. When you can guide students in the direction of funds that can cover their costs, you feel extremely fulfilled, and want to watch them succeed. There are times, however, where there is simply no aid available due to eligibility constraints, and informing students that their only option is to take out a loan can feel like you are a barrier to their education. It was important that my research focus on students that had a heavier reliance on loans due to lack of other funding sources.

When I first started writing my proposal I was sure that I would have a finished dissertation within two semesters. I had always been an academic “overachiever” and could write essays quickly and efficiently. I, however, was very much mistaken about what my actual timeline would be. I found myself often opening my laptop to write and then stuck in a “frozen” state for hours. It was as if my brain would completely turn off anytime I went to write. I had an incredibly understanding chair that never gave up on me, despite my lack of progress. In addition to the support I had from my chair, and family, I also turned to therapy that would ultimately be a major factor in being able to finish.

The original concept of my dissertation was focused on a specific school where I would interview both financial aid personnel and middle-income student loan borrowers. I was incredibly invested in this idea because it was at a school I was working at and felt very connected to the process and the students. Unfortunately, due to a lack of permissions, I was only able to interview staff and not students. This added the delay of completing my dissertation and sent me back to the drawing board. I worked with my dissertation chair to keep a similar topic

but expand it to other schools. Keeping the focus to financial aid personnel also helped to avoid any further permissions and further delays.

Once I successfully had a new plan in place that was IRB approved, I jumped into the interview process. At this time I had started a new role at a new college and found the administration incredibly helpful and encouraging with my dissertation. When I explained my topic, the financial aid administrator not only agreed to participate in an interview, but also helped put me in contact with other financial aid personnel. Completing the semi-structured interviews was not only incredibly enjoyable, and also helped me think of ideas to apply to my own school. Many of the personnel were incredibly passionate about middle-income student loan borrowing and were happy to share best practices that they found. Additionally, through this process I feel like I have made connections that I will be able to reach out to throughout the rest of my career.

While I am happy with how the process turned out, there are a few things I would change if I were doing it again. The first thing I would change is my recruitment process. I think that emails are easy for personnel to lose track of. Daily I get over 100 emails, so I know that an email from someone you don't know, asking for help on research, may not be everyone's priority. With that said, I believe attempting to call and explain my research topic, as well as my background, may have resulted in more participants. Additionally, I used Zoom as an interview platform due to pandemic precautions, but I think in person interviews would have resulted in more conversation. The online platform, while useful, is very impersonal.

On a personal note, there are also a few things I would change if I could redo this process. I had a really great cohort that were incredibly intelligent and supportive, and I wish I would have used them as a support system more than I did. As the semesters went on I felt more and more incompetent. I saw so many others making progress while I was not. Instead of embracing their experiences, I internalized my own lack of progress and did not want them to judge me. Additionally, I wish I would have reached out to other supportive individuals more and shared that I needed help. I have a great support system, and I wish I would have utilized it better.

Application to Professional Practice

Much of my career has been centered around financial aid. I have done just about every role one can do in a financial aid office; however, I have now moved to a role at Elgin Community College that is centered around the finance aspect of education. The office I oversee is in charge of cutting and disbursing loan checks, but is separated from the awarding side of loans. With that said, I work incredibly close with the Financial Aid Office, co-present on financial literacy events, and am leaned on for my financial aid background. When I went into this project, I assumed that schools would agree that a separate loan application would be the best way to decrease default rates; however, I was surprisingly introduced to other possible best practices. Additionally, it was interesting to hear an agreeance from many participants that financial aid terminology was complex and confusing for students, yet everyone agreed to this continuing to be a barrier. Understanding that there is a problem is the first step to solving it, so this will be something that I work with the financial aid office at Elgin to try and come up with a solution.

As I interviewed the financial aid personnel, I could feel their enthusiasm and interest on financial aid, specifically student loan borrowing. Of the 8 people I interviewed, 7 had more than 10 years of experience in financial aid. Not only were these participants knowledgeable on the topic, but they were also eager and willing to share what they had learned throughout their years. There are often regulation changes in financial aid that can be confusing to understand, let alone implement. From this research experience I have learned to reach out more to the higher education community because not only are they willing to help, but they have more experience to pull from in difficult situations.

In terms of default, it is important that we do all that we can as a school to decrease our cohort default rates, not only for us as school, but also for the benefit of our students. Elgin has drastically decreased their loan borrowing portfolio in the last 10 years and are incredibly proud of it. While the system we have in place does seem to be working to decrease default rates, there is always room for improvement. This research will allow Elgin to consider other default prevention tactics.

In terms of enrollment, this research is a reminder for Elgin to look at their student population and see if there are more resources to help middle-income students fund their education. Scholarships were pushed by all participants as a way to decrease the need of loans. While outside scholarships do exist, having available scholarships that target the middle-income demographic at Elgin may help to combat the need for loans. Additionally, the communication of what scholarships are available, as well as the impacts of loans, will be reevaluated.

Application to Research

As I started the process of writing my dissertation, I was so overwhelmed with the steps that I started to lose sight of the end goal. All I could see was a million hurdles in the way of me and a completed dissertation. I never forgot the importance of my study, but I did question if my research would make an impact. When this happened, I was reminded by some administrators at my college that I am an expert on this topic. Not only have I lived the impacts of middle-income student loan borrowing, but I also worked with middle-income student loan borrowers on a daily basis for many years. This thought process really helped me to zone in become productive in my research.

Throughout my writing process I would go months without making any progress. I would open my chair's revisions, see corrections, and quickly go into a state of disappointment that kept me from making any edits. Every time I did make corrections, though, I would get reinvigorated with a passion for my topic. I would start making connections from my literature review with the students I was helping at work. I felt like I knew I could make an impact on the research community once I finished. After about two years of little progress I had a meeting with my chair where she gently pushed that I really needed to get my research done. The combination of that meeting and an overall better mental health state really pushed me to finish my research. In a matter of months, I was able to complete interviews, code, and write a significant amount for her review. It was at this point I really started to see how what I had researched can impact schools and students.

One area that I really struggled with writing was the discussion. In my head all my research made sense and it was “common sense” as to how it all tied together. While in my head it made sense, I was doing a poor job of putting those connections into words. I may have struggled with this process, but I do think it helped to be more succinct in explain my thoughts on paper.

Many of my friends and family would downplay the significance of my research and say things like, “you’re just writing a big paper”. I would sometimes feed into this downplay, but after completing my research project, I have a new understanding of all that goes into research, as well as the dissertation process. While doing interviews and writing in and of itself may not be hard, there is so much more to it. At many points in the process, as a researcher, you are at the mercy of others. Approvals are needed, data needs to be accessed, reviews need to happen, and all of these things can take time and lots of paperwork. I personally found it frustrating that when I had my motivation to write, it was not always the priorities of others to provide me access or the permissions that I needed. Additionally, being able to accept criticism without internalizing it is a skill that I am working on, and envy in others. My chair was nothing but kind and encouraging, but every time I saw the markup of my drafts, I could not help but feel like a failure. While for some this process may be a breeze, after my experience, I value the work of researchers much more.

After completing this project, I have a new-found appreciation for those who do research, as well as for myself. Without research we would not be able to progress as a society, so I firmly believe that it is vital work that needs to be done. I now, also see, that research work is not easily

accomplished. Going forward, I intend to look to research more often when I have a dilemma, or even when I am I implementing a new project

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APPENDIX A
INDIVIDUAL STUDENT INTERVIEW PROTOCOLS

Interview 1- Introduction and Background Interview

Part 1: Review Informed Consent

1. Send the Informed Consent to students via email prior to the interview
2. At the start of the meeting, review the Informed Consent
3. Explain to the student the process of the interview
 - a. First – Learn about your experiences with loan borrowing at Triton College
 - b. Second – Provide you with an option to ask me questions
 - c. Third- Obtain your demographic information
4. Ask students if they have any questions
5. Sign form electronically and send copy to student

Part 2: Open-Ended Questions:

Perception of loan borrowing on academic performance

1. How did the cost of attendance impact how many credit hours you signed up for?
2. How do you believe your loan borrowing impacted your grades? If at all.
3. What guidance were you provided before taking out a loan?

Perception on loan borrowing on future life events (marriage, home ownership, etc.)

4. How do you believe your loan debt will impact any major financial decisions?
5. What aspects did you take into consideration before taking out a loan?
6. Please tell me about any worries or concerns you have about your financial future.

Perception on overall view of loan borrowing on emotional and psychological well-being.

7. Tell me about a time that you felt anxious or stressed about finances.
8. How do you believe that borrowing loans has affected you?

Participant Questions

9. Do you have any questions for me?

Part 3: Demographic Information

1. Race and Ethnicity
2. Age
3. Grade in College
4. Gender

APPENDIX B
INDIVIDUAL STAFF PROTOCOLS

Interview 1- Introduction and Background Interview

Part 1: Review Informed Consent

1. Send the Informed Consent to staff via email prior to the interview
2. At the start of the meeting, review the Informed Consent
3. Explain to the staff member the process of the interview
 - a. First – Learn about your experiences with loan borrowing students at Triton College
 - b. Second – Provide you with an option to ask me questions
 - c. Third- Obtain your demographic information
4. Ask staff if they have any questions
5. Sign form electronically and send copy to staff member

Part 2: Open-Ended Questions:

Perception of loan borrowing on academic performance

1. How do you believe student's academic performance is impacted by loan borrowing?
2. What guidance do you provide to students prior to them taking out a loan?
3. How do you think the academic performance of loan borrowers is compared to non-loan borrowers?

Perception on loan borrowing on future life events (marriage, home ownership, etc)

4. How do you believe loan borrowing impacts student's future life events?
5. What information do you share with students about the long-term impacts of student loan borrowing?

Perception on overall view of loan borrowing on emotional and psychological well-being.

6. What signs of anxiety, if any, do you see in loan borrowing students?
7. How do you believe that borrowing loans effects students?

Participant Questions

8. Do you have any questions for me?

Part 3: Demographic Information

9. Job title
10. Race and Ethnicity
11. Years working in financial aid
12. Gender

APPENDIX C
INDIVIDUAL FINANCIAL AID PERSONNEL PROTOCOLS

Interview 1- Introduction and Background Interview

Part 1: Review Informed Consent

6. Send the Informed Consent to staff via email prior to the interview
7. At the start of the meeting, review the Informed Consent
8. Explain to the staff member the process of the interview
 - a. First – Learn about your experiences with loan borrowing middle-income students
 - b. Second – Provide you with an option to ask me questions
 - c. Third- Obtain your demographic information
9. Ask staff if they have any questions
10. Sign form electronically and send copy to staff member

Part 2: Open-Ended Questions:

Opening question:

1. As low-income students are eligible for need-based aid and high-income students can afford the cost of attendance, how do middle-income students at your college fund their college attendance?

Student loan borrowing process and the school's impact on the student's decision to borrow

13. What steps, specific to your school, are required for a student to take prior to taking out a loan?
14. What guidance do you provide to middle-income students prior to them taking out a loan?
15. In what ways, and how often, are students communicated to about loan borrowing and payment options?
16. How are middle-income students supported through the loan borrowing process?
 - a. What other payment options are provided to students who have an income that excludes them from need-based aid?
17. How does financial aid advising influence a student's choice to borrow loans?

Perception on loan borrowing on middle-income students

18. What information do you share with students about the long-term impacts of student loan borrowing?
19. What recommendations do you have about financially supporting middle-income students?

20. Among the middle-income students (which is a quite diverse group of students), do you have any concerns about the funding equity (in terms of race, gender, first-generation, etc.)?

Participant Questions

21. Is there any question you wish I have asked but did not ask about middle-income students' college funding?
22. Do you have any questions for me?

Part 3: Demographic Information

23. School worked at
24. Job title
25. Race and Ethnicity
26. Years working in financial aid
27. Gender
28. Do you identify as middle-class? If not, what category would you classify yourself as?

APPENDIX D

IRB EXEMPTION LETTER FROM NORTHERN ILLINOIS UNIVERSITY



NORTHERN ILLINOIS UNIVERSITY

**Office of Research Compliance,
Integrity & Safety**

Division of Research & Innovation Partnerships

Exempt Determination

28-Oct-2022

Nicole Lacognata (01853666)

Counseling, Adult and Higher Education

RE: Protocol # **HS23-0117 "Middle Income Student Loan Borrowing"**

Dear Nicole Lacognata,

Your application for institutional review of research involving human subjects was reviewed by the Office of Research Compliance, Integrity, and Safety on **28-Oct-2022** and it was determined that it meets the criteria for exemption 2.

Although this research is exempt, you have responsibilities for the ethical conduct of the research and must comply with the following:

Amendments: You are responsible for reporting any amendments or changes to your research protocol that may affect the determination of exemption and/or the specific category. This may result in your research no longer being eligible for the exemption that has been granted.

Record Keeping: You are responsible for maintaining a copy of all research related records in a secure location, in the event future verification is necessary. At a minimum these documents include: the research protocol, all questionnaires, survey instruments, interview questions and/or data collection instruments associated with this research protocol, recruiting or advertising materials, any consent forms or information sheets given to participants, all correspondence to or from the IRB, and any other pertinent documents.

Please include the **protocol number (HS23-0117)** on any documents or correspondence sent to the IRB about this study.

If you have questions or need additional information, please contact the Office of Research Compliance, Integrity, and Safety at 815-753-8588.

Please see the RIPS website for guidance on the impact of COVID-19 on research(including face-to-face data collection) <https://www.niu.edu/divresearch/covid/index.shtml>