Student Financial Aid Processes and Borrowing Perspectives

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ABSTRACT

STUDENT FINANCIAL AID PROCESSES AND BORROWING PERSPECTIVES

Carol Pierson Milhous, Ed.D.
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Northern Illinois University, 2018
Carrie Kortegast, Director

There is a rising level of debt associated with attending college. Educational investment decisions, knowledge of financial management, and attitudes and practices of student borrowing can have a significant impact on students’ futures. Student loan debt has been linked to adverse effects post-graduation in terms of employment, savings and making major purchases. Financial aid and money management skills of federal student loans are needed to help students achieve a quality life as working adults. Approaches toward basic financial aid literacy and managing student debt should be addressed on college campuses.

The purpose of this qualitative case study was to explore undergraduate students’ understanding and perspectives about completing the FAFSA form, financial aid processes, student loan debt accumulation and management of student loans. The key findings that were revealed in this study are: the complicated FAFSA application form, financial aid processes, lack of financial literacy resources, cost of higher education, student loans, and debt accumulation. A few key recommendations to address the findings of this study are: provide all first-year students with a detailed outline of financial processes and implement a financial literacy component for first-year students.

Keywords: higher education, higher education cost, financial aid, federal student loan management, basic financial aid literacy
STUDENT FINANCIAL AID PROCESSES AND BORROWING PERSPECTIVES

BY

CAROL PIERSON MILHOUS
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A DISSERTATION SUBMITTED TO THE GRADUATE SCHOOL
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DOCTOR OF EDUCATION

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Doctoral Director:
Carrie Kortegast
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DEDICATION

To my family and friends

You have unwaveringly supported me with love and encouragement throughout my continued education.

Thank you, Diayara, Ovid, Savannah, and Aidan—family is everything to me.

Vickie, Fre-Fre, Tootsie, and Tony my lifelong friends and sojourners.

I dedicate this work to all of you.
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CHAPTER 1
INTRODUCTION

One of the most pressing issues in the United States today is student loan debt. Currently, student loan debt is larger than both credit card and mortgage debt (Carnevale, 2012). Overall, student loan debt is 1/10 of the total national debt (Carnevale & Strohl, 2013; U. S. Department of Education, 2013). College prices, affordability, and student loan debt are common topics of discussion among current and prospective students and their families. However, Reed (2011) stated that many of the discussions on price, affordability and use of student loans will occur with limited knowledge and facts about student loans.

The federal government’s guaranteed student loan program started modestly in 1965 with $15 million dollars budgeted for the program (Best & Best, 2014). By 1990, $12 billion was allocated by the federal government to lend to over three million students (Williams, 2008). Student loan debt has been rapidly escalating since the beginning of the new millennium (Wenisch, 2012). According to Scott-Clayton (2015), the number of students applying for federal financial aid grew 62% over five years from 19 million in 2007-2008 to 31 million in 2011-2012.

Since the end of the Great Recession in 2008 there has been a surge in higher education enrollment (Dynarski & Kreisman, 2013). This was in part due to the full transition into the 21st century; the budding of an improved, more developed workforce; and the use of cutting-edge technology (Baum, Ma, & Payea, 2013). At that time, it was forecasted that most decent living-
wage jobs would be held by college-educated individuals (Best & Best, 2014). Georgetown University’s Center on Education and the Workforce stated that 95% of the workforce would be college educated (Carnevale, 2012).

Increasingly, individuals need education or training beyond high school to be gainfully employed in the 21st century (Carnevale, 2012). Moreover, economic prospects of an educated workforce are brighter now than they have been over the first decade of the 21st century. The shortage of well-trained and educated workers means that there is a demand for individuals with the skills to meet industry needs, according to Carnevale, Smith, and Strohl (2010). Those with higher education credentials earn more, are healthier, and participate more in civic life (Baum et al., 2013).

Nevertheless, student loan debt has progressively escalated since the beginning of the 21st century (Wenisch, 2012). The federal student loan programs are over fifty years old. The creation of guaranteed student loans (GSLs) was intended as a financial resource of last resort (Freedman, 2014). However, since the beginning of the new millennium, there has been an influx of non-traditional students who have joined traditional students and turned to higher education (Dougherty & Woodland, 2009). Plainly, there is a connection between the rising costs to attend college and increased student borrowing, which has been rising too. The increase in student borrowing in part can be attributed to the rising costs associated with attending college. When students are not eligible for grants, they take out loans (Fry, 2012).

Between 2001 and 2011, the total number of postsecondary students grew by 32%, from 15.9 million to 21 million (Baum, 2014). Even though students are borrowing slightly more due to the growth in enrollment, the growth in debt per student has been slower than the growth in
the number of students borrowing. In other words, it is not that students are borrowing more loans. The increase in student borrowing does not mean that individual students are borrowing more; rather, it means that more students are enrolling and using federal loans to fund their education (Baum, 2014). Nevertheless, as the cost of higher education has increased, so has the indebtedness of college students.

Education beyond the high-school level is increasingly becoming a necessity. According to Lumina Foundation (2017), “just over half of the public, 55 percent, say that colleges and universities have a positive effect on the country” (p. 7). Increasingly a college education is needed for one to be viewed as employable. Due to the rising costs associated with higher education, student loans are often a necessity, and most students will incur student debt on their path to a college education. Students from low-income to middle-income families must borrow federal student loans to meet rising costs associated with attending even state public institutions. Therein lies the contradiction of paying for college from the students’ perspectives. According to the U.S. Department of Education (2013), nearly all students qualify for some type of grant or loan federal student aid. However, according to most of the participants in this research study, when they complete the FAFSA they are specifically seeking federal aid grant money. Unfortunately, based on the financial information from the FAFSA form, some students are only eligible for non-need-based federal loan resources (Morris, 2017).

In transition from the industrial age to the age of technology to the now digital age, many individuals have turned to higher education to start or complete their college degree. In the 21st century, higher education is essential (Dougherty & Woodland, 2009). Often, a bachelor’s degree is needed just to be considered employable. At least 12 million people—or 60% of the 20
million current and prospective students – will use federal student aid resources to pursue postsecondary education (Perna & Kurban, 2013).

In 2010, the average amount of federal student loan debt accumulated by undergraduate students was between $25,250.00 and $28,000.00 (Supiano, 2011; Wolber, 2012). As of 2016, the average amount of federal student loan debt accumulated by students was $37,172.00. Students can burden themselves with unmanageable loan debt because of a lack of crucial student loan knowledge and understanding. Students need to know that after graduation, repayment of loans is primarily based on the total amount that has been borrowed plus any unpaid accrued interest on the loans. Often, repayment of student loans will be a sizable amount of the student’s future monthly income.

Problem Statement

Students are accumulating significant levels of loan debt to finance their postsecondary education (Baum & O’Malley, 2003). Because no college has managed to eliminate loan debt completely, students borrow to bridge the gap between financial aid awards and the full cost of attendance (Kezar, Chambers, Burkhardt, & Associates 2015). Since 2008, state grants have been reduced significantly and replaced by an emphasis on federal loans (Kezar & Yang, 2010). The shift from grants to loans places the burden on the individual to fund their higher education, as many see the student as the primary benefactor of the college degree (Nora, Barlow, & Crisp, 2006). Since the Great Recession of 2008, state grant money has dwindled and made it necessary for more students to take out student loans (Kezar et al., 2015). The outcome has been an increase in student indebtedness. Much of the literature suggests that lack of financial experience, particularly basic financial literacy skills, impedes students’ ability to manage
student loan debt while attending college (Lusardi, Mitchell, & Curto, 2010). Having limited financial understanding, many college students are not aware of, nor do they consider, the impact of borrowing student loans until their college career has ended and their student loans go into repayment.

Ultimately, use of federal student loans with minimal understanding about the responsibilities attached to borrowing affects not only the students’ future but society too when default occurs. For the most part, students are asked to do what they have never had to do prior to attending college. Often students are told to participate in higher education to plan ahead and be prepared to make financial decisions, with few if any basic financial literacy skills. To that end, many students are borrowing blindly (Akers & Chingos, 2014). If students knew and understood the responsibilities that accompany taking out federal student loans, quite possibly they would become better managers of federal loan resources.

Purpose of the Study

The purpose of this case study is to better understand undergraduate students’ perspectives on the federal student aid application process and to delve into their individual awareness, knowledge, and understanding of federal student loan responsibilities. The aim of this study is to understand student experiences with the federal aid process and describe how students develop financial aid literacy. In this study, I will direct attention to undergraduate students and their perspectives to gain a contextual snapshot of the borrowing behaviors, attitudes, and practices of the undergraduate student. Through this study, I hope to gain insight into the meaning undergraduate students give to taking out student loans, managing resources, and debt accumulation. I will propose an improvement plan for the student loan debt
accumulation issue, as follows: to develop and implement financial aid quality assurance workshops or seminars that enhance the current federal student aid entrance counseling component with the goal of assisting students to better understand and manage their student loans.

The following research questions will guide this study: How does the Office of Financial Aid promote financial literacy for undergraduate students? How do students learn about financial aid processes? What financial aid literacy resources does the financial aid office provide and how do students use these resources? What are students’ perspectives on student loan debt and their own management of their federal loans?

Based on the purpose of this study, I focused on understanding the dynamics present within a single setting. According to Merriam (1988), the social life in schools and the participants are important in educational research. Basic financial aid literacy is an important component that can be directly related to student loan debt. Thus, a qualitative case study approach is an appropriate methodology for this study.

The participants were undergraduate student loan borrowers at a medium-sized midwestern comprehensive, residential, public university. Participants described their views of reality and shared their experiences and perspectives on the federal student aid application process, their awareness, and behaviors regarding federal student loan borrowing and debt accumulation. A variety of data collection methods were employed, including direct observations, one-on-one interviews, and document analysis of three primary financial aid documents.
Overview of Case Study and Theoretical Concepts

Social constructivism (Crotty, 1998) will frame this case study. Stake (1995) and Yin (2011) base their approach to case study on constructivist paradigms. Predominately, constructivists assert that truth is relative and that it is dependent on one’s perspective. This project will only focus on undergraduate students’ perspectives. Using an interpretive and sociocultural approach, the researcher will contextualize the financial aid literacy experiences of using federal student aid resources and debt accumulation, as defined by the subjects in this study.

According to Denzin and Lincoln (2011), a research paradigm sets the context for the researcher’s study. A paradigm is defined as a worldview. There are two major constructivist approaches: one focuses on individual, personal constructions and the other focuses on shared meanings that could be said to reflect social constructions. Thus, a distinguishing characteristic of constructivism is the centrality of the interaction between the investigator and the object of investigation (Denzin & Lincoln, 2011). The goals of constructivist and interpretivist views are both idiographic and emic. The constructivist and interpretivist worldviews are mirrored by the shared belief of the purpose of higher education from the students’ perspective.

As the researcher, my viewpoint on the interpretation of this phenomenon, its participants, and the setting of this study will be greatly informed by the definitional understandings of concepts that include, but are not limited to, community, culture, literacy, and identity, all of which are intertwined within individuals. These elements should be made explicit at the outset. As the researcher, I view community as a web of social relations that can be based on geographical proximity, kinship, or a shared activity or interest such as school, work, or a
hobby. Individuals can be members of multiple communities and these communities can overlap, as well as diverge. Communities can exist in real, concrete space (as in a neighborhood or institutional setting) or in a virtual one (such as with on-line chat rooms). The participants in this study were undergraduate student loan borrowers at a medium-sized midwestern comprehensive, residential, public university. The university has a total student population of approximately 7,000 undergraduate, graduate, and doctoral students.

This dissertation project shows how issues directly related to financial literacy and financial aid are probed. According to the National Association of Student Financial Aid Administrators, a forthcoming publication on best practices for institutions on financial literacy will contain a new outline for institutions. The new best practices, established by the United States Securities and Exchange Commission after consulting with institutions and comments from the public, address the teaching of financial literacy skills and how to provide useful and necessary information to assist students when making decisions related to student borrowing (Luna-Torres et al., 2018). Interestingly, though, as the cost of attending college continuously rises and students must borrow federal loans to attend, schools will not be required to adopt the new best practices.

My Interest in This Topic

Many students are told that the route to prosperity and the best pathway to a good job is a college degree. My interest in the topic of student loan debt stems from counseling and working with parents and undergraduate students at a public state university for over twelve years. As a vital component of Enrollment Management and Student Affairs, the financial aid office serves
as a starting point for student and parent awareness and understanding about federal student loans.

Financial aid is a constantly changing and ever-evolving profession filled with many state and federal complexities. Nonetheless, even with all the complexities that exist with financial aid, there are state and federal policies and regulations that must be followed. My interest and motivation in the work that I do is grounded in helping students achieve their higher education goals with minimal anxieties and distractions about funding. Regardless, many students will inevitably incur federal student loan debt. The common attribute of all work processed in the Office of Financial Aid is the Free Application for Student Aid (FAFSA). Completing the FAFSA and annually renewing it is the only gateway to receive federal student aid.

Significance of the Study

This study is significant because student loan debt has become the responsibility of not only the students who borrow federal loans but the entire nation (Williams, 2008). This study will add an important perspective to the existing literature on student loan debt by exploring the phenomenon from students in everyday life, those who are actively participating in it, as opposed to alumni who are already in repayment. This research study attempts to add to the literature on the student loan debt phenomenon through a case study approach and offers a qualitative, contextual perspective to help fill an important gap in the student loan debt literature. According to Creswell (2009) and Yin (2011), the context within which a phenomenon is situated influences the phenomenon and makes a difference. For instance, the study of students’ understanding and knowledge of federal loan responsibilities could not be considered without context. Specifically, in this case study, the setting is associated with the phenomenon. It was in
this setting that understanding and knowledge about federal loans were developed. It would not have been possible to have a true picture of borrowing decisions and debt accumulation without considering the context in which the phenomenon occurred.

Nevertheless, within the context of the rising costs to attend college, the slow and gradual disinvestment of state funding and student loan borrowing is a critical barrier that determines whether students who choose to attend college will borrow federal student loans or not attend college based primarily on the available options of obtaining funding to cover the rise in costs. Having said that, the research addresses, supports and offers remedies for student borrowing at its core. Students should borrow with more knowledge and awareness about debt accumulation and the responsibilities that accompany federal student loans.

The rationale for this research study is primarily the need to better understand how students cultivate basic financial aid literacy skills. Consumers of federal student loans should be well informed about the debt they are accumulating as they progress through their college careers. The amount of debt that students accumulate during their college career can significantly impact their financial future.

Money management skills are one of the most critical life skills that every student can benefit from. In preparing students to enter the workforce, we are, in essence, preparing them to capitalize on their potential earnings. Explaining some of the ever-changing complexities related to federal student loans can minimize deficiencies in information and undoubtedly impact student loan default. Basic financial aid literacy workshops can be a tool to provide students with a valuable life skill that will enhance their financial well-being, not only during college but for life beyond their college career.
The cost of higher education continues to rise while grant funding seems to be substantially reduced (Kezar & Yang, 2010). It is imperative that students become more aware of the student debt they are incurring. Supporting student borrowers by providing financial aid literacy workshops or seminars will impart financial aid awareness that contributes to the overall financial wellness of student borrowers. Grabmeier and McDaniel (2015) found that seven out of ten college students feel stressed about their finances. The pressure of student loan debt and finding ways to make ends meet are weighing on America’s college students. Financial literacy can contribute to students’ financial wellness, which greatly influences and increases students’ understanding, knowledge, borrowing attitudes, and debt management skills (Lusardi & Mitchell 2014). Also, financial wellness is part of educating the whole student. Within the framework of the rising costs to attend college and dwindling grant funding, student borrowing is a critical milepost that determines whether students who opt to attend college will take out federal loans or decide not to attend college based primarily on available funding. Having said that, in this research study I explore, analyze, and offer remedies for student borrowing at its core. Students should borrow with a clear understanding, knowledge and awareness about debt accumulation and the responsibilities that accompany federal student loans.

Rather than having professionals describe the established FAFSA application process and explaining federal student loans from a professional viewpoint, I approach this topic from an “emic” perspective. Plainly stated, the topics of the federal student aid application process, financial aid literacy, borrowing behavior, and debt accumulation will be explored from the students’ perspective—viewing the students as the experts on the topic and meaning relevant to them in their setting (Geertz, 1973). I will not examine what “experts” have concluded about
this issue (Erickson, 1986, p. 119); rather, I will place students’ experiences and voices at the forefront of the study. Any improvements in student services and affairs will likely contribute to student success.

Organization of the Study

The following chapters of this case study will explore aspects of the student loan debt phenomenon. Relevant literature on the topics of the rising cost of higher education, students’ basic understanding of financial aid literacy, and student debt accumulation will be discussed in Chapter 2. Chapter 3 will outline the methods utilized in the case study and the research design. Chapter 4 will present the findings of the study. These findings include complexities of the FAFSA application form, financial aid processes, the lack of financial literacy resources, the cost of higher education, student loans, and debt accumulation. Finally, Chapter 5 will provide a discussion of the findings, recommendations for practice, and conclusions. Recommendations include providing first-year college students with a detailed outline of financial aid processes, reminders about early deadlines, and implementation of a basic financial aid literacy component to help students understand the different types of federal loans and management of debt accumulation.
CHAPTER 2
LITERATURE REVIEW

Nearly 20 million American students enroll in college each year (Knapp, Kelly-Reid, & Ginder, 2012). Of the 20 million students who enroll every year, 12 million—or 60% of students—borrow using federal student aid (Knapp et al. 2012; Perna & Kurban, 2013). Overall, higher education attendance has been continuously rising since 2008. Baum, Kurose, and McPherson (2013) traced the evolution and growth of the postsecondary education sector over the past fifty years. The push for expansion and diversity resulted in high school graduates’ attendance in college rising from 45% in 1960 to 70% in 2009.

The push for expansion and diversification of higher education was motivated by a belief in the value of education for the nation and the desire to broaden access to students from different ethnic, racial, and socioeconomic backgrounds (Baum et al., 2013). According to Baum et al. (2013), the push for expansion in higher education proved to be highly effective by 1980. The college population became more diverse, with increased numbers of women, low-income, older, and minority students. The number of students enrolled in college on a part-time basis also rose. These expansions were made possible by increased public-sector support from the state and the federal government. The shift away from “traditional students” (students between the ages of 18-24 years old) meant institutions had to accommodate a wider range of students, offer more heterogeneous courses, provide more services, and provide different kinds of support (such as child care and financial aid) to assist the new range of students participating in higher education (Agbo, 2000; Kasworm, 2003). Colleges and universities have always been
among the most cherished and controversial institutions in the United States (Thelin, 2011). Education has long been central to America’s vision of opportunity for all and remains key to both individual achievement and to national economic strength (Dynarski & Kreisman, 2013). Higher education has experienced many challenges and triumphs due to the complexities of modern societies (West, 2013). Thelin argued that higher education is in a stage of alteration and is being reconfigured. Most everything associated with our ever-changing and evolving society—its leaders, innovation, and our forward progression—can be attributed to education. In the 21st century our economy is driven by innovation and knowledge (West, 2013). West further informs us that worldwide this is a new age: the age of information and global competition. Access to affordable, quality education is critical to enabling opportunity and to ensuring that our young people are equipped to compete in a rapidly changing economy. A college education has become necessary to get a good job and is the means to a middle-class lifestyle (Baum et al., 2013).

Higher education has become an integral part in the idea of the American dream (Lazerson, 2010). In the 21st century the U.S. economy is driven by innovation and knowledge (West, 2013). In this new age of information and global competition, skills beyond traditional math, reading, and writing will be required (West, 2013). Access to affordable, quality education is critical in providing opportunities and ensuring that our young people are equipped to compete in a rapidly changing economy.

In the 21st century, education offers a unique blend of social and economic returns (Hout, 2012). Today, the role of education as an instrument of social development and change is widely recognized (Blake, Smith, & Standish, 2013). Education can initiate social development and
change by bringing about a transformation in the outlook and attitude of society. Education is no longer the province of a few privileged or even ambitious individuals (Atkinson, 2010). Through the evolution of societies, education is more accessible, inclusive, and diverse than ever before. American higher education has changed from elite-only education to universal mass access to education (Thelin & Gasman, 2010). Societies have no choice but to prepare for this new age, in which the key to accomplishment will be the continuous development of the human mind. The importance of higher education can be summarized as the quest for social integration and global competence (West, 2013).

Evolution of Federal Student Loans

The first student loan program was established under the National Defense Education Act of 1958 (Burd et al., 2011). The Act recognized that education was a unifying force and regarded an educated population as the country’s most precious resource (Flemming, 1960). The Act was also a contract that reiterated the partnership of federal and state governments in education. The first student loans were direct loans (educational loans funded by the federal government) supported with United States Treasury funds.

In 1965, Congress decided to expand the direct loan programs, with the federal government guaranteeing student loans provided by banks and non-profit lenders. This created the program known as the Federal Family Educational Loan (FFEL) program (U.S. Department of Education, 2013). Guaranteed student loans were financial services often offered to continuing students. However, that type of student loan required a guarantor, someone to support the student borrower. The guarantors, in most instances, were closely related to the student seeking the loan. Students were expected to settle their guaranteed loan as soon as they
were employed. The guarantor guaranteed settlement of the loan on behalf of the student if, for instance, the student passed away before the loan was completely paid off or settled.

In 1992, Congress created a direct lending pilot program. In 1993, newly elected President Clinton proposed replacing the guaranteed student loan program with the direct loan approach in an effort to reduce the government deficit. As part of the 1993 budget agreement, Congress passed a budget reconciliation bill that would phase out direct lending, starting with colleges that volunteered to participate and giving the Secretary of Education the power, if necessary, to require colleges to switch until at least 60% of loans nationwide were direct loans. While the law called for direct lending to replace guaranteed loans, it was silent about what would happen beyond the 60% mark. Sweetland’s (2001) analysis from the Bush Administration showed that direct loans would be less costly and simpler to administer than guaranteed loans. The federal government’s guaranteed student loans were provided by banks and non-profit lenders creating the program that is now called the Federal Family Educational Loan (FFEL) program (U.S. Department of Education, 2013). Guaranteed student loans (GSLs) are financial services often offered to continuing students. GSLs require a guarantor. The guarantor, in most instances, is closely related to the student seeking the loan. The students are expected to settle the loan as soon as they are employed, but the guarantor promises to settle the loan on behalf of the student if, for instance, the student passes away before the loan is completely paid off or settled. Guaranteed student loans ended in 2010.

Considerable confusion accompanied the transition from the guaranteed loan program to the direct loan program (Burd et al., 2011). Under the direct loan program, subsidies that previously went to private-sector lenders and most of the middlemen were eliminated
Instead, the federal government gave the funds directly to postsecondary institutions, which in turn disbursed the funds to students. As of 2010, Congress and the Administration began reform of the guaranteed loan program to end the wasteful practice of subsidizing private lenders to make government-backed student loans (Burd et al., 2011). Institutions shifted 100% to the U.S. Department of Education’s direct lending program. Figure 1 chronicles the turbulent time between guaranteed student loans and the conversion to direct student loans.

The early federal aid programs were no longer up to the demands of the current-day administration of federal student loan programs (Burd et al., 2011). The programs that were built in a different era and the disorganized evolution of the programs over the decades made them inefficient. Students were wanting a more streamlined aid system that was more understandable, effective, and fair. The ineffective jurisdiction of the federal government as primary overseer of the direct student loan system is cumbersome for students and overall ineffectual (Kofoed, 2012).

The federal government has subsidized loans to college students for over 50 years. When the Stafford loan program was created, the goal was to help middle-income students afford to attend the college of their choice (Burd et al., 2011). Hartle and Kusnan (1991) asserted that as of the early 1990s, less than half of all baccalaureate degree recipients graduated with student debt. As of 2011, two-thirds of baccalaureate degree recipients graduated with an average debt load of $26,600, which had been borrowed under federal student loan programs (Burd et al., 2011; Dynarski & Kreisman, 2013).
1958
The first federal loan program is established by the National Defense Education Act. Loans are direct loans capitalized by United States Treasury funds.

1965
The government establishes new student loan program provided through loan guarantees.

1990
The Federal Credit Reform Act is adopted. It requires subsidy estimates for all federal loans, guaranteed and direct.

1992
The direct lending pilot program is created.

1993
Legislation is passed to phase-in direct lending.

1994
The Department of Education is barred from encouraging or requiring colleges to switch to direct loans. As a result, direct loans’ share of new student loans begins decreasing.

2007
Direct loans hit the lowest share of all new student loans since the second year of the program.

2008
Credit market disruptions cause schools to switch to direct loans, and direct loan volume as a share of federal student loan volume increases.

2009
President Obama proposes eliminating the FFEL program. All federal student loans would be made as direct loans.

2010
Legislation is enacted eliminating the FFEL program. All new federal student loans as of July 2010 are made as direct loans to students (U. S. Department of Education, Federal Student Aid, 2013).

Figure 1. Federal student loan program timeline.
Student loans were conceptualized as financial aid and the problem is that contemporary higher education practices have begun to substitute student loans for an increasing portion of grant (non-obligatory) federal aid, which does not need to be repaid (McPherson & Schapiro, 1999). Historically, federal student loans were a good investment for students who otherwise would not have access to a college education (Carnevale, 2012; Freedman, 2014). Students who otherwise would not have access to a college education were provided the means to obtain an education that would pay substantial dividends throughout their lifetimes (Carnevale, 2012). However, student loans were intended to be a financial resource of last resort for financing higher education costs (Freedman, 2014).

Student loan debt has reached an all-time high (Wolber, 2012). Student loan debt has progressively been escalating and creating new generations of debtors who may be least able to afford an increasing debt burden (Williams, 2008). The new debt crisis in the United States is student loans, and there has been a growing concern that students and their families are taking on unmanageable levels of debt (White, 2013). When our youth are shut out of college or saddled with severe debt, it hurts their chances of having a well-paying job and cuts into their dreams of starting a family, buying a home, achieving economic security, and retiring (Carnevale, 2012; Smith et al., 2013). The current generation of college graduates will enter the labor force with significant, sometimes enormous, debt amounts and at the same time one in three of these graduates will be underemployed (Jacobe, 2012).

Nonetheless, the federal government supports students in pursuit of higher education by providing low-interest loans to help cover educational costs. Yet, according to Williams (2008), this support has become a growing contradiction. Student loan repayment is affecting the future
of many students. Current students as well as those who have already graduated will likely be affected by this contradiction. The very resource provided by the federal government which enabled access to higher education has become a burden to student borrowers. For many students who are already low income, the long-term effect of borrowing using federal student loans has become an inadvertent form of oppression and has been referred to as a form of lifelong bondage (Williams, 2008). Even though federal loans are a needed resource, these resources are poorly managed by both the federal government and the students who borrow (Burd et al., 2011).

Ironically, the federal government makes money from student loans even if the monies are not being collected through repayment. As young adults navigate the less than ideal job markets, they face loan repayments or harsh consequences if they do not repay in a timely manner. Federal student loans are challenging to discharge, even in bankruptcy. The federal government uses severe collection tools such as wage garnishment, interception of income tax returns, and even interception of social security payments to acquire repayment of delinquent federal student loans. Also, federal student loans are loans that do not require a credit check.

Completing the Free Application for Federal Student Aid (FAFSA) form is the single gateway to federal student aid. The single most significant change that has occurred in this 10-step process (discussed later in this chapter) is the newly established 2016-2017 filing and renewal filing date for the FAFSA. The FAFSA completion/renewal date is now after October 1st of each year.
The Federal Student Aid Application Process

When completing the FAFSA, students are not guaranteed enough federal aid to cover their total cost of attending college. Moreover, students who participate in higher education and use federal loans are responsible for their student debt when the loan posts to their student account. From that point forward, students are responsible for their loans, regardless of when knowledge and understanding occur to them, about their accumulated loan debt.

The FAFSA consists of over 100 questions that the federal government uses to determine eligibility for federal aid. The current FAFSA is almost as long as an IRS Form 1040 and longer than Form 1040EZ (Dynarski & Scott-Clayton, 2013). Mounting evidence suggests that the application form used by the federal government needs to be further simplified and updated (Burd et al., 2011; Dynarski & Kreisman, 2013).

The FAFSA determines a student’s eligibility for all federal funds. For example, only undergraduates who have never earned and do not have a baccalaureate degree are eligible to receive the need-based Pell Grant and the Federal Supplemental Educational Opportunity Grant, which is known as SEOG. Other aid that is available to undergraduate students if they meet the priority processing date is the state MAP Grant. Appendix A contains a list of definitional terms that help determine eligibility and the various federal student aid resources.

The maximum amount an undergraduate can borrow is $57,500, of which only $23,000 can be in subsidized loans; the other $34,500 must be in unsubsidized loans (Dynarski & Scott-Clayton, 2013). There is a major difference between the subsidized and the unsubsidized loans. The subsidized loan is an interest-free loan that only undergraduate students are eligible to receive. The unsubsidized loan is a low-interest (4.45%) student loan on which students may
allow the interest to accrue and capitalize until they enter repayment on the loan. However, this increases the total amount that must be repaid by the student. The federal government sets the eligibility criterion and the lifetime limits a student can borrow. Also, students must renew their FAFSA every year to remain eligible to receive any type of federal aid (Kofoed, 2012). Of course, grants are the most favorable type of student aid because grants do not have to be paid back, whereas all student loans must be paid back.

When federal student loans are accepted by students, additional steps are required before the loans will post to the student account. Every student must complete a master promissory note (MPN) and entrance counseling prior to receiving their first federal student loan (Cooley, 2013). Most students are offered financial aid counseling when obtaining federal student loans. Students are given instructions on how to complete the MPN and entrance counseling, which is usually completed online (Dougherty & Woodland, 2009).

When completing the MPN, borrowers must provide contact information of at least two individuals who can be contacted after the loans go into repayment if the loan servicer experiences difficulties in contacting the borrower. Entrance counseling is a legal agreement in which the borrowers promise to repay the loans and any interest and fees. The online entrance counseling process takes about 30 minutes to complete. Most institutions prefer to use the web-based component because it is the most convenient method of delivering loan responsibility information. However, the Department of Education’s online counseling only requires the student to provide his/her pin number or other identifying information to complete entrance counseling. According to Cooley (2013), there are no means to verify that the student borrower in fact completed the process themselves. Cooley (2013) further argued that the counseling
process needs to be reformed or done face to face to promote informed access and reduce student debt burdens before students take on excessive debt that leverages their entire future.

To complete the FAFSA form, annual financial documentation and household information is needed. It takes approximately 60 to 90 minutes to complete and submit the form. Figure 2 is a step-by-step guide that can assist students as they prepare for and enter the world of federal student aid.

![Steps to Financial Aid](image)

**Figure 2.** Steps to financial aid.

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The Rising Cost of Higher Education

A college education is supposed to advance an individual’s life and future earning potential. However, the rising tuition costs to attend college and inadequate funding often hinder the decision of many potential students who would otherwise participate in higher education (Smith et al., 2013). Many traditional-aged students contemplate whether or not to participate in higher education immediately after high school graduation (Rowan-Kenyon, 2007). Even after completing a FAFSA, applicants learn only what the government expects the family to pay (i.e., the expected family contribution or EFC); most applicants cannot predict the exact amount of their potential financial aid package.

Taking a “gap year” or more between high school and college is becoming relatively common (Niu & Tienda, 2013). These potential students and their families explore other options such as working a job for a few years, joining the military to earn money for college, or attending community colleges because the tuition cost is lower than that of four-year colleges and universities. Delayers tend to have common academic and socioeconomic characteristics such as coming from families with few socioeconomic resources, performing poorly on standardized tests, dropping out of high school and afterward earning a GED, or being first-generation college students (Bozick & DeLuca, 2005; Goldrick-Rab & Han, 2011; Niu & Tienda, 2013). Many students delay or do not participate in higher education immediately after high school graduation because of the strong possibility of student loan debt (Wenisch, 2012). This situation is especially hard for underserved student populations and even middle-class families who are struggling economically amidst downsizing and loss of jobs for various reasons.
Public universities, in particular, depend on a mix of financial support, which includes state appropriations, federal grants, tuition fees, and gifts. The federal government is key to ensuring equal educational opportunity and access through student aid programs. States also assure access by partially subsidizing public colleges to keep tuition within the reach of their citizens and by supplementing federal student aid with their own grant programs. However, the rising costs of higher education have placed a greater burden on students and their families. Also, it has challenged state policymakers to find ways to maintain funding levels, hold down tuition costs, and provide increased financial support for diverse groups of students hoping to attend colleges and universities (Doyle & Delaney, 2011).

Most states, with the exception of Alaska, California, North Dakota, Oklahoma, and Texas, which are experiencing increased revenue from oil production, have been reducing their funding to higher education (Dew, 2012). Faltering funding for higher education from the state allows institutions to replace decreased funding by raising tuition. This has been a major component in the spiraling cost of public education (Dew, 2012). Much of the increase in student debt levels is the result of increased tuition costs over the past decade. The rising costs of education can be directly related not only to federal budget cuts but also to increased athletic expenses, poorly performing market investments, and marginal increases in philanthropic support from alumni or other donors (Dew, 2012).

The higher education field has caused students and their families to assume much greater levels of debt than earlier generations had to manage. Much of student loan borrowing is out of line with the value of college, just as mortgages were out of line with home values during the real estate bubble (Dynarski & Kreisman, 2013). Carnevale et al. (2010) argued that the greatest
irresponsibility is in part on the government and schools. The government and schools have fallen short in meeting the challenge of preparing American students for the 21st century with meaningful career training as part of comprehensive school reform. Passing increases on to consumers is only sustainable if students perceive value in their educational investments. Nevertheless, the days when students can drop in and drop out of college, be indecisive, change their majors, and “find themselves” while having little concern about the financial costs are basically gone (Dew, 2012).

Over the past few decades the cost of higher education has escalated (Baum et al., 2013). As college prices continued to rise, sources of grant aid did not follow (Houle, 2013). It is apparent that while the premium to a bachelor’s degree is high, the premium to a graduate degree is even higher (Oreopoulos & Petronijevic, 2013). Increasingly, the given wisdom is that everyone now needs a master’s degree, not just a bachelor’s degree, to compete for decent employment in the knowledge economy (Ross, 2013). Even if the student has a deferment status while attending school, the interest (specifically, unsubsidized loans) still accrues during that time.

Dew (2012) contends that the economic investment in higher education is so great and the ramifications of that investment are so significant that decisions of when and where to pursue higher education may now be the most significant decision an individual can make in his or her life. On the topic of the rising cost of higher education and college affordability, former President Barak Obama declared in 2012: “Higher education can’t be a luxury—it is an economic imperative that every family in America should be able to afford.” (Obama, 2012). The increased demand for higher education has contributed to increased student borrowing (Barr
& Turner, 2013). Borrowing in the unsubsidized Stafford loan program jumped markedly between 2007-2008 and 2008-2009 from $3.8 million to $7.145 million (Barr & Turner, 2013). The critical difference between federal and private loans is that private loans are not capped. While maximum yearly loan amounts for undergraduate Stafford loans range from $5,500 to $12,500, depending on a student’s year of study, banks issuing private loans are not constrained by these amounts.

Private student loans, which resemble credit cards rather than financial aid, often have an uncapped variable interest rate (which has spiked as high as 18% in recent years), hefty origination fees, and few, if any, consumer protections. Also, private loans are not eligible for loan forgiveness, cancellation, bankruptcy, or any of the numerous repayment programs currently offered by the federal government (Smith et al., 2013). Federal student loans have fixed interest rates and offer various protections and more beneficial terms. Two thirds of private loan borrowers, including those who took out both private and federal loans, now recognize they did not understand the major differences between private and federal loan options (Fox, Bartholomae, & Lee, 2005). The prime driver of higher costs and, therefore, higher levels of educational debt over the past decade indicates a disinvestment in public higher education by state appropriations (Baum et al., 2013).

Undeniably, economists believe widespread college education is the main avenue to future economic growth. The upward spiraling cost of a college education is hurting both public and policymaker confidence in higher education and emphasizes the need for increased institutional accountability (Raikes, Berling, & Davis, 2012). Schmitt and Boushey (2012) argue
policies need to be channeled to make college more financially worthwhile amid the apparently unstoppable climb of the cost of a college education.

Student Debt and Default

High levels of student debt are particularly troubling in the context of young adults’ lives, as recent college graduates are at the beginning of their careers and typically making major financial and family decisions in their 20s (Long & Riley, 2007). The biggest increases in youth indebtedness is due to educational loans (Ross, 2013). There is a fear that students are betting against their future when deciding to borrow educational loans (Long & Riley, 2007). Students deserve enough information to make informed decisions before they undertake student loan debt. Further, many already underrepresented students who borrowed federal student loans are facing financial crisis (Cooley, 2013). Financial aid policy has shifted from expanding access for low-income students and moved more towards contributing to the costs for middle and upper-income families (Long & Riley, 2007).

Student loan debt is a major contributor to the overall debt in the United States (Fox et al., 2005; Smith et al., 2013; Sweetland, 2001; Wolber, 2012). Student loan debt is higher than it has ever been, and the cost of college is steadily rising; more transparency is needed when conveying the cost of education. According to Fox et al. (2005), current and newly admitted students should be provided financial education regarding student loans and debt management. Bond (1990) reported that student loan repayment can account for at least 14% of potential future income. A huge segment of the United States population has pursued higher education using federal student loans and is now in a position of indebtedness (Williams, 2008). Students inadvertently find themselves indebted to the federal government, trying to repay their student
loans. The issue of indebtedness is even more unfavorable for individuals from economically and educationally challenged backgrounds, as this group has the potential to gain much through a college education but has fewer financial resources and social networks to draw upon in their transition to the professional labor market and loan repayment.

By the fiscal year end of 1990, nearly 44% (over $2 billion) of the GSL program funds went to pay default costs (Dynarski, 1991). Default rates help gauge the cost of federal student loan programs and measure the degree to which borrowers are unable to repay their loans. The U.S. Department of Education reports annually the rate at which borrowers default on federal student loans. By law, the Department of Education considers a borrower to be in default when the borrower fails to make on-time payments of their loans for nine consecutive months.

As the number of student borrowers has increased and the cumulative indebtedness has grown, so too has concern about whether debt levels are manageable and the impact student debt has on default and student loan delinquency. Repayment behaviors and the number of students having difficulty repaying their federal educational loans is a dual and complex issue. Little research has been conducted on students who have difficulty repaying their loans, which become delinquent but do not enter default status (Cunningham & Kienzl, 2011). Fry (2012) found that 37% of all households headed by individuals younger than age 40 have outstanding student debt.

Lender Nellie Mae reported that 83% of undergraduates who applied to Nellie Mae for student loans possessed at least one credit card (Borden, Lee, Serido, & Collins, 2008). Additionally, financial literacy communication among college students is almost nonexistent in the campus environment (De’Armond, 2010). The Borden et al. study used a pre-post design to evaluate the impact of seminar instruction concerning basic money management skills about
financial knowledge, attitudes, and behaviors of college students. The study consisted of a seminar-based financial education program (Credit Wise Cats) administered at a southwestern college in Arizona. The study indicated that the seminar effectively increased students’ financial knowledge, increased responsible attitudes towards credit, and decreased avoidant attitudes towards credit from pre-test to post-test. Further, the Borden et al. study benchmarked qualities supporting the need for more financial education on college campuses that addresses financial literacy relating to credit cards, but more specifically, management of debt accumulated from student loans.

Financial aid advisors and educators responded to the Borden et al. study by pushing for the development and delivery of more financial education programs on college campuses (Gutter & Copur, 2011). While advocating for more financial education on college campuses is a positive step in the right direction, little is known about the types of programs that appeal to college students to engage them about this important issue. What is known is that undergraduates are unprepared to use credit wisely (Borden et al., 2008). Many young adults do not consider the long-term consequences of misuse of credit, which may lead to years of financial debt, low credit scores that impede future planning, and—in extreme cases—personal bankruptcy (Holub, 2002).

One of the long-term consequences of indebtedness is its effects on an individual’s mental health (Case, 2013). Several highly publicized cases of student suicides, apparently due to the anxiety related to unmanageable student loans and credit card debt, forced lawmakers, consumer groups, and college administrators to take a closer look at this issue (Holub, 2002). The most relevant review of literature on debt and mental health of college students suggested there should be an increased focus on the study of the financial and psychological well-being of
college students (Archuleta, Dale, & Spann, 2013). Many college students are inexperienced in the financial realm and do not fully understand financial terms such as *accrued* and *compounded interest* that are associated with most credit transactions. Also, the literature finds a positive association between improved financial knowledge and effective financial behaviors; it also helps when students are informed and updated about relevant changes that occur regarding their financial aid (Borden et al., 2008).

For the most part, students have not received proper education in financial literacy prior to college. Some students consider dropping out of school for financial reasons, and those students are more likely to report poorer mental health (Archuleta et al., 2013). There are social, mental and physical health issues that arise from financial debt among college students (Walsemann, Gee, & Gentile, 2015). Additionally, the consequences of this new reality of entering adulthood with debt obligations is uncertain amidst stagnant wages, rising job insecurity and upwardly spiraling health insurance (Zhang, 2013). Most importantly, indebted college graduates have lower net worth, less home quality, and compromised ability to accumulate assets in comparison to their peers (Walsemann et al., 2015).

Notably, federal student loans are a form of credit which needs to be effectively managed. Once students enter into repayment, their payment behaviors are reported to credit bureaus. Participants in higher education who borrow using student loans need to be well informed and have basic financial aid literacy. Debt management of federal student loans should be considered as soon as students begin to take out these loans. It is the responsibility of the professionals who administer federal student loans to do all they can to make students aware of the binding contract they are committing to and how this form of credit can affect their future.
Planning payoff strategies while still in school can positively impact the rest of a student’s career. Loan counseling and debt management would be a great benefit to students who participate in higher education (Xiao, Serido & Shim, 2011).

Debt Management and Financial Aid Literacy

High debt levels among college students are attributed to low financial literacy and poor financial management (Boushey, 2005). Undergraduates can use $35,000–$50,000 in federal loans in addition to their federal and state grants and yet not complete their programs of study. The strategic use of an academic study plan and improved financial aid awareness and debt management of federal loans among college students are necessary and should be mandatory and included during the initial enrollment process after students have been admitted.

It can be difficult for prospective students to navigate the U.S. financial aid system; therefore, it is critical that prospective students have the best information available with which to make informed decisions (Baum, S., Kurose, C., & McPherson M., 2013; Cooley, 2013; Dew, 2012; Wellman, 2008). Participants in higher education who use federal student loans need to be well informed and have basic financial literacy. Debt management of federal student loans should be considered as soon as students begin to borrow (Wellman, 2008).

Annual shifts in federal, state and institutional budget priorities and the process of reassessing student eligibility each year make long-range college financial planning almost impossible (Briggs, 2013). Even with campus-based financial aid, federal work-study, FSEOG, Pell, and dwindling state grants, using loans such as Perkins, federal subsidized and federal unsubsidized loans are inevitable for many students. Most students will need loans to complete their degrees and all loans must be repaid with interest. In addition to student loan debt, which
students incur during their college career, many college students have at least one high-interest credit card (Dublin, Choi, & Randall, 2013; Holub, 2002; Palan, Morrow, Trapp, & Blackburn, 2011). Credit card debt coupled with student loan debt has a profound effect on students’ financial well-being (Dublin et al., 2013). Appendix A is an overview of the various resources available under the umbrella of federal student aid and related definitional terms. For example, pre-loan counseling is individual or group counseling explaining the complexities of federal student loans (e.g., the difference between the various types of loans which are available: subsidized, unsubsidized, Perkins and Plus loans). For a growing number of students, loans have become the primary or only means of paying for college (Dynarski & Kreisman, 2013). If tuition increases continue to grow faster than inflation and family income and grant aid fail to keep pace, more students will be left with few choices beyond student loans—and, increasingly, private loans. This course of action is particularly risky for low-income and minority students who do not become gainfully employed immediately after graduation (Smith et al., 2013). Also, socially and economically, low-income and minority groups have a limited networking pool.

National attention has turned to the need for increased financial education, particularly for low-income and first-generation populations. The accumulation of student loans, credit card debt and lack of financial planning for the future can be overwhelming for students upon graduation (Dublin et al., 2013; Holub, 2002; Palan et al., 2011). The average undergraduate enters college as an emerging adult between the age of 18-25 without ever having been solely responsible for their own personal finances. Thus, there is a need for effective financial literacy and credit education programs for college students (Fox et al., 2005; Gutter & Copur, 2011; Maurer & Lee, 2011).
Credit education may be an important component in college curricula that can lead to improved credit behavior and overall improved financial knowledge (Fox et al., 2005). Fox et al. revealed as being problematic the widely accepted assumption that the need for financial literacy is so great that “no further evidence is required” (p. 196). Overall, the high number of people with low levels of financial literacy presents a serious problem for both the economic well-being of the nation and the personal well-being of individuals (Fry, 2012; Houle, 2013).

As a result, many students who are new to managing finances are left alone to decide whether to take out loans, how much to borrow, and how to manage student debt. Later, these students suffer the consequences of being caught in a deep financial hole. In their study, Lee and Mueller (2014) wanted to determine if student loan debt literacy differed between continuing-generation and first-generation college students. Using a sample of 156 first-year college students at a mid-sized public university in the Mid-Atlantic region, their results showed a significant statistical difference between continuing-generation and first-generation college students with respect to the decision to use student loans. However, their findings suggested that regardless of their generation status, both groups believed themselves to be ill-equipped to incur student loan debt responsibly. Similarly, Joo and Garman’s (1998) findings supported that financial behaviors tend to be influenced by an individual’s demographic and socioeconomic profile. Also, a person’s financial knowledge and related attitudes can influence personal finance behaviors (Borden et al., 2008). Joo, Grable and Bagwell (2003) reported that many college students are living on the verge of financial crisis.

Students are taking on more debt in multiple forms, including student loans, credit cards and car loans (Fox et al., 2005). The past decade has seen an increase in the number and types of
credit cards offered on university campuses. Many credit card companies have specifically targeted college students. Students’ management of debt and related financial stress are issues that should be of great concern to colleges and universities. The lack of financial literacy among college students is an outstanding problem and indicates that there is a significant need for financial education programs (Fox et al., 2005; Javine, 2013; Lusardi & Mitchell, 2014; Lusardi et al., 2010).

Recent studies reporting on the financial knowledge of college students indicate that college students, in general, lack comprehension of basic financial concepts (Britt et al., 2011). More important is the study of 600 first-time undergraduates at Wisconsin public institutions by Goldrick-Rab and Kelchen (2015). The data from their study and public perception agreed: More students are taking on more debt. One of their key findings was a lack of correlation between financial knowledge and borrowing behavior. This study offered an interesting twist of emphasis in their examination of loan aversion. Aversion may include individuals who have a distaste for borrowing, but it may also include students who lack information about loans. Loan aversion, as it applies to postsecondary education, is generally defined as “an unwillingness to take loans to pay for college, even when that loan would offer a positive long-term return” (Cunningham & Santiago, 2008, p. 10).

Loan-averse students are those interested in investing in higher education but less willing to take out loans (Palameta & Voyer, 2010). A handful of studies provide initial evidence that loan aversion may affect students’ decisions about investing in college. Additionally, the Palameta and Voyer study tested the hypothesis that loan aversion does exist and is widespread in the United States among current and prospective students.
College students have a tolerant attitude towards debt (Borden et al., 2008). However, a tolerant attitude does not equate to understanding debt or even basic financial literacy. Borden et al. suggested that knowledge, attitude, and behavior can change through seminar participation. Fox et al. (2005) noted that most financial education programs are not available through educational institutions but rather through community and business organizations. Similarly, the interrelationships between students’ levels of financial knowledge, attitudes towards credit, and their financial behaviors have become the concern of student aid administrators, policymakers and now the general public (Lusardi et al., 2010). Financial literacy can have important implications for lifelong financial behavior (Lusardi et al., 2010).

Financial literacy in higher education is not disputed, but neither is it entirely supported. With financial literacy being recognized as so important in our society, it is reasonable to inquire about the level of financial aid literacy among university students (De’Armond, 2010). Enhance financial literacy in higher education and equip students for life after college. Personal finance class should be mandatory for all university students if academia is going to produce well-rounded, educated citizens who are prepared to live in our modern society. According to De’Armond (2010), literacy is the possession of basic knowledge or competence, and education is the means to build that capacity.

Between 1999 and 2009, enrollment in colleges and universities increased 38%, from 14.8 million to 20.4 million. In 2010, over 70% of graduating high school students enrolled in college, the highest college rate on record since 1959 (Baum, S., Ma, J., & Payea, K., 2013; Wenisch, 2012). Under better economic circumstances, increased enrollment in higher education
would be good news, but because the cost of attending college is continuously rising, students will undoubtedly need student loans to complete their degree programs.

The federal government and higher education have been and will remain intricately linked together. Both provide opportunities to a high percentage of students who benefit from advanced education. In this research study, advanced education is defined broadly: education that is beyond the high school, K-12 level. There are many stakeholders, such as most private, public, for-profit, and not-for-profit institutions, that participate in the Department of Education’s federal student aid programs. Needless to say, institutions get to individually decide what or how much to charge for tuition at their institution. For an undergraduate student the federal individual loan debt can be between $31,000 to $57,000 plus all interest that accrues and compounds of the debt.

Nevertheless, it is important that students be given adequate information to make an informed decision and be counseled on managing their federal student loan debt. Perez (2012) described how there is clearly a movement to ensure that all Americans have an opportunity to achieve higher education regardless of life circumstances. Xiao et al. (2011) proclaim that financial literacy and debt management are important components to helping develop well-rounded students. Shaping the future generations of students in higher education requires colleges and universities to prepare students for life after they graduate. There have been disruptions in scholarship funding and scarce state grant funding over the past few years. Sadly, federal grants which include federal work-study are not enough to cover the total costs associated with attending college. Many students come to the decision to take on student loans only when
all other available options have been exhausted. In conclusion, loan debt is the only way that many students can participate in higher education.

**Conceptual Framework**

The principal concepts of social learning theory framed this study. The core of social learning theory combines cognitive learning theory (which posits that learning is influenced by psychological factors) and behavioral learning theory (which assumes that learning is based on responses to environment stimuli). Bandura (1977) integrated these two theories and came up with four requirements for learning: observation (environmental), retention (cognitive), reproduction (cognitive), and motivation (both). This integrative approach to learning was called social learning theory. Specifically, Bandura’s (1977) social learning supposition put forth that individuals learn from one another.

The core concepts of social learning theory are that learning occurs by observation, imitation, and modeling (Bandura, 1986). Social learning theory explains how individuals learn new behaviors, values, and attitudes. For example, a teenager might learn slang by observing her peers. The theory further states that learning is a cognitive process that takes place in a social context and can occur purely through observation or direct instruction (Bandura 1977).

Social learning concepts were applied directly in this study. The concepts were used to answer the research questions from the perspectives of undergraduate participants who, in their unique situation, discussed how they learned about financial aid processes, basic financial literacy, student loans, and debt accumulation. The participants in this study discussed how they learn from each other and learn by doing. According to Bandura (1977), the acquisition of new knowledge is an arduous process which is made easier through social interaction.
Chapter 2 Summary

Chapter 2 was a comprehensive review of relevant literature concerning students and their finances in the higher education landscape. The inception of federal resources, the rising costs of attending college, and completion of the Free Application for Student Aid, the access point to federal student aid, were reviewed. In the upcoming chapter, I will discuss the design of this research study as well as the direct observation fieldwork, document analysis, and face-to-face interview methods used to collect data for this study.
CHAPTER 3
RESEARCH DESIGN

In this chapter I will discuss the design and methods that were used to collect data as well as the coding and analysis process of the collected data for the research study. The central phenomenon of this study was student loan debt accumulation. As of 2015 year-end, federal student loan debt reached a blistering 1.3 trillion dollars (Greenstone & Looney, 2013). Data for this study was collected from students navigating the federal student aid system and federal borrowing process.

Purpose

The purpose of this case study was to explore student perspectives on the federal student aid application process and to explore students’ knowledge and understanding of federal loans, debt accumulation, and management of federal student loans accrued during college. The goal of this study was to understand what interventions should be offered to assist students in increasing their financial aid literacy and improving the federal student aid experience. I aimed to capture the perceptions of undergraduate students who were actively making progress towards a degree and using federal resources to accomplish their higher education goals.

Research Questions

The central research question of this study was: How does the Office of Financial Aid promote financial literacy for undergraduate students? The following questions helped guide this study:
1. How does the Office of Financial Aid promote financial literacy for undergraduate students?

2. How do students learn about financial aid processes?

3. What financial literacy resources does the financial aid office provide undergraduates and how do students use these resources?

4. What are students’ perspectives on student loan debt and their management of federal loans?

Epistemology and Theoretical Perspective

This study was embedded within a social constructivism framework. The foundation of the constructivist view holds that people learn through their own experiences and values. Social constructivism maintains that human development is socially situated and constructed through interaction with others. Constructed knowledge is grounded in social constructivist theory, which informs us that individuals construct their identities from a variety of sources, including both personal experiences and local models, as well as dominant discourses and categories functioning within the larger society (Bruner, 1986). Constructivism understands that “reality” is socially constructed. Berger and Luckmann (1966) asserted all knowledge, including the most basic knowledge of everyday reality, is devised from and maintained by social interactions. An intricate parcel of the process of socialization, people, and groups interacting in social system(s) creates concepts which become habituated. This means that within such relationship(s) with each other, human development is socially situated. In circumstances of interaction, individuals exist in a cultural and social context. Social factors such as gender, race, class, culture, and economics are lenses through which individuals make meaning of their world and experiences.
Often, these factors are agents that shape how individuals construct their visions of what constitute individual realities. Guba and Lincoln (1994) contend that there is no single truth; instead, there are multiple truths that are individually constructed. Constructivism is concerned with understanding the participants’ point of view (Denzin & Lincoln, 2005). Using a constructivist framework, this study contextualized a few of the existing suppositions regarding student loan borrowing and debt accumulation.

To understand various experiences and perspectives of the student participants in this study, I worked from an interpretivist theoretical perspective. The key assumption was that everyone had a unique and different view of the world and thus the study was not intended to generalize. I focused on pinpointing the particularities and meaning students assign to their federal student loan debt experience, as defined by the participants in a mutual setting (Merriam, 1988). As a researcher and professional client relations representative, using an interpretivist approach was most appropriate for this study because that approach signified a partnership between myself and the student participants. According to Kukla (2000), knowledge is constructed and not discovered. The interpretivist approach values multiple realities and emphasizes the ability of individuals to construct meaning individually as well as through human activity—from collective social interactions (Kukla, 2000).

Case Study Methodology

There are five traditional approaches to qualitative research: phenomenology, grounded theory, biography, ethnography, or case study (Creswell, 2009). When studying a phenomenon systematically, case study is particularly suitable for descriptive, explanatory, and exploratory research (Stake, 1995). A case study approach was chosen due to the nature and purpose of this
study. According to Creswell (2009), case study is ideal when delving into research questions which are closely connected to their context or the situation.

The aim of case study research is to look for contextual explanations and gain understanding of the phenomenon using multiple data sources. According to Yin (2011), case study research is utilized in many educational settings. Most relevant to this project was that research questions and the problem under study can be explored from perspectives that can be used to remedy or improve practice (Helmstadter, 1970; Merriam, 1988). Stake (1995) argued that the real establishment of a case is particularization and understanding the case itself.

Yin (2011) describes case study research as a practical inquiry that focuses on a contemporary phenomenon within real-life contexts wherein boundaries between the phenomenon and its contexts are not clear. This approach can be used to illuminate situations in which the intervention being evaluated has no clear or single set of outcomes. Case study research usually involves using many different data sources and methods, which allows for further insight being gained by considering the research questions from a multi-dimensional perspective.

Case study design is versatile in that there are a variety of data collection methods available to use. Methods can also be adapted to specific situations and conditions (Bogdan & Biklen, 2007). Primarily, case study is employed to understand the meanings of an experience or phenomenon in context (Merriam, 1988). The researchers using a case study do not have to prove or disprove a hypothesis (Merriam, 1988; Yin, 2011). Ultimately, case study has the scope that provides a rich, multi-dimensional, holistic picture of the situation in a real-life context (Remenyi, Williams, Money, & Swartz, 1998).
Additionally, case study research values in-depth interviews with participants (Creswell, 2009). Creswell explained that in-depth interviews give the researcher the ability to probe and gain deep details on the situation and an opportunity to follow up with participants if there is a need. Interviews document the participants’ experience, which can ultimately be divided into textural and structural categories; thus, the researcher can explore both the why and the how of the experience. The versatility of design, no hypothesis to prove or disprove, and the ability to probe to gain deep details are aspects that made the case study approach most suitable for this study.

A qualitative single-case study design was used to explore the research questions of this study. According to Creswell (2009) and Yin (2011), considerations of how the phenomenon is influenced by the context within which it is situated can make a difference in understanding the phenomenon. The contextual conditions are essential in this study because the boundaries of the contemporary student loan debt phenomenon and the context of student borrowing and debt accumulation are not clear. Thus, case study design was the most suitable for this project.

This design approach was expected to encapsulate the complexity of the case by exploring the phenomenon in context (Stake, 1995). Also, case study can be a strategy of inquiry, a methodology, or a comprehensive strategy (Denzin & Lincoln, 2005; Merriam, 1988; Yin, 2011). Merriam defines case study as an examination of a specific phenomenon such as an “organization/institution, program, event, process, community, or social group” (1988, p. 9). Creswell (2009) describes case study as a detailed examination within a bounded system, a system bound by time, place, or one setting. Smith’s notion of the case as a bounded system was embellished by Stake’s notion that the case is an “integrated system” (cited in Stake, 1995, p. 2).
Miles, M., Huberman, A., Huberman, M. A., and Huberman, M. (1994) supported this notion by stating that a case is a “phenomenon occurring in a bounded context.” The bounded system under study in this research project was a medium-sized public higher education institution. Miles et al. (1994) explained how case study can be bound by definition and context, by time and place, or by time and activity. Attending to place and time contextualizes the structures and relationships that are of interest (Creswell, 2009; Stake, 1995).

Yin (2011) indicated that once the researcher has determined what the case will be, considerations must be made regarding what the case will not be. After delimiting the object of study, binding a case minimizes the attempt to answer question(s) that are too broad or a topic that has too many objectives for one study (Stake, 1995; Yin, 2011). Binding the case ensures that the study will remain reasonable in scope (Stake, 1995). Overall, Yin (2011), Creswell (2009) and Stake (1995) stress the importance of having a reasonable scope. In this study I did not look at any type of private/alternative loans (e.g., Citibank, Salle Mae, and Wells Fargo). Thus, this study was restricted to undergraduate students who were using federal student loan resources.

The Research Case Setting and Recruitment of Participants

The research site for this study was Central State University (CSU, a pseudonym), a medium-size (7,000 students) public four-year university in Illinois. Central State University is notable for its student-centered focus. Central State University holds the distinction of being one of the most affordable universities in the state of Illinois. Specifically relevant to this study is the Division of Student Affairs and Enrollment Management, where total commitment to students is key. The mission of the Division of Student Affairs and Enrollment Management at Central
State University is to provide a seamless and supportive pathway from prospective student to alumni, focusing on personal and academic success to ensure that students are career ready and positioned to be leaders and active citizens in the community. At CSU, basic financial literacy is justly categorized as a set of skills and knowledge that contributes to personal success. However, now more than ever—particularly for college students who are using federal student loans—basic financial literacy is a must-have skill to assist students with managing their loan debt. According to Lusardi et al. (2010), the financial situation of today’s young people is characterized increasingly by a high level of debt.

CSU has a very diverse student population that exceeds more than 7,000 students enrolled in various bachelor, certificate, and graduate programs at both part-and full-time statuses. The students’ ages range from 18 to 50 years and older. Additionally, the student population is comprised of 53% racial and/or ethnic minorities. The institution also serves as a receiver school for many of the community colleges located in the city of Chicago and neighboring suburbs.

**Case Setting**

This qualitative case study was bound by location, participants, and subject matter. As noted, the setting of this study was a four-year public university. Central State University (CSU) is a pseudonym used for the university in this study. CSU is a beautiful medium-size public university. The university is in the heart of Chicago’s southland and meshes with the northwestern Indiana border. The main university campus is very accessible in its Chicago southland location by Metra commuter trains and Pace bus services as well as major north-south I-57 and I-80 east-west routes to the campus.
It is essential that all members of the community feel welcome and safe. CSU is a place where everyone has a voice and the contribution of every individual is respected. The goal of faculty and staff is to provide students the best possible college experience by using access and inclusion to the entire student body. Fostering individual talent, listening to and considering even the smallest of voices make the community circle complete.

In August (fall) 2014, CSU admitted its first freshman cohort. At that time, CSU was dubbed Central State University 2.0, signifying the beginning of a new era. Prior to fall 2014, Central State had a student population of upper level undergraduate and graduate students exclusively. During that time, there was no need for housing because all enrolled CSU students commuted to campus. This major change in the student population at CSU created new dimensions for the entire university community. Staff members in the Office of Financial Aid delved into the new and unfamiliar dimension of awarding and counseling first-year students.

For the first time in more than 44 years, 240 full-time first-year undergraduate students were enrolled at Central State University. Not unpredictably, most of the first-year students were awarded some type of federal student aid. This was not surprising because, according to NCES (2013), over 80% of college students must borrow to attend a four-year institution. Quality of education, the cost of that education, and accessibility are all important contributors in choosing which college to attend.

The financial aid office at Central State University is the place where all student financial resources are verified, recorded, and administered, especially programs authorized under Title IV of the Higher Education Act. The Pell and Teach Grants, work-study, subsidized and unsubsidized loans, all sources of federal student aid flow through the financial aid office.
Office of Financial Aid is a hub for things that are usually related to a student’s financial affairs. CSU’s financial aid office is housed under the Student Affairs and Enrollment Management division. This office is tasked with holistically serving students and advising them about their funding. The precise location of the financial aid office is clearly identified on all campus maps and is part of every campus student orientation tour.

During 2015, I did a student borrowing pilot research study at Central State University. The pilot survey study explored both graduate and undergraduate student borrowing perspectives. The 2015 pilot study findings showed that there was a vast difference in undergraduate and graduate students’ financial needs and their federal financial aid awards. For example, only undergraduate students can receive federal and state grants and subsidized loans. To that end, this study focused on undergraduate students only. The undergraduate student population has a variety of federal student aid funding resources available if they qualify. Yet, often it is still not enough to cover expenses.

Therefore, it is important to provide a brief background of the chief federal student aid resource provider. This background will establish a borrowing contextual framework for undergraduate students, wherein there is great adaptation on the part of students participating in higher education within its ever-changing landscape.

Recruitment of Participants

The targeted participants in this study were undergraduate students who had accepted federal student loans and begun to accumulate debt. All participants had to be in good academic standing—a necessary requirement to receive and continue receiving federal student aid. The criterion used to determine compliance aligned with the criterion that was established by the
federal government’s Satisfactory Academic Progress (SAP) policies. Undergraduates had to have a cumulative 2.0 GPA, a completion rate of at least 67% of their attempted coursework, and not have exceeded the maximum time frame (150%) of the program in which they are enrolled.

Purposive sampling is virtually synonymous with qualitative research (Palys, 2008). Sampling for this study was criterion-based purposive sampling. The participants in this study were deliberately chosen to ensure that the study yielded the most relevant and abundant data for the topic of the study (Yin, 2011). Kuzel (1992) suggested that purposive sampling seeks to “obtain the broadest range of information and perspectives on the subject of study” (p. 37). There were no students-at-large or non-degree-seeking students recruited for this study. Also, there were no first-year students or graduate students recruited to participate in this study. All students in this study were sophomore, junior, or senior undergraduates.

After I obtained IRB approval (see Appendix D), the recruiting process for this study started. I requested Student Life-funded organizations to publicize the study during club-sponsored meetings and events and provided the clubs with recruitment fliers that announced the study and asked for student participants. In addition to Student Life, fliers were placed at the Student Central information desk (a dominant check-in point for many students) and at the main window of the Office of Financial Aid. Fliers were also distributed in the cafeteria and in the most popular student hub (the Cube) at the university.

Twenty-nine potential participants responded to the recruitment flyer. As the potential participants responded, they were asked to complete the informed consent form, which included consent to be audio recorded during the interview phase of the study. After consent was given, respondents were given a screening form to complete. The screening form (Appendix E)
consisted of ten questions which were used to ensure that criteria for participation in the study were being met, to validate that the student had a current FAFSA on file and, had accepted and started to accumulate federal loan debt, and to extract basic demographic information.

All students who completed the screening form were assigned a code number used to track the number of prospective participants. Thereafter, students were emailed and invited to participate in the study. From the 29 responses received, seven students were selected to participate. The seven participants (see Table 1) selected for participation in this study were based on the order in which the participants responded to the recruitment flyer and the extent to which their responses met the eligibility criteria used to select participants. Information from the remaining student respondents was kept on reserve until it had been determined that no more students were needed as participants in the study. Those who were chosen for participation were asked to give themselves a pseudonym to protect their identity.

All the participants in this study were enrolled full time and had been awarded their maximum amounts of federal aid. Levels of federal borrowing were based on dependency status and academic level. Table 2 represents the undergraduate federal student loan awarding structure. Also, these students worked to earn much-needed money to help fund their education. Nevertheless, these participants struggled and often became overwhelmed trying to learn and use financial skills that they described as “underdeveloped.”

Data Collection

Data collection for this study was based on two primary principles. The first principle was rich details in documentation of interviews, events, and observations. The second principle
Table 1

*Participant Demographic Information*

<table>
<thead>
<tr>
<th>Name</th>
<th>Race/Ethnic Identity</th>
<th>Gender</th>
<th>Household Makeup</th>
<th>First-Generation</th>
<th>Age</th>
<th>Academic Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nick</td>
<td>African American</td>
<td>M</td>
<td>SP-O-M</td>
<td>Y</td>
<td>21</td>
<td>Junior</td>
</tr>
<tr>
<td>Red</td>
<td>African American</td>
<td>F</td>
<td>SP-O-M</td>
<td>Y</td>
<td>20</td>
<td>Sophomore</td>
</tr>
<tr>
<td>Wolf</td>
<td>African American</td>
<td>M</td>
<td>SP-O-F</td>
<td>N</td>
<td>23</td>
<td>Junior</td>
</tr>
<tr>
<td>Steve</td>
<td>African American</td>
<td>M</td>
<td>SP-O-M</td>
<td>N</td>
<td>26</td>
<td>Senior</td>
</tr>
<tr>
<td>Jade</td>
<td>Hispanic</td>
<td>F</td>
<td>Dual-O-F</td>
<td>Y</td>
<td>21</td>
<td>Junior</td>
</tr>
<tr>
<td>Kenya</td>
<td>African American</td>
<td>F</td>
<td>SP-M</td>
<td>Y</td>
<td>21</td>
<td>Junior</td>
</tr>
<tr>
<td>Vera</td>
<td>African American</td>
<td>F</td>
<td>SP-M</td>
<td>Y</td>
<td>26</td>
<td>Senior</td>
</tr>
</tbody>
</table>

Notes: SPO = single-parent household/participant has other siblings. SP-M = Single Parent - Mother is the head of the household. Dual = mother-father household/participant has other siblings.

Table 2

*Loan Limits Based on Academic Status*

<table>
<thead>
<tr>
<th>Dependent</th>
<th>Earned Credits</th>
<th>Subsidized</th>
<th>Unsubsidized</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freshman</td>
<td>0 - 29 Hrs.</td>
<td>3500</td>
<td>2000</td>
<td>5500</td>
</tr>
<tr>
<td>Sophomore</td>
<td>30 - 59 Hrs.</td>
<td>4500</td>
<td>2000</td>
<td>6500</td>
</tr>
<tr>
<td>Junior/Senior</td>
<td>60 + Hrs.</td>
<td>5500</td>
<td>2000</td>
<td>7500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Independent</th>
<th>Earned Credits</th>
<th>Subsidized</th>
<th>Unsubsidized</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freshman</td>
<td>0 - 29 Hrs.</td>
<td>3500</td>
<td>6000</td>
<td>9500</td>
</tr>
<tr>
<td>Sophomore</td>
<td>30 - 59 Hrs.</td>
<td>4500</td>
<td>6000</td>
<td>10500</td>
</tr>
<tr>
<td>Junior/Senior</td>
<td>60 + Hrs.</td>
<td>5500</td>
<td>7000</td>
<td>12500</td>
</tr>
</tbody>
</table>

Notes: Dependent student loan total amount is $31,000.

Independent student loan total amount is $57,500.

Federal loan eligibility is based on dependency status and academic level.
was the use of the multiple data sources to enable data triangulation. All data was collected from within the participants’ educational environment, a natural setting where events occur (Creswell, 2009). The collection of data for this study consisted of three methods: observations, document analysis, and face-to-face interviews.

Observations

The first approach was strategic fieldwork based on observations that were conducted the week prior to the first financial aid disbursement for the 2017 spring semester until the week after disbursements of federal student aid had been made. The week prior to the first disbursement and the week after the first disbursement are high-volume student traffic weeks in the financial aid office. Direct observations focused on what I saw and heard from students when they visited the financial aid intake area. I kept detailed field notes for every scheduled observation period. The direct observations were a mixture of casual notes and formal documentation of the observation fieldwork activities (Merriam, 1988). Because this type of fieldwork is usually very time consuming, I elected to do observations over a specific two-week period. I performed observations Monday through Thursday, at different peak times between 9:00 a.m. and 7:00 p.m. each day, for a total of 18 hours in direct fieldwork observations.

Document Analysis

Document analysis of three primary documents disseminated by the CSU financial aid office was used as the second data collection approach. These documents were selected for their informational value to and for the students. The three documents collected for this study were the Guide to Federal Student Aid 2016-2017, Do You Need Money for College?, and the College
Preparation Checklist. All three documents were provided by the Department of Education to institutions that administer Title IV federal student aid. These documents served as stable unobtrusive data sources. In the broad sense, written data is defined as “available” written materials/data that are not gathered through interviews or observations (Merriam, 1988, p. 105) and that was collectable in a reasonably practical, yet systematic manner. Merriam (1988) reaffirmed the clarification made by Selltiz, Jahoda, Deutsch, and Cook (1959) and Riley (1963) of what “written documents” means—just about anything in existence prior to the research at hand. Merriam further explains written documents can be specific in educational research. According to Merriam (1988), written documents are often a routine record generated directly in relationship to a program. In this case, the documents were developed for the specific federal student aid program.

In this study, the 2016-2017 Guide to Federal Student Aid, Do you Need Money for College?, and the College Preparation Checklist were considered routine record documents in direct relationship to federal student aid and how it is administered. Also, this data was in existence prior to the start of this case study project and unaffected by the research process (Merriam, 1988).

I also obtained the consent of each participant to access their current National Student Loan Data System (NSLDS) official report expressly for this project. The NSLDS report was used as a tool to gain the most accurate snapshot of the students’ borrowing patterns. Overall, this data source revealed the total amount of money the student participants had borrowed. The report tracked every federal loan the student had accepted and tracked all federal grants the student had received. Even though the participants in this study potentially receive federal
grants, the focus of this study was federal student loans. The NSLDS report provided the most comprehensive and holistic view of the precise amount participants had borrowed.

**Interviews**

Finally, the third source of data collection in this study consisted of in-depth one-on-one interviews that were conducted with all participants. According to Miles and Gilbert (2005), one-on-one interviews are a universal and preferred strategy of data collection for qualitative case study research. One-on-one interviews afford the researcher various opportunities to delve into and probe deeper into participant responses during the interview, if and as needed. Additionally, interviews enable the researcher to obtain detailed descriptions and explanations of the participants’ experiences and behaviors to answer the *how* and *why* of the research questions.

Interviewing is a significant tool because it allows the researcher to go into the participants’ perspective (Merriam, 1988, p. 72). Researchers cannot observe behaviors that took place at some previous point in time, nor can they observe feelings, thoughts, and intentions; therefore, interviews help fill that gap. As a strong primary data source, interviews were conducted to bolster the participants’ perspectives. They consisted of open-ended questions and were conducted and navigated in a semi-structured conversational format. The interview questions were not always asked in a specific order. Rather, questions were asked in an order based on the flow of the conversation with the individual participant. This allowed each participant to define his or her world in his or her unique way (Merriam, 1988). A total of seven participant interviews were conducted. During the interviews, I remained nonjudgmental, sensitive, and respectful to all the participants. All face-to-face interviews were also audio
recorded. Later, the 60- to 90-minute recorded interviews were transcribed. See Appendix B for all interview questions.

Research Journal

Immediately following each interview, I spent 20-30 minutes preparing a reflective journal of each student participant’s interview. According to Denzin and Lincoln (2005), the reflective process allows the researcher to describe feelings about the interview and note any unusual situations that might have arisen with the specific participant. Creswell (2009) supports that perspective by adding that using reflective journals adds rigor to qualitative inquiry. The researcher could reflect and record reactions, assumptions, expectations, and any biases about the research process. The journals provided additional data to be used during the data analysis process.

Data Analysis and Coding

Upon completion of the interview process, all recorded interviews were uploaded on the researcher’s computer and outsourced for transcription. When the transcribed interview data were returned, I printed all transcripts and read through each transcript to become familiar with the data. I re-read each transcribed interview three times, thereby enabling me to become familiar with the participants and their words. The transcript data was often referred to in its raw form, which facilitated and allowed me to better understand and interpret what the students were saying about their knowledge and level of understanding about topics (Saldana, 2013) such as the FAFSA process and their individual perspectives on federal student loan debt accumulation. During this process, I coded the data. According to Creswell (2009), open coding is the initial
step in working with the text data. There were inclusive codes from the transcripts such as
general values which had to be reduced. These codes were reduced to subcode(s) of educational
value and financial values. Also, there were a few exclusive codes such as how students feel
about financial responsibility from cultural perspectives that I circled in red to signal a special or
subcategory.

After the initial reading of the transcripts, I began official analysis of the data.
According to Creswell (2009), this process is best to avoid premature analysis within data
analysis. At the beginning of data analysis, I noted a variety of factors that seemed like they may
or may not have contributed to a student’s decision or choice to use federal loans. This approach
was noteworthy in that it allowed for methodological reduction to take place in the data analysis
phase of the research (Creswell, 2009).

Three levels of coding were performed to ensure rigor in this case study. The first cycle
coding was open (Saldana, 2013). Open coding was done to allow codes to emerge from the
data. Next, second-cycle coding was completed to seek similar, different, and frequent patterns,
concepts, and themes in the data. Interestingly, coding of not only participant understanding and
knowledge of federal student aid processes occurred, but cultural connections also became
relevant and emerged in this study. After pattern coding was complete, the third-cycle coding,
axial coding, was completed. Axial coding allowed the researcher to analyze the data in a more
condensed and focused manner (Creswell, 2009; Saldana, 2013; Yin, 2011).

From the first cycle of open coding, 20 codes were assigned. The 20 initial codes were
the foundation of the second coding cycle. During the second-cycle coding, themes such as
expectations, family, community, and anxiety were labeled. During second-cycle coding, I
could move from multiple codes to fewer major themes and categories (Creswell, 2009; Yin, 2011). Once data was contained and streamlined with fewer codes, the data became more manageable. For example, one of the recurring themes that all the participants in the study addressed was *family* and what participants conveyed as being important to them on their higher education journey. The coded transcripts were compared to one another based on the responses that were given to categorized questions from the interview. Response excerpts were extracted (cut and pasted) from the transcripts into a Word document to use in the case report.

The second cycle of coding, pattern coding, was used to recognize similarities and differences in the participants’ responses (Denzin & Lincoln, 2005; Stake, 1995). I used a thesaurus to further refine coded words to help frame what was being said by the participants in data transcripts. During the second-level coding process, the data from the first-level cycle was re-coded by grouping and labeling the codes. This meta-coding stage signaled the start of organizing data around the specific research questions of the study.

Journaling to make note of patterns and themes that appeared in the data was also conducted through the coding process to use for reference later in the study. As themes began to evolve, I categorized data to enable its interpretation. During this time, 12 initial codes were reduced to eight patterns or theme codes from the data during the second coding level.

During the third level of coding, which is termed axial coding, questions about the conditions, actions, interactions, and consequences of categories arose and helped make links between the ideas being conceptualized from the data (Denzin & Lincoln, 2005; Stake, 1995). The third level of coding is characterized by further analysis of the results from the first two levels and discoveries of how new categories and subcategories interrelated with one another.
After the final review of transcript data, I triangulated the transcript data with observation data. I also made memo references during the coding process, which helped to establish the relevance of themes (Creswell, 2009). Corroboration was also established in the cross validation of overlapping data through the process of triangulation (Denzin & Lincoln, 2005; Merriam, 1988; Stake, 1995).

During the data analysis phase, I evaluated students’ knowledge and understanding of federal loans and basic financial aid literacy. I categorized all data into various levels to allow for further understanding of the participants’ individual experiences. Similarities and differences among the participants were discovered. As noted earlier, the case study delineated how students describe the federal aid application process, their personal perspectives and borrowing experience using federal aid, and their understanding of federal student resources and debt accumulation. Additionally, the school (CSU) was the case unit of analysis.

I used a general inductive approach for analysis of qualitative data. Stake (1995) indicated that by using an inductive approach the researcher can condense the raw textual data into brief, summary format and establish clear links between the research objectives and the summary findings that result from the raw data (Stake, 1995, p. 49). The general inductive approach was a simple and uncomplicated pathway by which the researcher could derive findings in the context of the focused research questions. In this study, the approach consisted of all collected data being reviewed for analysis by the researcher.

Credibility for this study was ensured by using the validation strategies of triangulation of data (Creswell, 2009). The convergence of multiple data sources assessed against one another minimized any potential distortion from a single data source. I also acquired the assistance of
three peers and practitioners who were familiar with qualitative data analysis. These peers were helpful in giving meaning and interpretation to the themes and the analysis of the themes (Creswell, 2009).

Trustworthiness

Dependability, credibility, transferability, and confirmability form the foundation of establishing trustworthiness, which ensures rigor of qualitative findings (Lincoln & Guba, 1985). Trustworthiness of a research study is important to evaluate the quality of a study. Trustworthiness involves: (1) Ensuring credibility (confidence in the “truth” of the findings is one of the most important factors in establishing trustworthiness); (2) Transferability (showing that the findings have applicability in other contexts); (3) Dependability (showing that the findings are consistent and can be repeated); and (4) Confirmability (a degree of neutrality or the extent to which the findings of the study are shaped by the participants and not researcher bias, motivation, or interest). Using the evaluative technics outlined by Lincoln and Guba, trustworthiness was established for this study. The methodology for this study was organized and appropriate for qualitative case study. The inclusion and exclusion criteria for participants were defined to make sure their experiences aligned with the purpose and goals of the study. The participants used pseudonyms and read their interview transcripts for accuracy. The above strategies for sampling were the protocol of this study and were made explicit early in the study. Also, the findings of this study were similar among participants (Merriam, 1998), thus enhancing dependability of the findings.

As the researcher, I am confident that the strategies drawn from Merriam, Stake, and Yin which were determinedly performed upheld trustworthiness of the study. First, as the data were
collected, I began triangulation of data. Using data collected from various sources, 17 days of direct observations and interview transcript, the data were triangulated for analysis (Merriam, 1988; Stake, 1995). Later, the three primary documents used in the study were also triangulated. Then, adequate engagement in data collection occurred such that data reached “saturation”. The process to ensure trustworthiness evolved. The participants engaged in member checking. Participants reviewed their interview transcript, and if necessary, they made minor changes to their individual transcripts. All vagaries were minor. They were noted in the margin of the participants’ transcript and considered in analysis of the data (Yin, 2011). Finally, three professional peer reviewers assisted in triangulation, analysis and evaluation of all data collected. Peer-reviewed data included, observation data, interview transcripts, research journals, and the primary documents which was used for this study (Merriam, 1988; Stake, 1995). By following the above mentioned-strategies, I upheld trustworthiness of this study.

Positionality Statement

I am a client relations representative in the Office of Financial Aid at Central State University. The financial aid office is part of the Student Affairs and Enrollment Management division of CSU. As a practitioner in the Student Affairs and Enrollment Management unit at Central State University, the dominant feature of my lens was a focus on student advocacy and the development of the students I serve. I am a service-oriented administrator. I believe in accessible higher education. I counsel students about their federal student aid. I answer their
questions and advise them of the most efficient financial path for them to achieve their goal of a college degree.

My cultural orientation and how it interacted with the culture of the participants in this study was one of mutual respect. As the researcher, I held myself accountable to a continuing mode of self-analysis and personal reflexivity. My motivations, prior interests, and views were influenced organically through career training and experiences working in the Office of Financial Aid for the past 12 years. I think that bore heavily on my desire to research the topic of undergraduate student financial knowledge and their understanding of basic financial aid literacy.

My path to higher education participation was by no means as straightforward as many of the participants in this study. In fact, my approach to higher education was somewhat opposite of the voices of most participants in this study. While I fully support the pursuit of higher education, I decided to carve out my own path in my own time regarding higher education attainment. I was the third-born child of six siblings: two older brothers, me, another brother, and finally two younger sisters. I grew up as an African American female whose middle-class parents promoted conservative values that included adherence to the traditional roles of men and women. Nevertheless, as a researcher I could hear and relate to those voices because they represented the students’ individual perspectives of their reality.

I worked for 29 years in the investment banking industry doing work as a data analyst, portfolio assistant, and documentation manager with only an associate degree. After being downsized three times within three years, I finally decided to complete my undergraduate
degree. My view was that more education was the only thing standing between me moving to the next career level in corporate management. I was also socialized to simply work hard.

I consider myself to have a progressive view about issues of equality and diversity. However, because of my conservative background and socialization, I still find myself at odds trying to categorize the many perspectives that are outside of a linear path of my individual experiences; these include some of the resentments I displayed in my youth that delayed my higher education experiences, the choices I made and the consequences of those choices, and an experience that reinforced to me that underrepresentation of resources for these groups (first-generation and low- to middle-income student populations) is a worldwide problem.

I understand that the personal attachments and preconceptions that I have present both strengths and weaknesses for the research that I undertook (Machi & McEvoy, 2012). I acknowledge this is a bias that has the potential to limit the effectiveness of my research. I also feel that our backgrounds, social status, and environment do impact any research study that is undertaken.

In qualitative research, the identities of the researcher with regard to the study and the participants do have the potential to impact the research process. This is especially true if the researcher is dealing with a subject or problem of practice from her/his own background and experiences. Such is the case with this study. I know this is something that has the potential to be viewed as a bias. I feel the first step is to recognize any biases and then figure out how to approach the research objectively.
Delimitations

Most qualitative studies do not aim to generalize (Creswell, 2009). This case study did not have a goal of generalizability. The goal was to reasonably understand the complex student loan debt phenomenon and individual perspectives. Statistical considerations were not attached to this study; rather, the focus in this study was on how students make sense of and interpret their experiences with federal student aid processes, student borrowing, and debt accumulation and management. Essentially, participants in this study self-disclosed. The nature of self-reporting relies on honest and truthful disclosure.

The data collection methods utilized in this study relied upon several data sources. I downloaded data as it appeared on the specific day it was accessed (i.e., the NSLDS report). Thus, I had no control of information that had not been updated accurately by that agency. Most qualitative studies do not aim to generalize (Creswell, 2009). This case study did not have the goal of generalizability. The goal was to reasonably understand the complex student loan debt phenomenon and the individual perspectives. Statistical considerations were not attached to this study; rather, the focus in this study was on how students make sense of and interpret their experiences with federal student aid processes, student borrowing, and debt accumulation and management. Essentially, participants in this study self-disclosed. The nature of self-reporting relies on honest and truthful disclosure. Therefore, a delimitation is what was available when the information was collected.

Another delimitation was about students ineligible to participate in this study and why these students were not eligible to participate. The focus of this study was on undergraduate students only. This study did not collect data from any student classified as a student at large,
student in a certificate program, or any graduate student. More importantly, any student who had already earned a bachelor’s degree was not considered for participation in this study. To avoid problematic issues such as the total amount that could be borrowed, the different types of loans, and interest rates charged on loans based on academic level, I did not mix undergraduate and graduate student perspectives for this project because eligibility for each group was very different. For example, only undergraduate students are eligible to receive subsidized loans. The subsidized loan is the only loan for which the federal government pays the interest while the student is enrolled at least half time during an academic year. Interest payments on the subsidized loans are continuous by the federal government on behalf of undergraduates until six months after graduation or until the student drops below half-time enrollment status.

This study also did not consider any student who had already earned a bachelor’s degree. Students who had earned an undergraduate degree are not eligible to borrow any federal subsidized student loans as a graduate student. Also, there were no first-year undergraduate participants (students who earned between 0 and 29 credit hours) in this study.

To participate in this study, a student needed to be classified as an undergraduate student who had earned at least 30 undergraduate credit hours. This is important because undergraduate students are eligible for both subsidized and unsubsidized loans. They have choices in the types of federal resources they can access to finance their higher education.
Chapter 3 Summary

This chapter covered the research design of this study. The research questions and the theoretical concepts that guided the study were included. Also, case study methodology was outlined. This chapter provided an overview of the case study setting and the student participants in this study. Lastly, data collection, coding, and analysis of the data were described.

The following chapter will discuss the principal themes found in this study. Student viewpoints, knowledge, and understanding about debt accumulation are addressed. Also, concerns that participants felt were relevant not only to their everyday lives but financial apprehensions which were the foundation of their futures are articulated. Access to basic financial literacy resources was also of great concern to the participants. Further, when considering completion of their respective programs, these participants expressed their perspectives about carrying the weight of student loan debt plus accrued interest into their impending futures.
Federal student loans are intrinsically tied to post secondary education. The student loan debt phenomenon has been referred by Roots (1999) as a lesson in unintended consequences. When student loans were enacted in 1965, they were established to broaden access to a college education. Today, educational debt can affect students long after their college careers are over. The pursuit of higher education therefore can be very costly. For many students, college will be the largest expense they incur during early adulthood. Student loan borrowing is simply inescapable. This expense has turned into an escalating burden due to the soaring cost of tuition at both public and private universities. While there are a few students who manage a debt-free undergraduate college education, most students must learn to manage student loan debt accumulation. Learning personal finance can help students budget, limit their expenses, and more importantly, manage their student loan debt. The purpose of this case study was to explore undergraduate students’ understanding and knowledge of the federal student aid processes and ascertain how students develop basic financial aid literacy. In this qualitative study, I endeavored to capture student viewpoints on federal student loan borrowing and the meaning(s) that students attach to debt accumulation. This centered on a discussion with undergraduate students about their money in direct relationship to federal student loans and basic financial aid literacy.

This study was designed to explore federal student aid undergraduate perspectives at CSU. The student loan debt phenomenon was explored from participants’ viewpoint as
undergraduates who are accumulating student loan debt. The participants in this study had deep concerns about their debt accumulation coupled with built-in expectations they had about financial aid the minute they set foot on campus for the first time.

The student participants in this study openly expressed how debt accumulation affected their day-to-day life. At this point in time, before reaching the end of their higher education journey, participants discussed feeling financial pressure slowly interjecting itself into their lives. The end goal for the participants was to become educated, informed, contributing citizens in the global world. Most of the participants had well-defined hopes for their future. Their goals and hopes were dependent upon their pursuit of higher education. However, the participants discussed how a lack of knowledge and understanding related to the final cost associated with higher education participation and a lack of financial awareness affected their goals. For instance, Nick shared:

I held it all in…. I didn’t know what to do. During my first semester, I got a work-study job and between the payment for my braces, no financial aid refund, no books. I sunk down into misery. Finally, I talked to my academic advisor and he told me to talk to financial aid and about direct deposit and a savings.

Like Nick, Red also discussed the complexity of paying for college. She shared:

Everything was just topsy-turvy. I needed an additional $4,500 to register for the upcoming semester. I had to ask my mother to take out a Parent Plus loan. I needed an additional $4,500 and I just knew that my sister, who was at a private school, needed even more money for her balance. I just don’t understand how I don’t have enough money to cover one semester. It was like a crashing epiphany!

Both Nick and Red lived within 15 to 20 miles from campus. That’s when they started to think about their personal expenses. These two participants voiced how it was important for them to
attend college, but they were not equipped for the financial responsibilities that were ahead of them.

All the participants in this study were enrolled full time and had received their maximum amount of federal aid. Also, these students worked to earn much-needed money to help fund their education. Nevertheless, these participants struggled and often became overwhelmed trying to learn and use financial skills that they described as underdeveloped.

The following sections will first provide an overview of each of the participants and information about their experiences with student loan debt. Next, I will discuss the primary findings from this study by integrating information collected from interviews, observations, and document analysis. Student viewpoints, knowledge, and understanding about debt accumulation will be shared and addressed. Also, concerns that participants felt were relevant not only to their everyday life but financial apprehensions which were the foundation of their futures will be articulated. Access to basic financial literacy resources was also of great concern to the participants. They expressed their perspectives about carrying the weight of student loan debt plus accrued interest into their post-graduate futures.

Participants Overview

This case study included discussions with seven undergraduate participants. I explored the students’ perspectives on financial aid processes, understanding of their federal loans, and knowledge related to their individual borrowing practices. The following provides background information about the student participants at the time of the study.
Participant 1: Nick, Age 21

Nick lived on campus and was part of the first freshman cohort at CSU. As such, Nick’s academic status was a junior-level undergraduate. He considered himself a role model to his siblings. He expressed that he felt a tremendous responsibility being a first-generation college student and talked about how he watched the sacrifices his mother made so that he could attend college. Over the last couple of years, he said, “Mom has been taking out loans on my behalf to help me pay for college.” He also articulated that the sense of responsibility he felt extended to peers and friends he had met during college. He explained how many of his peers were facing financial questions, difficulties, and need of financial help. Unfortunately, many of his friends did not have a support system.

Nick talked about the known and unknown aspects of financial aid processes and student borrowing. He detailed the very first time he went to the financial aid office for help with his student bill. Nick said, “The intake person looked at my account information and said, ‘You need this, this and that.’” He said that his response was simply: “OK.” Nick clarified his statement and said, “At the time I did not know enough about financial aid to ask any further questions.”

Nick’s perspective was, you don’t know what you don’t know. He recalled that early in his college career he really did not know what questions he needed to ask or should ask. Nick understood that it was his responsibility to repay the debt he accumulated. He had earned 77 credit hours and was on track to graduate in 2018.

Participant 2: Kenya, Age 22

Kenya transferred to CSU in 2015. Kenya is an only child of a single parent. When she enrolled at CSU, her enrollment status was that of a sophomore. Also, Kenya lived on campus.
After completing her junior year of college, Kenya was very fearful that her college career was likely over or, in the best-case scenario, it would have to be postponed for at least a couple of years. Kenya was a dependent student. As a dependent student, she had almost reached her student loan aggregate limit. Kenya’s reality was that she did not have enough loan eligibility to complete her undergraduate program. The only alternative available at the time was to take out a private loan. Dependent undergraduate students could only borrow $31,000; independent undergraduate students could borrow $57,500.

Being from a low-income family and having no siblings, Kenya relied on her relationships with peers to help her navigate higher education financial issues. At the time of this interview, Kenya was at a crossroads in her higher education journey. She expressed that she felt hurt and hopeless about her financial situation: “I have no idea what I’m going to do because I do not have enough money to stay in school.” Kenya expressed that she did not know where to go to get the help she needed. Also, she said, “Lately, I feel sick so much of the time that I go to class and not much of anything else.”

Most striking about Kenya was her openness regarding becoming withdrawn from college life. She didn’t feel she had the energy to fully participate in many activities: “I am so worried about not being able to finish that I can’t participate in things that I love to do on campus.” Kenya stated that her only focus was on her financial situation and what would befall her at the end of the spring semester. Kenya’s perspective on FAFSA and financial aid processes was one of regret. She regretted that no one ever told her about loan limits or that she was close to reaching them. In a sunken-down tone, Kenya acknowledged:
I did not know that I could exhaust my loan funding before I completed my program. Now, I understand that living on campus, buying books and having to purchase a meal plan contributed to me exhausting my funding.

To make the situation even worse for Kenya, her mother was thinking about relocating to another state, as she was looking for better job opportunities. This would leave Kenya in a situation of not having loan eligibility and not being eligible for the state grant if her parent moved out of state.

Participant 3: Steve, Age 25

Steve commuted to campus five days a week. He was a junior-level full-time student. Steve came across as intelligent and confident; he was a serious student. He was open and honest about his debt accumulation for his degree. Steve discussed his higher education journey in great depth. He was a transfer student who started his journey at a private institution. The student loan debt he had accumulated was, in part, from having attended a more expensive school.

Steve discussed how he switched his major from Education to Business. Switching majors required him to take more classes, which subsequently required him to take out more student loans. Not being able to pass the Basic Skills Test to earn his degree in education, he had had to make some hard decisions regarding completing his degree. Steve was greatly concerned about repaying his student loans, which he anticipated would be based on his income from work. Steve hoped he would be able to find a good job and manage the repayment of his student loans.
Participant 4: Wolf, Age 20

Wolf began his college career in 2015 as part of the second freshman cohort at CSU. Wolf was a commuter student during this time at CSU. He was very active in campus clubs and events, including being a student senator and peer mentor. In these roles, Wolf participated in making sure that the student population had access to good nourishment (food pantry and healthy foods distribution) on campus. Wolf was greatly concerned about the student debt he was accumulating while attending CSU. As a measure to control his student loan debt accumulation, Wolf chose to live at home.

Wolf was preparing to enter his third year and expressed that he was doing his best to manage his loan debt. Wolf purchased a used vehicle that his father helped him maintain to get him to and from campus in lieu of spending more money to live on campus. He stated that his financial pressure was lighter because of that decision: “I don’t have the extra $4,000 expense that a lot of my peers have.” Wolf said that although he is accumulating loan debt, he hopes a career path will afford him the ability to repay his loans.

Participant 5: Jade, Age 21

Jade began her college career in 2014. She was also part of the first freshman cohort at CSU. She lived on campus based on the belief that, for her, it was the only option if she wanted to be successful at college. Jade stated, “To complete this program in four years, for me, means being totally immersed in the program.” She discussed wanting to “stay on track” in college and not spend valuable time commuting back and forth to campus. Also, Jade seemed to be very conscious of her debt accumulation and was doing everything possible to minimize her
borrowing. She stated that she only borrowed what was needed to pay her outstanding balance at the end of each semester. Jade attributed most of her borrowing to the fact that she lived on campus. According to Jade, she needed the loans because her grant money simply did not cover everything: “I borrow just enough to provide safe housing for myself, meals, and . . . books.” Jade has an older sibling in college who helped her navigate borrowing decisions: “My older sister will be graduating with her master’s degree this year. She guides me along about my loans.” When she has a question about her loans and the statements she receives, Jade reaches out to her older sibling.

Participant 6: Red, Age 20

Red lived on campus and was part of the second freshman cohort. She was a very soft-spoken participant. Red was unsure why she continues to accumulate student debt, even though CSU is one of the most affordable schools in the state. As a sophomore, Red still had not yet decided on a major. Red is a fraternal twin and talked about how her mom gets everything times two, including two children in college at the same time: “My poor mom had two high school trips to pay for, two proms, two graduations; everything was double, for her.” Red was concerned with the debt she was accumulating as well as the debt her single mother was accumulating for her to go to college.

She stated that when it was time to complete the FAFSA for the first time, she got help from her high school counselor because she felt it was her responsibility and not her mom’s. Since her very first application, she has completed the FAFSA on her own. Red thought she would be eligible for Pell and MAP grant money because two children in the family were
attending college. Unfortunately, Red was not eligible for any grants. “All I got was loans for me and Parent Plus loans for my mom.”

Red talked about her limited knowledge about the loans she was taking out. She said, “I know they have to be paid back.” Also, Red expressed how she was basically feeling her way as she goes along through all the many loan and financial processes. She was a full-time student who was taking out loans but was working on campus to supplement paying for her education. Still, Red did not earn enough to cover her student account balance. She always came up short and had to rely on a Parent Plus loan. After the first year of living on campus, Red decided to cut expenses by moving back home. She was looking forward to commuting to campus and cutting her expenses.

**Participant 7: Vera, Age 30**

Vera was a transfer student who traveled more than 50 miles one-way, four days a week, to attend classes. She sought out CSU because it fit her budget. She talked about the many transitions she had to make on her higher education journey, including being a parent: “I have a 12-year-old child and I am her role model. I need to put my best foot forward if I expect that from her.” Vera talked about how she weighed the distance she travels to attend CSU and how she was pushed into becoming aware of her finances.

Vera was a single parent who transferred to CSU from a for-profit institution. She explained how she had a lot going on in her life: “I average about five hours a night of sleep because between my child and school, that’s all that’s left.” Vera only needed 32 credit hours to complete her program. She was very unhappy about the debt she had already accumulated, mostly because of her prior experience at a for-profit institution. She said, “I wasted so much
money because I was not aware of the major differences in the type of school I attended.” Vera expressed that the Office of Financial Aid at CSU was of little or no help in assisting students with understanding their loans.

She also felt the financial aid office could “do a lot more” to promote financial aid literacy on campus and that the office should be more responsible and active about sharing better information about debt accumulation: “I almost don’t expect any literacy information because I literally have to ask my peers about campus scholarship.” Even though Vera seemed to have issues with the financial aid services at CSU, she said, “At least, the tuition is affordable.” She was very unhappy about what she felt was borrowing with no real clue about issues like interest accumulation and what it means for her.

**Participants Summary**

The participants in this study shared their perspectives about the illusive and personal financial aspects of their higher education journey. The student participants had expectations of becoming more informed about student loans after their research interview. Many of the participants expressed hope that their participation in this study would contribute to their better understanding of basic financial aid literacy. For the most part, their goal was to become more knowledgeable about student loan debt and the level of debt they were accumulating. They wanted to talk about their money in the context of their pursuit of the American dream. They viewed this research study to be a timely opportunity for them to express the fragmented information they had amassed thus far about the financial aid processes. They wanted help in getting more knowledge and a better understanding of financial aid processes, federal student
loans and debt accumulation, and basic financial literacy knowledge that was relevant to them in real life.

Findings

The following section will discuss key findings from this study. The primary findings include applying for financial aid/FAFSA completion, the trial and error of learning financial aid processes, and financial literacy resource awareness. Also, the cost of higher education and understanding federal student loans and debt accumulation evolved as key findings in this study.

Applying for Financial Aid Was Confusing

When students decide to participate in higher education, the first step is completing the Free Application for Student Aid (FAFSA). To access any federal student aid funds, the 116-question application must be completed. Also, the application must be renewed each year if the student wants continued federal funding. Three documents were analyzed in this study: the College Preparation Checklist, the Guide to Federal Student Aid, and Do You Need Money for College. All the analyzed documents supported the basic FAFSA completion and renewal processes.

Surprisingly, none of the documents address any complexities associated with completing and renewing the form. Rather, two of the documents (the Guide to Federal Student Aid 2016-2017 and Do You Need Money for College?) did make known to applicants that there was a section of the FAFSA form that required detailed financial household information.

After the direct observation and interview data were collected, the analyzed documents were revisited for clarity. Using an actual FAFSA form, the documents which were analyzed
were looked at specifically for clarity regarding the complexity of the FAFSA application form. The FAFSA does require participants to provide detailed financial household information. However, it is not the detailed financial information that is confusing when completing the form; it is the organization of the FAFSA form (how the form is organized) that is confusing. For example, there are a couple of sections on the form that are not clear. It is hard to distinguish whose information is required. The form shifts sharply from student information to parent information. Also, the section on student status (undergraduate or graduate) for many students is confusing. This is important, especially for transfer students who graduate with an associate degree from a community college. Many of these students initially think of themselves as having graduate-student status. These particular sections of the form seem out of sequence, disorganized, and confusing for students. Transcript data from the participants about their FAFSA experiences supports this finding. For instance, Steve shared, “The first year I completed the FAFSA, me and my mom struggled to get the form done.” Similarly, Nick stated, “It was tough getting through that application.” Likewise, Jade indicated that “the form was so confusing that it was just plain annoying.” Even though there are only 103 questions on the FAFSA form, students felt the federal application form should be more straightforward.

Five of the seven participants expressed that they felt the FAFSA application was cumbersome and confusing. Five participants in the study explained how initially, they did not understand the federal student aid they had applied for through the FAFSA form. Observation data also indicated that students needed extended information on what they had been awarded. Students were observed inquiring about how to obtain all of the financial aid they had been awarded. Awards such as federal work-study were repeatedly explained to students. Wolf
stated, “In high school the FAFSA was presented to us as free money for college. All I heard was, free money if I complete the FAFSA.” Further, several participants were not really concerned about not knowing all the detailed information about their federal aid. Nick said, “I knew very little about federal aid. I thought it was all about free money for school.” Most of the participants expressed that they expected that the financial aid process and detailed information about financial aid would be explained to them once they arrived on campus. Nick stated, “I found that the financial aid office does not really explain things to you. They tell you what to do and you just do it.” In hindsight, Nick felt that perhaps, he “missed a learning opportunity by not asking or pressing for more details early on when I visited the federal aid office.” This sentiment was expressed by five of the other participants in this study.

Most of the participants put an emphasis on their understanding of what federal student aid was from their perspectives. Many articulated that for them the term “financial aid” specifically meant grants. Red said, on more than one occasion during the interview, “I didn’t get any financial aid. All I got were loans.” But other examples focused on not being sure of what specific type of federal aid they had been awarded. Steve said:

All I knew about FAFSA was the government gives you money to go to school. As far as the details, I was clueless. I’m the oldest of three siblings. So, of course I was learning, and mom was re-learning. It had been over 20 years since mom got her associate’s degree and used FAFSA.

Steve, like others, only knew that he needed to complete the FAFSA to get funding for college but did not really understand that he was applying for federal aid, which consisted of grants and loans as well.
Similarly, Nick stated. “I completed it on my own. I am a first-generation college student. I was just like, ‘Mom, I need your tax statement to apply for money for college through the FAFSA’.” Like Steve, Nick knew he needed to submit an application to access funds for college but did not really understand that federal aid was an inclusive term for all the different federal resources. Similarly, Jade explained, “I completed the FAFSA myself. I knew nothing. But my older sister was in college and helped me understand the financial aid I got through FAFSA. So, I learned as I went along.” From the perspectives of the participants in this study, expectations of having processes and information explained to them had not been met. They were on their own and had to seek out detailed explanations and guidance about the information on their FAFSA.

It is important to note that completing the FAFSA form serves dual functions. To begin, FAFSA completion determines all federal and state aid students are eligible to receive each academic year. In addition, the FAFSA is also a tool used to establish eligibility for various other resources such as in-house scholarships at colleges and universities, which require a current FAFSA to be on file. The federal Pell Grant and the state MAP Grant are the two major components of financial aid that are awarded at CSU. Participants in the study often understood financial aid as grants only. They explained that they thought the term financial aid specifically meant “free money to go to school.” They did not consider receiving loans as receiving financial aid to attend school. For instance, Red stated, “I did not get any financial aid.” While Red received subsidized and unsubsidized loans, she was not eligible for the Pell Grant. Thus, Red believed she had not received any financial aid.
Most of the participants shared their view that there was a vagueness and a fundamental disconnect around the various types of federal student aid and state aid that were awarded to them. For example, during the interview, Vera stated, “I went to the financial aid office and asked, How can I apply for the MAP Grant?” To receive a MAP Grant, the FAFSA should be completed very early because the state has an unannounced early cutoff date. Vera was eligible for the state MAP Grant, and it was put on her student account. She further stated, “I am learning to follow [up] with the financial aid office about my financial aid awards.”

Along with federal and state grants, students were offered federal loans automatically. Nick said, “After I had Pell and MAP grants plus subsidized and unsubsidized loans, I went to the financial aid office and was told that I needed a Perkins loan. I said, ‘Okay’.” Nick accepted the additional loan, as he needed the funds to pay for school, and there was little discussion about the consequences of taking out another loan. Nick said, “I did not understand the three different types of loans I had but I knew they were loans.”

Students expressed minimal understanding of federal student aid eligibility as it related to how and why they were awarded and what they were awarded. Steve stated:

I would love to know more about the loans that I have. I think if incoming first-year students or even transfer students were able to get more of a sit-down with their financial aid person, it would benefit students. When I get my award letter, I accept everything that I am offered. I also work 20 hours a week on campus.

Other students echoed a need for more information and clarity from the financial aid office.

Overall, financial aid processes were confusing for the participants. Kenya said, “I would have appreciated getting a better understanding of my federal aid.” Nevertheless, the participants shared their uninhibited experiences of completing the FAFSA and navigating an
understanding and knowledge about federal student aid. They specifically needed detailed information about loans which directly related to their personal finances. Once the participants were enrolled in college, they had to attend to new unknown processes in working with the financial aid office. These participants assumed roles that they had never undertaken before entering college.

Two of the analyzed documents used in this study specifically provided some answers to the questions that students did not have a clear understanding about. For example, the *Guide to Financial Aid 2016-2017* explained in general terms the various federal student loans and the eligibility requirements. However, my direct observations suggested that students did not access generally disseminated financial aid information. That is important because had the students accessed this resource (*the Guide to Financial Aid 2016-2017*), the document informs students that a mastery promissory note and entrance counseling had to be completed prior to federal aid disbursing to the student account.

**Trial and Error: Learning Financial Aid Processes**

Federal student aid is an umbrella term for an array of federal student aid resources, including Pell Grants, Federal Supplemental Educational Opportunity Grant (SEOG), federal work-study (WS), subsidized (Sub) and unsubsidized (Unsub) loans, the Perkins loan, and the Direct Parent Plus loan. Participants discussed not really knowing the differences between the various federal aid resources they applied for and/or were awarded after they completed the FAFSA. Wolf plainly said, “I don't know the difference between the subsidized and unsubsidized loans, unfortunately. I believe one of the loans you must pay back and the other one you don't, I believe.” Similarly, Steve indicated, “I still don't know all I need to know about
financial aid stuff. What's subsidized, what's unsubsidized, how are you supposed to know this stuff?” On their own, many students were not familiar with the financial aid processes or the necessary follow-up actions that were required before they could be awarded any student aid. For example, if a student was randomly selected for verification, the student needed to turn in additional documents to be verified by the financial aid office. Depending on the circumstance, having to verify documentation usually adds a week or two of processing time before any aid could be awarded. Steve said:

I was selected for verification and did not have an award letter for about three weeks after the semester had started. I just [kept] checking the portal and no award letter. Well, a week earlier I had received a financial aid notice asking for four or five different things and I went into panic mode. It was almost midterm into the semester before I got my award letter, finally.

Students were delayed for various reasons because, in their perception, their award of financial aid was put on hold until they took specific action(s).

Student participants described their methods of learning about various financial aid processes, detailed federal loan information, and debt accumulation. Participants discussed trying to be proactive about finding out information about their financial aid. For example, Jade shared, “I would always call the financial aid office. I’d tell them, I don't know what I'm doing and I need help. Now, I just stop by the office.” Participants shared that they received little guidance or support in understanding the financial aid process. For instance, Kenya shared, “I just go to the financial aid office and ask about the status of my financial aid. One time my FAFSA was rejected. That office did not call me or email me or anything.” While students discussed trying to stay on top of their student loans, they often received little support from the financial aid office. Vera teasingly stated, “I call it learning by trial and error. I continuously
asked questions like, what's this, what's going on with this? I would just ask anybody who I thought could help me.” The participants felt they had to use a sort of learn-as-you-go approach when it came down to learning about financial aid issues and processes at CSU.

Collectively, the students in this study felt that other than the orientation overview of financial aid, there was nothing in place to help students understand the various processes. For instance, Nick discussed how he was $2,000 short for tuition, stating, “I needed an additional $2,000 so that I could register for the next semester. I called the financial aid office and said that I needed to speak to somebody, anybody, because I had a hold on my student account.” The financial aid office could only inform him about applying for a scholarship or seeking private loans. Nick had been awarded the maximum amount based on his status as a dependent student. What this means is participants did not feel it was unreasonable for them to expect a more cohesive and structured way of learning about financial aid processes.

Direct observation data of students interacting with the financial aid office echoed similar views from the transcript data. For example, students would often ask the attendant at the financial aid window how they would receive their FAFSA money to pay for their classes and buy their books. The attendant would explain that when funds disbursed to the student account, the tuition and fees would be paid and any excess would be refunded directly to the student. Some students would get upset about the process. For instance, after receiving the above-noted information from the attendant, one student responded in an irritated manner. He stated, “Was anybody going to tell me? Or, when was anybody going to tell me? How am I supposed to get my books? Really? So, is there anything else I need to do?” The attendant answered all the student’s questions and then passed him a piece of paper with the master promissory note and
entrance counseling instructions on it. The exchange ended with the attendant telling the student that the master promissory note and entrance counseling components would be imported by the school, within 48 hours, after the forms had been submitted online. Clearly, students often did not understand how and when funds would be available to them. However, all financial aid information is available to students on the school’s financial aid website. Explanations of disbursement dates for the semester and what students should do if this is the first time they will be receiving federal loans at CSU are included there.

Moreover, the timing of financial aid disbursements was unclear to undergraduate students. Once the student disbursements started at CSU, disbursements were done on a weekly basis. Perhaps it is taken for granted that students are aware of various processes associated with financial aid. All refunds are sent to students by Financial Services, not the Office of Financial Aid. However, the information is transmitted over to Financial Services from the financial aid office. Students are expected to check their individual account. If a student has a negative balance, that means that there has been a refund to the student. On the other hand, if the student has a positive balance, that means money is still owed on the student account. Students were often confused by this process because there did not seem to be any concrete order. For instance, Red recollected how she waited weeks for a refund check and her experience with applying for financial aid. Red shared:

I knew for college it was going to be either hit or miss [if I would get any financial aid]; and, it was a miss for me. I did not get any financial aid. I did not know why I didn’t get any. I did what I was told. I said yes to everything because I wanted financial help with my education.
For Red, she understood financial aid to mean grants only. While she was eligible for loans, she was not eligible for a federal Pell Grant. Thus, her understanding was that she did not receive any financial aid.

Students discussed reaching out to friends and family to help them in trying to understand their awards and financial aid process. For instance, Jade shared:

I’m the youngest of three. My sister helped me because she is in school too. My brother chose not to go to school. My parents are Hispanic. They know English but they’re not fluent. My sister, because she still lives at home and stuff like that, helped me do the entrance counseling. The financial aid office, they gave me a handout that had a website and told me to go online and follow the instructions. I immediately called my sister for help.

From the students’ perspectives, the financial aid office does not teach anything about finances. Rather, staff tells students where to go online and to follow the instructions.

Learning financial aid basics was less of a challenge for Vera. Vera explained:

This is the second school I have attended. The bill for my prior experience at the for-profit school was my wake-up call. Now, I probe and dig for financial aid information. Then, I go and ask financial aid questions that are related to me and my situation. That is how I am learning financial aid basics. I am becoming more attentive to my financial aid.

Nick sort of mused during the interview as he talked about his experience with the online component that he had to complete for his loans to post to his student account. He said:

I was told to complete entrance counseling and I did what I was told to do. “Click here, scroll up, click there, scroll up, and click there. Then submit the online form and you’re done.” I was clueless, but I did it hoping for the best outcome. Basic financial aid literacy components should be more engaging for students.

Undergraduate students at CSU seemed to be borrowing what they needed from semester to semester to stay on track in their respective programs. Ironically, some undergraduate students only came to know about the consequences of an outstanding balance at the end of the
semester. If there was an outstanding balance at the end of the semester, the student account became locked. This prompted students to seek help because they were unable to register for a new semester until the outstanding balance was satisfied. Students had to track and resolve their outstanding balances. Outstanding balances can occur for varied reasons. For example, if the student drops a class after the deadline, the financial aid will be reversed and create a balance. In this type of situation, an administrator must make the adjustments to avoid financial aid being reversed. Vera explained:

I learned the difference between a dropped course and a course withdrawal. I was in the wrong class, so I dropped the wrong class and tried to get into the correct class (which was full) and that triggered my enrollment status. I was supposed to be registered as full time and when I dropped that class I became registered as less than full time. That meant that I was not a full-time student and my financial aid had paid for full-time status and I was less than full-time. Once financial aid has posted to the student account, any changes the student makes is flagged as a change in enrollment.

Student Affairs and Enrollment Management, in most situations, adheres to a partnership to resolve issues that affect the enrollment status of students.

Most of the participants in this study expected and wanted more than a handout with instructions to go online to complete whatever component or process that was needed. However, the financial aid online services that students were referred to were not user friendly. Ultimately, student participants in this study concluded that their financial account and any information they needed to navigate their finances was their responsibility. For the most part, financial aid is a process. Ironically, none of the documents that were analyzed in this study laid out any financial aid processes. Once the FAFSA is completed, students are instructed to contact the Office of Financial Aid with any questions they might have about their funding.
Student Loans and Debt Accumulation

During the course of this study it became apparent that students were genuinely concerned about federal loans and the debt they were accumulating. The greatest concern about accumulated student loan debt was how that debt would affect their lives post-graduation. Students were unsure about future employment prospects when they graduated. As students became more familiar with higher education processes and cost, the realization that they were accumulating substantial loan debt began to emerge. They began to question things like whether they chose the right major to get a good job or how best they could utilize the degree they planned to earn. More importantly, students begin to question if the debt they had and were accumulating for their education was worth it. Nick stated, “Taking out student loans and understanding the different types of loans does not happen simultaneously. You do what you have to do.”

When various loans are accepted by students, they are accepted because in most situations students do not feel that they have a choice in accepting the loans if they want to continue their education. Understanding the loans they accepted is secondary to the needs of the moment and the options that were available.

The overall perspective of the student participants in this study was one of optimism. They felt that before a student can obtain any benefits from higher education, one must take the chance of investing in oneself through the higher education system. Vera said, “I need to provide for myself and my daughter. I must be a role model for her. My education has been expensive, but I believe my education is a key to a better life for me.” Student loans and debt have become an integral part of the higher education ecosystem, especially so when students do
not have other options to secure concrete funding. Steve was firm and said, “If I did not take out these student loans I could not attend college.” Students used what was available to them in the hopes that the investment they made will help them in their futures.

Many of the participants made value-based arguments regarding their borrowing behaviors. Nick stated, “I watched how my mother sacrificed for me to be here. I only borrow what I need for school and work for the extra things I get, like my braces.” From the perspectives of the students in this study, they were resolved to getting through whatever barrier that presented itself. Wolf said, “I have a support system, and many of my peers do not have that. I want to make it through to the end and be independent without a lot of loans to pay back.” They would continue to hold on to the hopes that they would be able to adhere to their federal loan responsibilities regardless of the depth of their individual student loan debt. These students were motivated by the desire to complete their programs, begin their work in the real world, and repay their student loans.

Finally, the meaning undergraduate participants attached to federal student loans and debt accumulation was conveyed in this study. Most participants gave one or more explanations about what student debt meant to them. First and foremost, students felt that taking out loans was in fact the only way they could participate in higher education. After interactions and conversations with either their peers or family members, students collectively felt that debt for higher education was just the way the higher education system is set up.

Students were somewhat timid when discussing their student loans and debt accumulation. They felt good that the debt being accumulated was solely their responsibility and not the responsibility of their parent(s). The accumulation of debt was not something that
students wanted to think about in the present moment. They felt that there were no choices available to them other than the loans. Students were disappointed in not receiving enough grant money to fully fund their undergraduate education. Understanding the loans and the responsibilities attached to the loans was something students felt they had time to figure out. Externally, most of the students appeared to be very nonchalant about the debt they were accumulating based on what was available to them at the time.

The top three responses by the participants were, number one, confirmation/notification of any changes to the student account. Jade stated, “It would be nice to have stuff confirmed. Like, I could be wrong about something I think I know.” I asked Jade if she would give me an example of the type of thing(s) she was talking about. Jade explained:

When something changes with what I am awarded, a notification should be sent. They awarded me too much in subsidized loans. Then, financial aid just added unsubsidized loan to my student account. My preference would be to pay the difference and not add more unsubsidized loan money. It would have been nice to get notification about something important like that. So, I had to take more of the unsubsidized loan because I did not have the cash and there was no payment plan.

Students want to be notified of any changes to their student awards because more often than not it affects their ability to register for the upcoming semester if there is a balance.

The second most important element about accumulating debt was the potential unknown situations that often added stress for students. Nick said, “There may be something important that I don’t know about.” Nick talked about not being aware that he could access and track all the federal aid he had received. Being able to access the NSLDS report was an example of how students could keep up with their borrowing and minimize a bit of their financial stress.
Undergraduate students felt that they had a lot on their plates and were always looking for little things to motivate them. Being able to track borrowing was thus important for undergraduates.

Third, students discussed how debt accumulation was financial motivation for them. For example, the primary motivation expressed regarding accumulated debt was motivation for students to get the best job they could get when they enter the work force. Financial motivation was something students felt they could use for personal benefit. Steve stated, “It’s my money, so it matters to me.” Most of the participants in this study could hardly wrap their minds around the amount of debt they had accumulated. Because each participant had allowed me to access their NSLDS report, many of the participants were surprised to find out how much they had borrowed but also surprised that this was something they could access on their own. However, Steve’s priority was having better literacy resources available for students. He felt strongly about the institution providing students with the help they need to become better individuals when they graduate. Steve said, “I am here to learn.”

Many of the participants could hardly believe that just a few years ago they were going to high school to get their diploma. Now, students were working towards a degree and accumulating real debt in college. Now they had to figure out how they were going to pay any outstanding balances and make decisions about borrowing money as an adult. Vera restated, “The least I can do for myself is to know and understand what I’ve gotten myself into.”

Perhaps students were borrowing blindly (without a comfortable level of understanding about federal loans), but they did not seem to be borrowing frivolously. Jade said, “My sister explained loans to me. She told me to wait until the end of the semester after all your grants pay out. Then borrow the exact amount you need to pay that balance.” In fact, most participants did
not want to borrow at all and tried to reduce their college costs. Wolf joked, “I could easily add about $4,000 in loans, just by living on campus. So, I’m saving myself $8,000 a year by commuting to campus.” For the most part, students only take loans out because there are no other viable means to fund their higher education endeavors. Overall, the students in this study did not have a handle on precisely how much they were borrowing. They borrow to meet the cost of attending university. That was revealed by the amazement exhibited upon seeing their individual NSLDS report, which tracks all loan amounts students receive.

Crossroads of Learning: Literacy Resources and Higher Education Costs

The best way to describe how students perceived literacy and the costs that are being incurred to participate in higher education is that they felt inadequate in most financial literacy matters. For the most part, financial literacy was not a topic or skill these participants were familiar with. Further, from the perspectives of the participants in this study, there was no specific pathway provided to access financial literacy resources. The participants in this study perceived financial literacy as knowing how to do things like the basics of budgeting, saving, and managing their personal finances.

Many of the participants in this study felt they were at a double disadvantage. Many of the students were either low-income or first-generation college students whose parents did not attend college and could not provide financial literacy information about the cost of higher education and how to pay for college. Students arrive at a crossroad, the crossroad of having been dependent on their parent(s) for most everything financial until entering college. Then they find themselves trying to meet the young adult experience of becoming financially independent. Students must learn how to budget, manage credit card debt, open a savings and/or
checking account, but most importantly, manage their educational borrowing. The following is an intersection of the core issues of students from their perspectives on financial literacy resources and the cost of higher education. Transcript data, observation data, and document analysis data were triangulated, with a focus on the students’ perspectives.

**Literacy Resource Awareness and Utilization of Resources**

Students shared that they were often daunted about available financial literacy resources. While all of CSU’s financial literacy resources are online, the resources were often difficult to locate and seemed to be an obstacle for students. Red shared her perspective: “That’s a problem. Being expected to know how to locate and use information and documents from online is a bit much.” Similarly, Nick said:

Nobody has time to take 16 credit hours, read and study for exams, and then go online to search and hunt for financial aid information. Nobody has time for that. Furthermore, presentations like PowerPoint are boring and not impressive for a student. Students prefer to be engaged when vital information is being disseminated to them.

In addition to having difficulty finding information, where the information was located, it was often not in a format desired by students. Moreover, students quickly learned that the financial aid office was packed with many processes. As Vera stated, “Financial aid has a process for every single little thing. Information and processes that affect most students should be e-blasted or something.” So the participants in this study overwhelmingly inquired about financial literacy resources. In trying to utilize the available literacy resources, students became very disappointed in that the resources did not broaden their knowing or learning about financial literacy.
Participants indicated that the amount of time it took to find information about financial literacy was a barrier. Moreover, online literacy resources did not work best for them. Students talked about how they wanted to be engaged when learning this type of vital information. Kenya stated, “If I had known or learned a few financial basics, I think I would have done a few things differently.” These undergraduate students wanted more of a hands-on approach to learn financial literacy basics. Jade explained, “I am always trying to work on a real budget for myself. I don’t really know how it should be done.”

Financial literacy was a new topic and undoubtedly there were questions that arose. Most of the students who used the online resources felt that clicking around online was not the best way to learn this information. Jade stated why financial literacy awareness should be presented in a straightforward way that students can learn and understand:

I work and I’m a full-time student. I need to be engaged; if you want me to independently go online to research financial aid literacy videos, I’ll pass! Financial literacy should be mandatory, and it should be engaging. That’s what I need.

Vera explained:

The average student is way too busy for that, to go online and watch a video. I commute. My drive is more than 100 miles round-trip. I come from Evanston and am on campus four days a week. That is not fair to students who have homework and other personal responsibilities outside of school.

Students expressed that the online literacy resources confused them more than it helped them.

Students wanted financial aid literacy information conveyed to them in a more linear and structured approach. They did not feel that much learning occurred by clicking through online links to modules and videos. Wolf communicated, “There is nothing that shows you what you
are paying for or anything like that. There are a lot of unfamiliar terms. Then it will tell you to check with your financial aid office.” For him, that form of delivery was not effective.

Each institution gets to decide how students will receive financial literacy information. CSU uses the Department of Education’s online resource, which is presented as a cluster of different modules that can be clicked into for further information. Students describe the modules as a maze that goes on and on. The online literacy resource is filled with a lot of quick references which seem to be filled with more advanced information that is not easy to understand.

The way in which the online information was presented did not draw students in or communicate clear information. For many of the participants, it was difficult to find a point of reference or anything of substance that they could relate to. Primarily, most of the participants in this study were first-generation students and finances were not a familiar topic for them. Kenya stated, “You are routed to the Department of Education. Then you go from one link to another link; it is not user friendly.” Students want a simple and understandable financial literacy resource and if the resource must be online, it should be user friendly.

In reviewing the online literacy resources available to students, it was easy to understand their frustration with the delivery method. The CSU website provides three primary documents: the 2016-2017 Guide to Federal Student Aid, Do you Need Money for College?, and the College Preparation Checklist. Those documents offer further instructions that lead students to the Department of Education for further information. At best, the online resource offered a more detailed breakdown of federal student aid: federal loans, entrance counseling, exit counseling,
and loan repayment. However, the online financial aid literacy resource did not necessarily work best for these students.

The online resource was insufficient in helping these students increase their financial knowledge and understanding of financial aid and basic financial literacy. The participants talked about their wants and needs to be engaged and how it was important for them to learn this type of vital financial information. Kenya said, “My money, my future and I’m here to learn. When I finish and go for that job that I’m being prepared for right now…my loans and knowing how to handle them is a part of that.” Participants wanted more of a hands-on approach when learning about financial aid and literacy basics.

When asked about how effective online resources were, Vera, Jade, and Red all shared similar responses. Each one of them had attempted to use the online financial aid resources and found them unhelpful. Vera indicated that they were confusing and asked, “Who has time to do that?” By this she meant, who had time to figure them out? Similarly, Jade and Red indicated that the resources were not effective. Red stated, “Are you kidding me?” in response to the question about their effectiveness.

According to participants, the online resource was not user friendly. Vera said, “There was a lot of ‘Click here and refer back to section c.2 or back to section c.1.’ What?” Moreover, most of the information was very general. Students had hoped to find information about how to budget and manage money as a college student. Red said, “I need information that is relevant to me. Nobody told me I should get direct deposit set up for my work-study funds. I was told I’d get a check.” Jade recommended, “Financial Aid should create a universal template of a budget that would be useful for students like me.” Nick said, “Before my financial crisis, opening a
savings account never occurred to me.” Kenya said, “I could have lived in a smaller room and saved money.” These students wanted information about things like budgets and money management. From the students’ perspectives, it was disappointing and often frustrating not being able to find appropriate information to assist them with their finances. For many of the participants in this study, this was their first experience with finances and they felt they needed a clearer understanding of their college debt.

**The Cost of Higher Education: Participants’ Perspectives and Interpretations**

There came a point during the observation phase of this study that I was able to observe student perspectives on higher education debt in real time. One day during observations, I observed students at an event which was hosted by CSU’s Student Senate. The students in attendance at this event were excited and somewhat eager to listen and participate in a conversation with the special guest. The Student Senate welcomed State Representative Will Guzzardi, who discussed the topic of a “Tuition-Free Illinois.”

The prospect of a tuition-free college education fully engaged the student audience. The various tiers of questions that students had about the loan debt they were incurring was very telling. Based on the questions students asked, in the standing-room-only event hall, it became clear that students were really concerned about student loan debt and the rising cost of a college education. Some of the student participants in this study, who had previously addressed these issues during our face-to-face interviews, were present and engaged at the event. One of the most challenging questions that a student asked of Representative Guzzardi was:

> Public colleges are supposed to be publicly funded. Why is college free in some states and not free in all states? Can you tell us what we as students can do to advance the prospect of free college in the state of Illinois?
Representative Guzzardi was prepared for the challenge of answering free college tuition questions from the students at CSU. His response to the students was a fact which was wrapped in politics. Representative Guzzardi told the students, “It is possible to have tuition-free college in Illinois.” He reminded the students that in the next couple of years they would be of age and hopefully working and voting. Working and voting would be an opportunity to change things in Illinois.

Student loans and massive debt accumulation was a welcomed topic for the students in attendance at the special event. They wanted to know how they could help or work to impact the key issue and bring tuition-free college to the state of Illinois. During our one-on-one interviews, a couple of the participants talked about their transition from high school to college and the financial responsibility this entailed. Red voiced:

Higher education should be a right, not an expensive privilege. We came from high school where there was no tuition and the fees and books were about $500 to $700 for the entire year, not $9,000 to $10,000 every semester. This is the next continuous level from high school.

Similarly, Wolf shared a recent experience:

I had to retrieve my final high school completion record after being enrolled here for almost two years. When I went back to pick up my document, I just stood in the corridor frozen in time for a minute, remembering how much simpler and less expensive things were just a couple of years ago. Students were becoming aware of their debt and concerned about and being able to meet their loan responsibilities.

Seemingly, both Red and Wolf were questioning the role of public education as well as the cost difference between getting a high school diploma and a college degree. Certainly, there are differences between the two systems; increasingly, students are seeing a postsecondary degree as an economic necessity rather than a privilege.
Moreover, students felt the weight of having to get a good job upon graduation in order to pay back their loans. For instance, Vera said:

I am very concerned about how the government never really disburses the correct amounts of a loan you take out. Also, the fact that these loans have interest is scary. I am going to need a great job when I finish and it’s time to pay back my loans, with interest.

Vera mentioned that her loans did not disburse to her student account the amount she had accepted. This was a true statement. The reason the amounts are different is because there is a loan origination fee attached to every federal loan. This fee is deducted before the loan is applied to the student account. Students are concerned about the cost and all the incidental expenses that are incurred and must be paid for college.

Students had valid concerns relevant to federal student borrowing. It was not unusual that students were not knowledgeable about the ever-changing and intricate world of financial aid. Kenya said, “I need to have information that is relevant to my financial situation. This is a digital world. Help me!” Knowledge of federal aid and understanding of financial aid processes do not automatically happen simply by completing the Free Application for Federal Student Aid.

Despite trying to hunt for knowledge and understanding of federal student aid and financial aid processes, it was clear that students also sought out basic financial literacy skills. All the participants in this study had the resolute determination to participate in higher education with reasonable expectations that were not met. Nick stated, “After I got to campus I waited and checked my CSU email and campus bulletin boards for anything about financial aid meetings for new students. It never happened.” Even though student care about the costs of higher education and come to understand that they are accumulating debt, all seven participants unanimously
expressed that they could not think about their debt level too seriously. The situation is: Take out the loans and continue on with their programs or don’t participate in higher education.

Nevertheless, students had a determination to participate and be successful in completing their undergraduate journey. Despite the obstacles that happened to come along, these students had tremendous perseverance. Four participants in the study acknowledged that because of costs associated with higher education, they were constantly reassessing their finances to determine what if anything could be minimized or how they could better manage their funds. These participants reflected upon and made the following statements about the costs being incurred for their education.

Red shared that she was “too poor to pay $5,000 to $6,000 out of pocket each semester for college, yet too rich for any federal grants, financial aid. I don’t get any financial aid, just loans.” Being reflective about her accumulating debt, Red talked about how she had yet to decide on a major. Kenya added:

When I complete my junior year, I will only have a little grant money left to pay for classes. I have absolutely no loans available to me because I am still a dependent student and I am tapped out of loan money simply because of my dependency status.

Kenya knew that her current debt would be heading into repayment if she had to abandon her studies. The worst part of Kenya’s situation was having the debt and not having completed the degree because she did not have any remaining federal loan funding. Kenya was a dependent student (under the age of 24); the maximum amount a dependent student can borrow is $31,000 in federal loans.

Students expressed their perspectives of the high and the low points of borrowing federal loans. There are prompts, such as not having enough funding or being overwhelmed with the
process, which nudge when and how students become aware of and begin to learn about the cost of their higher education and their student loan debt. Vera talked about how she became aware of her financial situation:

> I am always tracking loan amounts because I wasted over $22,000 attending a for-profit college. Now, I need the loans to complete my degree and put gas in my car to get to campus. I live more than 50 miles away.

Vera had learned over time and from her prior experience to be aware of her borrowing habits. Nick’s response to the cost of his education and borrowing invoked him to immediately view his debt from what the amount would be at the end of his college career. Sort of thinking out loud, Nick said, “I have recurring thoughts of fear about my accumulated debt. I have subsidized, unsubsidized and Perkins loans.” Nick was just beginning to become familiar with his finances and higher education costs. Federal student loans and loan processes intimidate new students, especially those first in the family to attend college. Financial literacy is an essential link to student success (Mueller, 2013).

Overall, the participants understood they were borrowing and accumulating debt. Most of the participants held on to the hope of finding gainful employment after graduation. Statements such as the ones quoted above were embedded in a lack of knowledge and understanding about federal student aid processes and loan responsibilities. Individually and collectively, the participants in this study through their own words expressed how they were trying to navigate the many complex financial aspects of their higher education.

Students discussed needing assistance in learning how to navigate and manage their personal finances and debt accumulation during their college careers. For instance, one participant, Jade, was frustrated because of unfamiliar notices that she received from her lender.
Jade not only shared her experience but offered a solution from the perspective of an undergraduate’s point of view. Jade stated:

The Office of Financial Aid should have resources in place to help students understand federal student loans and how they work. Shortly after arriving on campus a couple of years ago, I visited the financial aid office after receiving paperwork from a loan company. I inquired at the financial aid office about understanding these statements. I was told to contact my loan holder. I did not make that contact. Instead, I went through the statements myself. I got so frustrated because I did not understand anything in that statement. At the peak of my frustration, I threw the statement away.

Much later, Jade learned she would receive these statements every semester that she took out a federal loan. She felt that being aware of this information would have alleviated the anxiety she went through at that time. Knowing that she should expect the statements or where the statements came from would have been of tremendous help to her understanding of an important federal student loan process.

For many of the participants in this study, the cost of their education was a concrete factor. This is important because their interpretation of that concrete factor meant having to take on student loan debt. Most cited their decision to attend a public institution that costs less than going out of state or attending a private institution mainly to minimize their debt. Most of the participants could hardly comprehend the debt they had taken on to participate in higher education. Being able to meet the costs of attending school and understanding the federal debt that was being accumulated for what students perceived as the single major financial investment they were making—a decision and investment that would ultimately affect the rest of their lives. What this means is for students there was a crossroads moment prior to taking on loan debt.

Four of the seven participants in this study pushed past being loan-averse students as they
recalled and described how they felt about taking on loans. Despite how they felt about student loans, they decided to invest in themselves and pursue the path of higher education.

Chapter 4 Summary

Chapter 4 has presented the findings of this study. The key themes were: applying for federal student aid and completing the FAFSA form, the trial and error of learning basic financial aid processes, and student loan debt and debt accumulation. Then, the crossroads of learning–financial literacy, resources, and the cost of higher education–were discussed.
CHAPTER 5
DISCUSSION

Federal student loans have become a major aspect of the higher education experience for most undergraduate students (Avery & Turner, 2012). The participants in this study illuminated a trend in higher education towards an increase in student loan borrowing and debt accumulation (Fry, 2012). Using qualitative case study methodology, this research study was framed by concepts of social constructivism and social learning theory. In this study I explored undergraduate students’ knowledge and understanding of federal student aid and their borrowing behaviors.

Qualitative inquiry was the best fit for this case study because it allowed clarification of the how and why questions of the student loan debt phenomenon. As the researcher, I wanted to give voice to students’ individual experiences and perspectives of borrowing while using federal student aid to finance their education. I wanted to explore their understanding and knowledge of the FAFSA form, financial aid processes, and financial literacy matters in relationship to the cost of higher education and student loan debt accumulation.

The principal concepts of social learning theory framed this study. The core of social learning theory combines cognitive learning theory (which posits that learning is influenced by psychological factors) and behavioral learning theory (which assumes that learning is based on responses to environment stimuli). Bandura and Walters (1977) integrated these two theories and came up with four requirements for learning: observation (environmental), retention (cognitive), reproduction (cognitive), and motivation (both). This integrative approach to
learning is called social learning theory. Specifically, Bandura’s (1977) social learning supposition puts forth that individuals learn from one another.

The core concepts of social learning theory are that learning occurs by observations, imitation, and modeling (Bandura, 1986). Social learning theory explains how individuals learn new behaviors, values, and attitudes. For example, a teenager might learn slang by observing his or her peers. The theory further states that learning is a cognitive process that takes place in a social context and can occur purely through observation or direct instruction (Bandura 1977).

Social learning concepts were applied directly in this study. The concepts were used to analyze answers to the research questions from the perspectives of undergraduate participants. In their unique situations, the participants discussed how they learned about financial aid processes, basic financial literacy, student loans, and debt accumulation. The participants in this study discussed how they learned from each other and learned by doing. According to Bandura (1977), the acquisition of new knowledge is an arduous process which is made easier through social interaction.

At the start of this research project, I was unsure of a couple of questions. The first question was: Do undergraduate students have difficulties completing the FAFSA form? If so, why do they have difficulties, or what might those difficulties be? Then I was unsure about their knowledge and understanding of the huge federal student aid systems they had applied to for help in funding their education. The answers to these questions were the motivation for pursuing this subject matter.

The results of this study established that students could benefit from undergraduate workshops/seminars at the beginning of their college careers. The results also confirmed that
undergraduate students have a minimal general understanding of federal student aid systems. It was revealed, too, that student borrowers often have minimal to low financial aid literacy skills. More importantly, it was confirmed in this study that student borrowers tend to borrow blindly (Akers & Chingos, 2014; Kezar & Yang, 2010).

After the initial screening for participants, I began the study by exploring student experiences and perspectives on completing the Free Application for Student Aid (FAFSA) form. I delved into their experiences with financial aid processes once these undergraduate students arrived on Central State University’s campus to begin their college careers.

**FAFSA Completion and Renewal**

According to Dynarski and Scott-Clayton (2013), there are two major impediments that affect access to higher education for many students and their families. The first impediment is the complexity of the Free Application for Student Aid (FAFSA) form and the second is lack of financial literacy of college students. For many students the FAFSA form can be very challenging to complete. The FAFSA form is a detailed financial form that over the years has been reduced from 142 questions to the current 103 questions. The Department of Education reports have called for further simplification of the application form. Many students who should complete the FAFSA form do not complete it because of the detailed financial information that is required to complete the form (Dynarski & Wiederspan, 2012).

A principal finding in this study was that participants had little to no support in completing the FAFSA form. They had to basically manage their own FAFSA completion, take care of any financial aid processes, and subsequently manage FAFSA renewal on their own. The participants articulated that the Free Application for Student Aid was complicated and not easy
to understand. For example, when completing the FAFSA there were occasions when it was hard to distinguish if the form was asking for student information or parent information.

The same experiences and perspectives of the participants in this study are present within the literature on the topics of FAFSA completion and financial aid processes. Even within the vast statistical data on the topic, it has been recommended that FAFSA simplification and basic financial literacy matters should be vigorously addressed immediately (Andruska, Hogarth, Fletcher, Forbes, & Wohlgemuth, 2014). In 2016, the FAFSA application process underwent a significant change. This change allowed applicants to use income tax information from two years earlier rather than the current year in which they were applying. For example, when completing the 2017-2018 FAFSA, income tax information for the tax year ending December 31, 2016, was used. This change was called prior-prior year. Previously, applicants would have to wait until their 2017 income taxes were filed before completing or renewing the 2017-2018 FAFSA or they would have to provide estimated tax information on the FAFSA form. The problem with using current income tax information is that students could potentially miss out on state grant money. State grant money goes to student who complete or renew their FAFSA by an early application date. The later you apply or renew your FAFSA often determines eligibility for your state grant. When using current-year information, many applicants were, in essence, providing estimates of their annual income. This is important because the first day a FAFSA could be completed is January 1st of each year. However, few applicants or their parents had filed their current-year income taxes by January 1st. By implementing the use of prior-prior year income tax information on the FAFSA, applicants were using income tax information that had
already been or should have been completed already. Thus, the income information on the FAFSA is accurate and not just estimates of income.

Over the past few years the FAFSA form has undergone a major improvement. That improvement specifically addressed the identity and security of students and parents who complete the FAFSA form online (NASFAA, 2016). However, minimal core changes have occurred on the form itself. One of the major issues students struggled with when completing the FAFSA form was incomplete or inaccurate information reported on the form that had to be verified before federal aid could be awarded. For instance, if the student and/or the parent does not electronically sign the form before it is submitted, the form will transmit to the selected institutions and be classified as a reject; when corrections are made to the initially submitted form, that FAFSA application could be selected for verification. For example, if there is a significant change in the family income amount or members in the household, that form could be selected for verification too. Also, a percentage of FAFSA applications are randomly selected for verification by the Department of Education and must go through the verification process. A simplified version or revision of the FAFSA form is presently unfinished.

There has been a lot of conversation within the financial aid community about streamlining the FAFSA form. The Department of Education had to immediately focus on protecting and securing all FAFSA online applicants’ identities. However, improvement and revision of the FAFSA form is still one of many priorities of the Department of Education.

What This Means and Its Relevance

In this study, I found that most of the participants felt that the FAFSA was an extensive and confusing form to complete and renew each year. Yet, the FAFSA is the entry into any and
all federal student aid. This finding was relevant for a couple of reasons. During the time that
the participants in this study were renewing their FAFSA applications, new rules and dates were
established and implemented by the Department of Education. It was a very confusing time for
both the financial aid office and many students. The Department of Education rolled out a new
phase of FAFSA improvements and simplification (NASFAA, 2016). All things considered,
during the 2016-2017 academic year some CSU students fell through institutional system cracks
that just happened to accompany the implemented FAFSA improvements that occurred during
that year. This is important because at the time of this study, the participants were part of an
underserved student population of which many were first-generation students. These students
were unfamiliar with the various financial aid processes and unaware of additional
documentation the financial aid office needed from them as soon as possible. There were codes
put on and flagged by the Department of Education which the financial aid office had to resolve.
If students had been awarded aid and were flagged for some reason, holds were placed on
student accounts pending the resolution of any flagged items. Also, if students had not yet been
awarded aid, additional documentation might be needed before federal student aid could be
awarded.

The newest student population assumed that the financial aid office would notify them
about important information, such as any and all additional actions needed on their part or how
and when their federal aid would pay out. More importantly, the students assumed they would
be informed about how they could expediently proceed because they needed their books at the
start of classes. The student participants in this study had expectations of the institution, and
they felt that their expectations were reasonable.
This finding meant that the institution and the financial aid office had not met the expectations of their latest student population. The portrait that was painted by the above finding and other findings in the study is bittersweet. The participants in this study did not feel that the financial aid office was effective in communicating important information and details about financial aid processes and the connection between the Office of Financial Aid, their FAFSA, and federal student aid awards. The participants did not feel that important information was communicated in a timely manner.

Financial Aid Processes

After the FAFSA has been completed or renewed, the Department of Education suggests that students and parents contact the institution they will be attending for any further information. Very often there are processes that must be attended to by the student. Most all processes beyond FAFSA completion are directly related to and resolved by the financial aid office.

Financial aid administrators/counselors are the processors and counselors of all enrolled students and their financial aid files. Any individual who completed the FAFSA and enrolls at the institution has a financial aid file. Another key finding in this study was that financial aid processes were learned through what participants described as “trial and error” learning.

Frequently, among the participants in this study the students discussed relying on financial aid information they glean from peers or, in some situations, an older sibling might give financial aid information and advice. This information could be helpful but not always accurate. For example, one participant relied on her older sibling to help her navigate financial aid. However, the participant was disappointed because the information was not totally accurate: the
particular scholarship that her sibling received was no longer available. Other participants in the study talked about relying on peers to help them navigate financial aid. In these cases, students are likely to be misinformed or at the very least underinformed. For instance, students often ask why they did not receive a MAP Grant. This grant is awarded on a first come, first served basis. Early renewal of the FAFSA application is a foremost criterion for receiving the state grant.

Students are increasingly consulting their peers and using Google to get information about financial aid processes. The participants in this study stated that they only used social media to get broad financial aid information. They specified that they employed social media only if they had reached a state of desperation or had what they felt were very general questions that they wanted answered. However, a growing body of research (Aydin, 2012; Blankenship, 2011) indicates traditional-aged students (aged 17-24) are more likely to use social media such as Facebook and Instagram as favored platforms to get and vet through mounds of financial aid information. These students rely on social media connections for multiple reasons. The participants in this study said social media is a quick measure for getting a response and is easy to access from a smart phone. The most significant reason students said they use social media was because using social media platforms enables them to network about financial aid with people and groups that they trust. Students consider their social media connections knowledgeable sources on whatever the given topic might be. Most of the participants stated that because of their course load, time on social media was increasingly limited.

This particular finding is relevant because most of the empirical support of this finding is imbedded within what Bandura and Vygotsky share with us about learning and how it occurs. This is important because the foundational support of literature from Bandura’s (1977) learning
theory and Vygotsky (1978) adequately describes how CSU’s student participants navigated learning financial aid processes while on their higher education journey. Bandura (1977) outlines clearly how social learning occurs by observation, imitation, and modeling. The CSU student participants in this study learned social attitudes, values, and behaviors from each other in their new environment. This means that students are not essentially or deliberately being exposed to financial aid processes by the institution or the financial aid office.

The Office of Financial Aid at CSU implemented FAFSA workshops to assist students in the renewal of their FAFSAs. During the workshop, general verification-related issues and acceptable financial aid documentation are discussed. However, the participants felt that they needed much more than FAFSA application renewal help.

Because most students now use or will use federal student loans, there is a greater need for basic financial literacy for students. The critical need for financial literacy is the byproduct of student loans awarded to students who were financially unprepared for the responsibility of owing thousands of dollars in student debt. The topic of financial literacy has been growing in importance since 2007-2008. It was then that most need-based financial aid (grants) began to be replaced with student loans.

Insight: Student Borrowers’ Perspectives on Federal Student Loans

Akers and Chingos (2014) reported that 48% of student borrowers do not know the amount they have borrowed. Nearly all the participants in this study did not know how much they had borrowed. To paraphrase one student, they just don’t know what they don’t know!

Literature that specifically addresses students’ knowledge, understanding, and perspectives on federal student loans and debt accumulation is sparse. The lack of financial
literacy among college students is an outstanding problem and indicates there is a significant need for financial education programs (Fox et al. 2005; Lusardi & Mitchell, 2014; Lusardi et al., 2010). This study adds contextual support that substantiates the sparse body of research from the students’ perspectives. The vast amount of statistical literature on the student loan phenomenon often does not address the phenomenon appropriately. Using only statistical data when addressing the debt phenomenon does not consider or include any context of the phenomenon from the students’ perspectives. Most of the studies and literature about student loan debt is quantitative and filled with numeric statistics about the phenomenon. Qualitative literature and studies from the perspectives of the students are very limited. It is important to hear from students participating in higher education and accumulating student debt. Therefore, in this study I aimed to add a contextual perspective to the student loan debt phenomenon. Further, new empirical trending evidence presents a new twist concerning student loans. This new trend is loan-averse students who do not want to take on student debt. However, the situation at CSU when first-year students were admitted was unique in that once the students had been admitted and arrived on campus, they felt like they were locked into participation in higher education with few funding choices.

The perspectives of students who were accumulating loan debt with limited detailed knowledge were not surprising. The participants expressed that their expectations were to have basic financial aid literacy and borrowing explained to them in detail. What students felt the most concern about as they pursued higher education was their financial well-being. Undergraduate students have a specific need to better understand basic financial aid processes
and basic financial aid literacy, which consists of aspects like budgeting, personal finance, and managing student loan debt.

Initially, first-time student borrowers experience stress and distress. According to the participants in this study, they were advised by financial aid counselors to accept the loans that they were awarded. They were given instructions to complete and submit the online components of the financial aid process. Once that has been done, the loans post to the students’ accounts. After following those steps and committing to the loans, participants said they were not informed with more details about the loans. Rather, most of the students stated that it was a very frightening experience because they really did not understand the loans.

Most of the participants knew that all loans had to be repaid. While students might have been borrowing with minimal financial information, they were often instructed to do so with little follow-up information provided to them by either the institution or the financial aid office. The participants in this study wanted to complete college as mature individuals who could be responsible and accountable for their own financial well-being. They understood that there are consequences attached to student loan borrowing. Nevertheless, it is the extent of those responsibilities that are not clear or understood by students. Undergraduate students have the largest variety of federal resources available to them. Often, participants did make a distinction about the type of aid they were awarded and saw major differences in the various federal resources they were using. The entire concept of federal aid, especially the loans, presented undergraduate students with something new and different that they had to learn.

Student debt is a reality for many undergraduate students who pursue higher education. When students enter into the legal agreement by accepting federal student loans, there is a
financial responsibility that comes with that loan. The loan must be paid back, along with any accrued and compounded interest on the loan. The accrued and compounded interest amount is a major contributor to students’ debt accumulation. McPherson and Schapiro (1999) explained how early on, student loans were conceptualized as financial aid by students.

Prior to 2000, contemporary higher education practices began to substitute the student loan for an increasing portion of non-obligatory (funds that do not have to be repaid) financial aid. When non-obligatory financial aid began being replaced with student loans, that was the time to introduce basic financial literacy. It should have become a higher education curriculum priority. The lack of basic financial literacy is a significant contributor to student loan default (Lusardi et al., 2010).

Today, the millennial student population is the largest and most diverse generation to ever attend college (de Bassa Scheresberg, Lusardi, & Yakoboski, 2014). The borrowing behavior of undergraduate students appears to be influenced through observations, mirroring, and being informed directly. Interactions between individuals on Facebook, Twitter and even blogs transfer knowledge. However, most financial aid offices do not seem to be embracing how current students learn or want to receive information.

Moreover, millennial students find the smart phone as their most powerful tool to network and connect with the outside world for almost all things that are relevant to their lives (Lester & Borders, 2016). Students use their smart phones to help them navigate and be successful in higher education. Through the careful observation of others, individuals learn numerous new behaviors such as emotional reactions and how to use tools in their environments (Bandura, 1977). Individuals modify their behaviors based on the consequences (e.g.,
reinforcement or punishment). Yet, even with fingertip technology, undergraduate students have a minimal understanding of student loans and debt accumulation. The participants stated that the only thing they could access on their smart phones or tablets was the student portal, which was often not updated.

The structure behind the Department of Education’s debt-based loans system contributes to the student debt crisis (Reed & Cochrane, 2012). For example, students are not approved or declined for educational funding from the Department of Education based on creditworthiness. Instead, students are offered loans directly tied to the cost of attendance at the college or university they choose to attend. Sometimes, student loans are funded beyond the actual expenses for a semester and the excess is refunded into the hands of young borrowers who have a minimal understanding that the refund is indeed a loan. While only three participants received a refund check, they expressed that they did not know they could have declined the loan and not received a refund. The students thought they had to accept what they were offered. Furthermore, at the time the refund check was received by the student, there was a financial need. So, in that moment, it did not matter that what they were being refunded was in fact a loan that was accruing interest.

The complexities of student loans are compounded even though interest rates on federal student loans have remained the same (3.76%) for many years, which is the equivalent of a near-zero interest rate environment. Students in this study, for the most part, did not have a firm handle on their federal student loans. In the best scenario regarding a student loan refund check, the student has options. The first option when receiving a refund check is to pay or have deducted any interest that is due if the loan is unsubsidized. Or, the student could send the refund
check back to the lender and pay down the gross amount that was borrowed. That is rarely the situation. In fact, most of the time, the loan refunds are used to purchase books and pay for other college-related expenses. In contrast, many undergraduate students do not get a refund check. Rather, at the end of a semester many undergraduates have a remaining balance. Four of the participants in this study did not receive a refund check. Thus, these students had a balance at the end of the semester. Further, these participants expressed anxieties about their financial situations and were concerned about being able to continue their education.

Many students participating in higher education experience being financially independent for the first time when their college career begins. Discussions on how to develop good financial habits and make the best of available federal student aid are long overdue. Along with problem-solving steps that should be taken when students start to experience financial hardships are also other topics that should be presented to undergraduate students. There were participants in this study who were struggling financially and experiencing deficits in their financial well-being. For instance, there is a difference of at least $4,000 between dependent and independent students. If a student has the status of dependent student, fewer borrowing options are available; four of the participants in this study were in this category. Three of the four discussed the financial hardships they incurred. One participant had purchased a $1500 meal plan, of which only about $750 had been used. There were funds remaining on the meal plan that could not be applied to the $3000 semester balance.

Undergraduate college student success models should include a basic financial aid literacy blueprint. When Central State University began admitting first-year undergraduate students, all first-year students were required to take a newly created 1-credit-hour course titled
Mastering College. Mastering College is a college-life preparatory course filled with tips, strategies, and assignments geared towards helping students develop discipline(s) to be successful in college. The preparatory course is ten weeks and covers subjects new students need to know about campus life at CSU. All incoming first-year students are required to take the course.

Five of the seven participants in this study who were part of the first and second freshman cohorts at CSU and had taken the course felt that the Mastering College course had a missing component. These participants expressed their belief that the Mastering College course was the perfect course to include some sort of detailed financial aid seminar or workshop for new and first-time college students. Even though all the participants in the study had already completed their FAFSA forms, most of the participants insisted that the Mastering College course was an opportunity to provide details and explain in a way that was relevant to them how financial aid really worked. Based on their expectations of receiving more detailed and specific financial aid information, participants offered their own recommendations based on their experiences, which will be discussed later in the Recommendations section.

Undergraduate students at CSU regarded personal finances and college affordability as topics that overwhelmed them. Observations of students’ interactions with the financial aid office, at student events, as well as during the interviews indicated how concerned students were about their college finances and how this concern impacted other aspects of their lives. Basic financial aid literacy can enhance the overall undergraduate student experience. Offering strategies for navigating personal finances and federal student aid was an expectation of the students, but one that was not met by the university. Participants in the study conveyed that they
were not clear about the questions they needed to ask or should ask about their college finances early on in their college careers. Conversely, the participants were firm in their belief that it was the responsibility of the institution and the financial aid office to provide financial aid literacy. A bridge of understanding for students who borrow federal student loans and have minimal understanding of basic financial aid literacy and personal finances needs to be created.

In this study the distinction or lack of distinction that participants made between the various types of loans they were awarded was alarming. This finding signals that serious measures to help undergraduate federal loan borrowers understand federal financial aid and financial aid processes should be implemented. The findings further signal that undergraduate student loan borrowers are not only in favor of financial aid literacy workshops or seminars, they feel that workshops or seminars need to be mandatory and that the workshops should occur at the beginning of their borrowing. The findings of this study indicate that there is need for a platform that addresses basic financial aid literacy. It is incumbent upon the Department of Education and the institutions that originate and disburse federal student loans to provide needed financial education to student borrowers.

Crossroads in Higher Education

There is a growing body of research that advocates for students being taught basic financial aid literacy. I made only one assumption regarding basic literacy and the participants in this study. That assumption was that every student had her or his own perspective. Even though participants had similar issues, the point they tried to convey in the data was that they needed and wanted more details and a better understanding of the loans they were taking out. For example, during direct observations at the financial aid window, students often asked the question, “Was
anybody from this office going to tell me or explain to me that I needed to take extra steps beyond just accepting the loan?” Increased financial literacy skills would enable students to manage their loan debt (Akers & Chingos, 2014; Kezar & Yang, 2010).

Most of the participants did not feel that financial literacy was promoted on campus and felt it was basically nonexistent. This finding confirms that students have minimal knowledge and access to federal student aid literacy resources. Providing financial literacy resources must be an essential component of a school’s financial aid debt management counseling outreach as required under Title IV. Delivering financial literacy fundamentally links student aid to both the general needs of students and the academic mission of the institution. It also helps the financial aid division to develop crucial connections with the school community. Administrators need to improve on common student complaints such as process complexities, including the time frame for completing the process. The number one complaint from participants was the inadequate phone systems used to contact someone for more succinct information. Students want process improvements such as clearer directions on the financial aid forms, a better way of knowing where they are in the process of filing financial aid paperwork, shorter hold times in processing, and elimination of the long lines that are often associated with the financial aid office. To sum it all up, between FAFSA, financial aid processes, knowledge and understanding of loans, debt accumulation, and most importantly basic financial literacy education, there is much that should be done.

This means that when professionals ponder the student loan debt phenomenon, it is reasonable to accept that financial literacy is one of the most critical life skills a college-bound student can have. Because debt accumulation for many begins with financing higher education,
basic financial literacy education should be mandatory for first-time student borrowers. Providing students with the tools (or at the very least, a vehicle) that empower them to become financially literate should occur in college. Basic financial literacy skills could not only aid students in becoming better managers of their college finances, but more importantly, they could better position students individually and collectively to develop a sense of financial well-being. It is most important that students graduate and hopefully become gainfully employed. According to NCES (2013), the default rate is directly tied to student debt and non-completion. What this means is, when students do not graduate and have more than $5,000 in student debt, they are more likely to default on their student loans. So, financial literacy is about teaching and getting students through their higher education programs.

The financial aid office promotes financial literacy in the broadest sense. When students at CSU inquire about literacy resources, they are directed to the financial aid web page. There are links on the financial aid page that take students to literacy modules from the Department of Education. CSU does not have its own exclusive modules. The modules that are provided by the Department of Education are mini PowerPoint presentations. According to the participants in this study, the online modules were not engaging and not helpful to them. The participants felt the modules were inadequate.

A fundamental document, the Higher Education Opportunity Act (SS 1041 and 1042), states that educational institutions, together with the Secretary of the Treasury in coordination with the Secretary of Education, seek to enhance financial literacy among students. However, each institution can decide independently how to administer financial literacy to its students. Overall, the Department of Education modules that are being used are not effective in promoting
financial education for CSU undergraduate students. CSU has been educating first-year traditional students for the past four years. There should be updated literacy resources that accommodate the needs of the newest student population at the institution. Moreover, financial aid literacy resources are vital for student borrowers, especially for first-year, first-time student borrowers.

Obstacles and Barriers Related to Higher Education Costs

Students today inadvertently contend with rising costs and state divestment in higher education, both of which contribute to the rise in the costs to attend college. All things considered, the student loan debt phenomenon became of great interest sometime after the 2008 economic recession (Wolber, 2012). Shortly after the recession, there was a surge in higher education enrollment. Along with this surge in enrollment came the surge in student loan borrowing. The recession jump started the national student loan debt level, moving it towards the trillion-dollar mark. Williams (2018), suggested that institutions have a fiscal incentive to continuously raise tuition costs. If there is no grant funding or students are not eligible for grant funding, federal loans are always offered. American higher education currently has a debt-based college loan system. Unless or until there is a change in the current higher education system, the costs of higher education will continue to rise, and students will borrow to cover those costs.

Higher education plays a critical role in the economy and society of the United States (Freedman, 2014). Regardless of complexities of the Free Application for Student Aid, the disinvestment in higher education grant funding on the state level, and the financial burden that students often sustain to participate in higher education, the costs of even public higher education continues to rise (Williams, 2018). This means that for many, federal student loans are
inevitable. There are no alternatives to federal student loans for low- to middle-income students who are attending college. Federal and state grants in many instances do not fully cover the total cost to attend college on a full-time basis. This is especially true when students live in on-campus housing and need to have a meal plan and buy textbooks and other supplies. Thus, it is not surprising that one of the participants in this study had borrowed the maximum amount in loans as a dependent student and had two semesters left before degree completion.

Additionally, the literature connected the lack of financial literacy and the potential effects that a lack of financial literacy has on other areas in the student’s life during college (Archuleta et al., 2013; Robb & Woodyard, 2011). Students in this study reported that a lack of motivation and disengagement in campus activities occurred in their lives when they were experiencing adverse financial situations. For example, one of the participants described her feelings when she was at the height of anxiety about finances, worrying about not being able to cover college costs: “There is a numbness that came over me because I know that neither me or my mother can write a check to cover my balance.” Also, those described anxieties were a shared experience among peers. Further, this finding aligns with the body of research that outlines how the beginning of college is a time of transition in the lives of most undergraduate students (Mandell & Klein, 2009). The participants in this study voiced their expectations for what they felt was needed for a holistic education and unanimously agreed that it should include basic financial aid literacy. These students bear the burden of trying to persist and achieve the major promise of higher education, which is, at the least, a middle-class life and financial well-being (Collins & O’Rourke, 2010).
The unspoken and real sense of fear about debt accumulation and their futures was discussed by all the participants. The participants admitted that in hindsight, the topic of literacy should have been introduced to them in middle school. The research suggests and outlines the different stages at which school-age students should be introduced to financial literacy (Borden et al., 2008; De’Armond, 2010; Gutter & Copur, 2011). Unfortunately, many CSU undergraduate students are not prepared to take on student debt with a reasonable level of understanding.

Much of the research supports the notion of teaching financial literacy in junior high school (Mandell & Klein, 2009; Walstad, Rebeck & MacDonald, 2010). Nevertheless, the students in this study expressed the desire to learn about personal finances and the need to become financially educated and therefore equipped with strategies to be financially well. They wanted training that prepares them for adulthood. Students should not have to struggle on their own to understand various financial components of their higher education endeavor. Online delivery modes do not fully engage students to the extent that they can ultimately make the best decisions about their financial futures. Universities need to help ensure basic understanding of federal student aid responsibilities.

In their assessment on the topic of basic financial aid literacy, financial aid advisors at CSU felt the expected family contribution (EFC) should be explained to students. The EFC is determined by and from the financial information reported on the FAFSA. It is the EFC that determines what federal aid students are eligible to receive. Every institution uses the EFC to award students’ federal student aid. According to NCES (2013), nearly 80% of all full-time undergraduate students received some type of financial aid during the 2009-2010 academic school year. Most important of all, the NCES argued that we need institutional plans that
reinforce basic financial literacy education for students who borrow federal student loans. A basic financial aid literacy component that conveys the succinct responsibilities attached to federal loans and an understanding of the various types of federal student aid could help with this effort.

There is a trend in higher education which supports and is geared towards preparing students for the global society (Lester & Borders, 2016). There is an overdue need for financial education specifically related to student debt (Joo, Durband, & Grable, 2008). The problem of student borrowing, specifically when students enter a legal contract with limited understanding of loans, is at the core of the student borrowing phenomenon. The student debt phenomenon is a phenomenon wherein context is important. For example, there is no credit check or any tool that determines the creditworthiness of any student who borrows federal loans. However, there is a responsibility that comes along with federal educational borrowing. That component needs to be retooled to address millennials, the newest student population. The National Association of Financial Aid Administrators (NASFAA, 2016) shares senior administrator views about preparing students for the future. There is a quest to update and define the continuum regarding the best ways to educate and engage the new higher education student population.

The undergraduate student population at CSU is very diverse. In fact, when looking through a demographic lens, the student population in the first few newly established cohorts at CSU can be described as a financially at-risk student population. Elliott and Lewis (2015), after reviewing data related to effects of student debt on students’ financial outcomes following after college—whether successful completion or premature exit—warn there is a price to pay for having to borrow money to go to college. Elliott and Lewis further argue that the current debt-
based loan system stifles the economic mobility of students. When these students enter the labor market, they enter with a financial deficit that will likely take years to overcome. Low-income students must take higher amounts in loans in comparison to a student whose family could offer financial help at critical times. This is the dominant contradiction of paying for college that most students could experience after graduation. Nonetheless, borrowing federal dollars has become a widely used resource to achieve higher education goals. To that end, students need basic financial aid literacy skills to navigate their college careers and prepare for their futures.

According to Kezar and Yang (2010), basic financial aid literacy should be a requirement likened to reading, writing, and developing other successful college habits.

Implications for Practice

This study is a challenge to both the Department of Education and the primary student loan servicers. Then, because each institution gets to determine what resources are needed and useful for itself, the institution that administers federal student aid – specifically the financial aid office – must become more proactive regarding undergraduate financial literacy. The challenge is to educate the students, our clients, every chance or time in which that teachable moment occurs. This study is an opportunity for administrators/counselors to move forward and be financial aid dream keepers: helping an increasingly diverse student population that needs our knowledge and expertise to navigate financial aid and achieve their academic goals.

The millennial generation that is participating in higher education has a new set of characteristics and values (Supiano, 2011). These students face ambiguity and multiple challenges when they enter college, including increased pressure to manage their own finances. There is a growing number of first-generation and/or low-income students who are attending
college, which places different expectations on the role of financial aid literacy. Students are more likely to succeed in college and complete their programs if they have clear expectations and guidelines, which include financial literacy education (Castleman, 2015; Kezar & Yang, 2010). The results of this study indicate there is a general lack of student loan debt literacy among undergraduate college students.

Those working in higher education have the responsibility of educating students on multiple levels. This is especially the case when the student population is eager to learn and understand more about the educational debt they are incurring. It is still unclear, though, which educational entity is responsible for providing financial literacy education. Financial aid offices are rarely equipped to offer a broader education in financial literacy (Supiano, 2011). The undergraduate students at CSU have the potential to learn basic financial aid literacy in the Mastering College first-year required course. However, the current curriculum does not include it. This study’s findings support the need for additional measures to be put in place to promote basic financial aid literacy among undergraduate students. This measure could tremendously assist students with accomplishing their higher education goals.

Consistent with prior research, the major implication for practice is that the way information about student loans is delivered to students matters substantially. The U.S. Department of Education and many colleges send email communication reminders to students to renew their FAFSAs. Unfortunately, email communication with first-year students is not a preferred mode of communication (Lenhart, 2012). Only three percent of adolescents report checking or exchanging emails on a daily basis. Unfortunately, first year students are likely to ignore and not respond to emails containing vital information about financial aid processes.
When students do not understand debt and the responsibilities that are attached to their student loans, they are less likely to respond to emails regarding technical matters that are sometimes essential to student awards. According to Lenhart (2012), utilizing channels like text messaging that more effectively reach students and families can allow for more effective transmission of education-related information and in turn improved outcomes (Bergman et al., 2014; Castleman & Page, 2015; York & Loeb, 2014).

Going forward, financial aid advisors specifically must consider the new millennial population that now dominates higher education. The institutions’ faculty and staff must do their part in educating students on basic financial aid literacy, too. Whatever their current financial circumstance, students benefit from keeping their own finances under control. Developing basic financial aid literacy, limiting their expenses, borrowing responsibly, and cultivating personal finance strategies are a few ways college students can help themselves keep their higher education costs in check. According to Dynarski and Wiederspan (2012), each year 14 million households seeking federal aid for college will complete the detailed FAFSA form. Even though students will continue applying for and using federal student aid resources, accumulating debt, and being indebted for years into the future, there is one dominant solace: they can do so with a better understanding of educational debt. With very strategic planning, a student can minimize student loan debt accumulation.

However, that depends on the value that the individual student places on his or her education. It depends on what the individual student wants or feels that he or she needs to be successful with the least amount of debt. For example, renewing the FAFSA form early helps the student—if eligible—to maximize grant awards. Also, the decision to live on campus is
more expensive than commuting to campus when possible. Ultimately, the individual students are going to be responsible for their debt accumulation at the end of their college careers. The answers to this study’s research questions shed light on the need for improvements to existing practice and should inform administrative decision making regarding first-year undergraduate college students.

Recommendations

Based on the findings, discussion, and implications of this student financial aid processes and borrowing perspectives research study, the following recommendations may be made to the Department of Education and Central State University. Both of these entities at their core function as an intermingled entity of the higher education system(s), especially in relationship to higher education rules, regulations, and financial accountability of all federal funds. The only distinction between the two entities is that the Department of Education occupies the outside realm and the school (CSU) occupies the inside realm. To that end, the following recommendations are intended for both entities within their respective realms.

First and foremost, it is recommended that the Department of Education revise the Free Application for Student Aid. It is recommended that the Department of Education “fix the [FAFSA] form”. Also, it is recommended that the Department of Education provide updated, accessible resources of the guidelines and pertinent changes in the regulations for schools and financial aid administrators. This is needed to better serve students as they navigate higher education systems and processes.

The recommendation for CSU based on members from the first and second freshman cohorts is as follows: The participants believed that if a financial aid component was ever
developed, it should be mandatory for all new students. The participants in this study based their rationale on the fact that new students are busy becoming immersed in a new culture in an environment that they have never experienced and need financial aid help as much as they need a study plan for their courses. I was reminded that the first few months of the first-year college experience can be a very hectic time of assimilation. Yet, it is a time when students will do what they are required to do during that time. The participants in this study felt that it was unfair for students to be shocked into financial reality towards the end of the semester. First-year students need a mandatory financial wellness element in place when they arrive on campus. The student participants in this study felt that financial well-being is a vital part of their student success.

1. **Evaluate the current student systems for their capacity to provide students with an engaging financial aid literacy module.** The module should be personalized. It should contain a financial aid checklist, explanation and analysis of their awards, and a list of all financial aid awards and the definitions of the awards. It should further include instructions on what to do if everything on the checklist is not complete by a stated due date. Alternatively, the institution could consider a partnership with the community credit unions that offer hands-on and perhaps even virtual financial education resources. The student population has the basic tool they need to connect to solid links, which can be a very beneficial financial education component. Perhaps this is something that can be considered in the short term and near future. This is something that is efficient and informative for the students. Also, this is the most efficient way to approach undergraduate basic financial literacy.

2. **Broaden financial aid counseling for incoming first-year students.** Guide new students in how to use resources and give an overview of financial aid processes. Counsel them
what to do if there are any red flags in the student portal that require their immediate attention. One option is to text updates to students who have smart phones. Include a form within their portal to directly contact their financial aid counselor. Make an appointment for a financial aid checkup. Inquire about any concerns regarding how the new student is processing financial aid information, her or his personal situation or circumstance. Include on the checklist any present concerns the student has about the awards and any additional available financing options. When students enter CSU, they are likely to be in attendance for the next three to four years in pursuit of their academic degrees. Informing students and educating them about their financial path is a service that falls under Enrollment Management: Student Affairs and Student Services.

3. Incorporate financial literacy, including student loan information, into the Mastering College curriculum. First-year students talked about their experiences with anxiety in trying to navigate college finances. I was told by first-year students that they felt confused, lost, unclear, unsure, and perplexed about finances. They wanted help in understanding what they were undertaking. Perhaps the students have a better understanding of what is needed to assist them in being successful in all realms of higher education. Based on their experience and their perspectives, the first social learning experience they had was in the Mastering College course. One of the participants shared his personal experience relating to why a financial aid component should be included in the Mastering College course. He had a memory of participating in a campus scavenger hunt activity in which the students located the financial aid office. The group was not sure if they should contact the financial aid office or if the financial aid office was going to contact them. Five of the seven participants in this study were part of the first- and second-year cohorts. They began their undergraduate studies at CSU. This was a
recommendation that I took from the students. The cohort students recommended that a mandatory financial education component or seminar/workshop be added to the Mastering College course. Or, they suggested, create a course that mirrors Mastering College with a focus on financial education. I recommend that students be assisted in securing their financial well-being.

Overall, there will need to be ongoing assessment of CSU students’ financial literacy progression. This will necessitate an increased educational effort by the Office of Financial Aid personnel when information is or should be disseminated expeditiously. Offer quality applicable counseling to student borrowers. Finally, revise and update resources available to CSU and distribute educational information via social media that is accessible on a smart phone.

Future Research

Upon graduation, these students will be faced with thousands of dollars in student debt. Students in the 21st century seem to care about their relationships, their purpose, and their financial wellness, and they are happier when they can take control of their financial lives (Lusardi & Mitchell, 2014). For me as a researcher, this study was a golden opportunity in that exchanges between the participants were genuine and informative. As a practitioner, this study and much of what was learned was service awareness. According to Lee and Mueller (2014), administrators could take the initiative by mandating a financial literacy course or even infusing basic financial literacy into an already-established course. At CSU the already-established course is the first-year Mastering College course. The participants in this study were students
eager to learn how to manage their money while maintaining their personal happiness. Even though many of the students had difficulty determining the specific kind of financial education that would best aid them in their futures, they were aware that they lacked knowledge in this area.

The generalities and recommendation for CSU are to provide comprehensive basic financial aid literacy for undergraduate students who borrow student loans. Simply putting financial information in students’ portals needs to be followed up with information that explains what that information means for them. Unfortunately, the cost of college does not seem to be going down. Even though many of the students in this study had federal and state grants, they were not enough to pay the total cost of their attendance. For many students, loans are inevitable and a reality that most students will have to become knowledgeable about.

As a check and balance on undergraduate students at CSU, follow-up studies could measure any changes in student experience and perspective regarding the processes and financial literacy resources that are available to them. We must forge a path and attempt to provide students with a clear understanding of the financial responsibilities they automatically acquire when borrowing federal dollars. There are limited empirical studies that explore the importance of student borrowing behaviors from the perspectives of students. Higher education institutions owe students the best college experience we can provide them. It is highly likely that college students would manage better financially and make better borrowing decisions if they were equipped with financial aid literacy education. Because the findings of this study are new and relatively unexplored at CSU, further research could greatly enhance our understanding of the complex student loan decision-making process.
Conclusion

In conclusion, the findings of this qualitative case study provide rigorous empirical evidence that financial aid workshops/seminars for undergraduates could improve their knowledge and understanding of federal student aid. Additionally, this vehicle could contribute to program completion and the holistic educational success of students.

Every May, a new class of college graduates will walk down the aisle, get their hard-earned college or graduate diploma, and begin a journey of loan repayment. This day is a joyous occasion for graduates, friends, family members, and others who have been at the graduates’ sides for years. However, this day has been overshadowed in recent times by the mountain of student debt that many graduates incur to fund their education. In this study I sought to understand what the students’ perspectives were about FAFSA completion, financial aid processes, student loans, and debt accumulation. From their perspectives, I now have a clearer understanding of what they feel is needed to enhance their college experience.

Students often come to college and even graduate not knowing the details of how much they have borrowed and what the future estimated repayment terms of their loans will be. Since the early 2000s, tuition rates have skyrocketed, the job market has stagnated, and financial aid has in many cases simply not kept up (Boehner & McKeon, 2003). The Department of Education has set up the National Student Loan Data System (NSLDS), where students may use their Social Security number and student aid PIN number to see the exact amount of money they owe, the amount of interest they owe, types of loans and the date of disbursement of each loan, and information on repayment options. This site is very helpful to students who feel they cannot
manage all their different loans and various disbursements. Surprisingly, not all students are aware of this vital tool.

Regardless of the ominous $1.4 trillion student loan debt amount, for the most part students are trying to complete their higher education on an accelerated track. They should be taught the major life skills that relate directly to financial aid literacy and how to manage their student debt. The impact of student debt accumulation on the broader economy can be very daunting and complex. Instructions that acknowledge challenges to be faced upon graduation regarding student loans are needed. We can help prepare students for some of those challenges. There should be a clear focus on educating student borrowers on how borrowing to fund education affects their broader and long-term financial picture.

Developing campus and community programs with the mission of improving the level of student understanding of personal finances and basic financial aid literacy is an immediate challenge. In the current economic climate, financial literacy on college campuses is a growing concern. More and more students are turning to federal loans to help fund the increasing cost of a college education. The financial decisions that students make now will impact them for many years to come.

Recent studies reporting on the financial knowledge of college students indicate that college students in general lack comprehension of basic financial concepts (Britt et al., 2011). Even though college students have a tolerant attitude towards debt, a tolerant attitude towards debt does not equate to understanding debt. Lusardi et al. (2010) connected the interrelationships between students’ levels of financial knowledge, attitudes towards credit, and their financial behaviors and the necessity for those areas to become the concern of student aid administrators,
policy makers, and the general public. Financial literacy can have important implications for lifelong financial behavior.

Financial aid offices, like the one at CSU, are uniquely positioned to develop financial aid literacy tools and programs given that the offices have direct involvement with financial issues and counseling students. The end goal of debt management is to teach students to learn about and develop a plan centered on the individual funding sources available to them. More importantly, students should make good financial decisions about the money they have borrowed. As administrators, we want students to understand the financial debt they are incurring. Students need to make a plan to become financially successful enough to pay back loans, to buy a house, and provide for their families. Financial aid administrators are usually student-centered individuals and want the students’ educational experiences to be some of the defining moments that change their lives. Administrators can and should help students understand and acknowledge that responsible borrowing is a huge part of preparing them for their futures. Increasing first-year student persistence with mandatory workshops and seminars will empower students to become financially responsible at the outset of their college careers. Providing continuing support by way of financial literacy education and counseling completion will increase the odds of undergraduate program completion.
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Higher Education Opportunity Act. ACCOMPANY, T. HIGHER EDUCATION OPPORTUNITY ACT.


APPENDIX A

TYPES OF FINANCIAL AID AND DEFINITION OF TERMS
Glossary

**Pell Grant**: The Pell Grant is the single largest source of grants for postsecondary education in the past 40 years. The Pell Grant emerged in 1972 as the Basic Educational Opportunity Grant. It was later renamed for Rhode Island Senator Claiborne Pell. Its main purpose was to bring the dream of college into reach for students who could never have otherwise afforded it.

**SEOG**: The Federal Supplemental Educational Opportunity Grant, more commonly known by its acronym SEOG, is a federal assistance grant reserved for students with the greatest need for financial aid to attend school. A federal grant for undergraduates with exceptional financial need. Priority is given to the students who receive the Federal Pell Grant and have the lowest Expected Family Contributions.

**Work-Study**: —Federal work-study is a program through which students earn money to help pay for school.

**Teach Grant**: The Teacher Education Assistance for College and Higher Education (TEACH) Grant Program provides grants of up to $4,000 per year to students who agree to teach for four years at an elementary school, secondary school, or educational service agency that serves students from low-income families. The grant was created to fill the teacher shortages in high-need fields. The TEACH Grant is the first federal grant program that required a service agreement.

**Aid from State Government**: In the state of Illinois, the state grant is the Monetary Award Program. The (MAP Grant) provides funds to students which do not need to be repaid. However, the grant is only available to Illinois residents who attend approved Illinois colleges.
and demonstrate financial need. Students are awarded this grant based on the information provided on the Free Application for Federal Student Aid (FAFSA).

**Definition of Terms**

For the purposes of this research, the following are operational definitions.

**Dependent student.** A dependent student is an individual who does not meet any of the criteria for an independent student (U.S. Department of Education, Federal Student Aid, 2013).

**Independent student.** An independent student is one of the following: at least 24 years old, married, a graduate or professional student, a veteran, a member of the armed forces, an orphan, a ward of the court, or someone with legal dependents other than a spouse, an emancipated minor or someone who is homeless or at risk of becoming homeless. Independent students are often referred to as non-traditional students who are over the age of 24 years old (U.S. Department of Education, Federal Student Aid, 2013).

**Federal Subsidized loan.** A federal subsidized loan is a college loan for which the federal government pays the interest on the loan while the students are still enrolled in school. Subsidized loans are awarded based on financial need only. After students graduate and the grace period ends, interest starts to accrue, and individuals have to begin repayment of the loan (U.S. Department of Education, Federal Student Aid, 2013).

**Federal Unsubsidized loan.** A federal unsubsidized loan is a loan for both undergraduate and graduate students regardless of financial need. The unsubsidized loans are an option for students whose household income is too high to qualify for grants and subsidized loans but not enough to finance their education. The interest on unsubsidized loans begins to
accrue as soon as the loan is disbursed to student’s account and continues to accumulate interest over the life of the loan (U.S. Department of Education, Federal Student Aid, 2013).

**Federal Perkins loan.** A federal Perkins loan is a need-based loan offered by the U. S. Department of Education to assist American college students in funding their post-secondary education. Because the Perkins Loan is subsidized by the government, interest does not begin to accrue until student drops below part time status, entirely drops out of school or graduates. There is a nine-month grace period before Perkins loans go into repayment. The one advantage of the Perkins loan is it has a fixed interest rate of five percent for the ten-year repayment period. Undergraduates can borrow up to $20,000.00 and graduates can borrow up to $40,000.00 over the length of their programs from the Perkins program (U.S. Department of Education, Federal Student Aid, 2013).

**Federal direct PLUS loan.** A federal direct PLUS loan is for either dependent or independent students. For a dependent student, the parent/guardian must apply for the Parent Plus loan. Independent students over the age of 24 or graduate/professional students can apply for a Plus loan. The Plus loan is based on established credit. There is one advantage for the dependent student whose parents cannot obtain a Parent Plus loan because of adverse credit. After the Parent is denied a plus loan, the dependent student can be treated as an independent student and awarded federal student loans as though they were an independent student. The credit standards for Plus loans are somewhat easier than standards for private loans (U.S. Department of Education, Federal Student Aid, 2013).
APPENDIX B

INTERVIEW QUESTIONS
LET’S TALK ABOUT YOUR MONEY

1. Please introduce yourself.

2. Can you share with me a little about your higher education journey? What program are you enrolled in? How far along are you in your program? What do you like/dislike most about your program?

3. Do you know how much your current program of study cost?

4. What motivated you to respond to the Student Borrowing Perspectives research study?

   Application process and experiences with the Office of Financial Aid

5. What if anything did you know about Federal Financial Aid prior to your first FAFSA application?

6. How would you describe your federal student aid application experience, including completing the FAFSA?

7. Were there any challenges you faced in applying for Federal Student Aid?

8. How did you learn about financial aid processes (e.g., purchasing books, disbursements, and account balances)?

9. How often do you visit the financial aid office and for what reason?

10. What financial aid literacy resources (if any) does the Office of Financial Aid provide?

11. How do you use these resources?
Decision to Borrow

12. Can you tell me what you understand and know about the different types of loans (Subsidized Loans, Unsubsidized Loans, Perkins Loans) you are borrowing, including any interest that might be accumulating on your loans?

13. After you receive your financial aid award letter, how do you decide how much in loans you will accept?

14. What is your understanding of federal student loan responsibilities?

15. How helpful is the financial aid office in enhancing your understanding of federal student loans responsibilities and management of your student loan debt?

Concerns, Strategies, and Repayment

16. What is your viewpoint on debt accumulation?

17. From your perspective, what is the best approach to managing federal student loan debt?

18. When you complete your program and your loans go into repayment, how concerned are you about repaying your student loans?

19. How would you prepare new undergraduates to become more informed about financial aid processes and managing student loan debt?

20. Based on your experience as an undergraduate student, what benefit(s) if any do you think workshops that focus on federal student loans, budgeting, debt accumulation, and managing federal student loans could potentially have on your future?

21. To what extent do you feel the need for more in-depth information about the loans you are borrowing?

22. Tell me what you know about any of the options that are available for repayment of loans, who you should contact if any issues arise during repayment, and the consequences of not consistently making payments on your student loans?

23. Is there anything else you would like to say about the topic of federal student aid processes and borrowing perspectives, or your experience as a participant in this study before we conclude our conversation?
APPENDIX C

NIU IRB APPROVAL
I have attached the IRB approval letter for your project "Student aid processes and borrowing perspectives" HS17-0074.

This is the only notification you will receive. Please save a copy for your records. Good luck with your research.
APPENDIX D

IRB APPROVAL
Memorandum

To: Dr. Susan Gattney and Carol Piersen Milhouse
From: Drs. David Rhea and Dale Schult - IRB Co-Chairs
CC: David Deeds
Date: October 30, 2013
Re: Student Borrowing
Project Number: #13-10-11

This memo grants exempt approval for your project.

Please be advised that if you make any substantive changes in your research protocols, you must inform the IRB and have the new protocols approved. Please refer to your project number when communicating with us about this research.
APPENDIX E

SCREENING FORM


**Student Aid Borrowing Screening Form**

The intent of this form is to collect basic demographic information and ensure that all participants meet the eligibility criteria for participation in this research project. Please answer each question.

1. **What is your name?** _________________________  ______________________________
   
   Last name  First name

2. **What is your Student ID#?**  __________________

3. **When were you admitted to the university?**  _____________  _______________
   
   Semester  Year

4. **Do you receive Federal Subsidized, Unsubsidized and/or Perkins Loan?**  _______  _______
   
   Yes  No

5. **Do you receive any scholarships or grants (e.g., Map, SEOG/Pell, or other)?**  _______  _______
   
   Yes  No

6. **To date, have you earned at least 30 credit hours?**  ______________________

7. **Are you in good financial aid and academic standing?**  __________

8. **What is your gender?**  ______________________

9. **Which of the following best describes your racial or ethnic background?**
   
   - Asian
   - Black/African American
   - White/Caucasian
   - Hispanic (may be any race)
   - Multi-Racial
   - Native American
   - International

10. **What pseudonym would you like to use for yourself?**  ______________________
APPENDIX F

INFORMED CONSENT FORM
ADULT INFORMED CONSENT FORM

Please read this document carefully before you decide to participate in this study.

Purpose of the research study: I have been informed that the purpose of the study is to capture my perspectives on the student aid application processes and my knowledge and understanding of federal loans and borrower responsibilities.

What you will be asked to do in the study: It will take approximately 5-7 minutes to complete the preliminary screening form. The screening form will be used to verify that participants meet the criteria for participation in the study. Also, Participants will be asked to participate in a 90-minute face to face interview and if necessary a follow-up interview.

Time Required: At least 90 minutes is required.

I agree to participate in the research project titled: Student Aid Application Processes and Borrowing Perspectives being conducted by Carol Pierson Milhous, a graduate student at Northern Illinois University. I am aware that no compensation will be offered for my participation in this study and that my participation is voluntary. Further, I consent to being audio-recorded during the interview process. Also, I understand that I may withdraw from the study at any time without penalty or prejudice. Further, if I have any questions concerning this study, I can contact Carol Pierson Milhous at 708.534.7299 and/or Dr. Carrie Kortegast at 815.753.9200 or cmilhous@govst.edu and/or Dr. Carrie Kortegast at 815.753.8588.

I understand that the intended benefits of this study include the design and implementation of basic financial aid literacy workshops that focus on managing student loan debt. Data obtained will assist financial aid counselors and administrators when discussing federal student loans and borrower responsibilities.

I have been informed that the risk to participants is minimal.

Agreement: I have read the overview of this study and the required participation as described above. I voluntarily agree to participate in this study and I have received a copy of this consent form.

__________________________________________________________
Signature of Participant and Date

__________________________________________________________
Consent to be audio-recorded during the interview

__________________________________________________________
Primary Researcher
APPENDIX G

RECRUITMENT FLYER
If you are an undergraduate student currently receiving a federal student loan, your input is needed in a research study on your perspectives on the federal student aid processes and your knowledge and understanding of federal student loans. Only undergraduate students who have earned at least 29 credit hours of course work can participate in this study. There will be no graduate student participants in this study.

All interested students will complete the preliminary screening form and be asked to provide either an email or cell-phone number where they can be reached. All interviews will be scheduled between 8:30 a.m. and 7:00 p.m., Monday through Friday.

**Scheduled interviews will take place in the Cube.**

To confirm your intent to participate in this study, please call Carol Milhous @ 708/534-7299 by 3/27/17.
APPENDIX H

INVITATION TO PARTICIPATE
Dear Student(s):

My name is Carol Milhous and I am currently conducting research as part of the dissertation requirements for an Ed.D at Northern Illinois University. I am writing to seek your participation in my research study. The purpose of my study is to explore the knowledge, understanding, and perspectives of undergraduate students regarding the federal student aid application processes, borrower responsibilities, and debt management of federal student loans.

Only undergraduate students who have earned at least 29 credit hours of course work can participate in this study. There will be no graduate student participants in this study. Participants of this study will be asked to complete a Preliminary Screening Form to determine participation eligibility and participate in a 90-minute individual interview.

The data will be used in my dissertation. Taking part in this study is completely voluntary, and participants are welcome to discontinue participation at any time.

Thank you for considering my request. If you have any questions or need further information, please contact me via phone or email.

Sincerely,

Carol P. Milhous

708.534.7299

smilhous@govst.edu