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## Factors that Affect Willingness to Borrow Student Loans among Community College Students

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# Factors that Affect Willingness to Borrow Student Loans among Community College Students

By Kathleen Menges and Christoph Leonhard

*Research suggests that student loan borrowing has increased at the community college level. This trend is worrisome to many, as research is inconclusive regarding whether loans are positively correlated with achieving a college degree. Many also contend that choosing not to borrow a student loan due to loan aversion can negatively impact a student's chance of reaping the financial benefits of a college degree. This study surveyed three community colleges in the Midwest to better understand how acculturation, time perspective, and financial literacy impact community college students' willingness to borrow student loans. Except for financial literacy, none of the variables differed significantly across people of African American, Latino, Caucasian, and Asian ancestry. Furthermore, none of the variables correlated significantly with willingness to borrow student loans. Out of the more malleable traits, such as financial literacy, acculturation, and time perspective, only the "present-fatalistic" time domain and financial literacy scores were significantly correlated. These results suggest that community college students are similar to each other in regard to their acculturation, orientation to time, and financial literacy. Furthermore, differences in community college students' decisions to borrow student loans are more likely due to unique characteristics rather than due to time perspective, acculturation, or financial literacy.*

**Keywords:** *student loans, borrowing, financial literacy, acculturation*

In the increasingly technology- and computer-driven economy, the job market demands postsecondary education (Carnevale, Smith, & Strohl, 2010). Research estimates that by 2018, 63% of the 46.8 million job openings in the U.S. will require a college degree. If college-educated workers continue to enter the job market at the present rate, the U.S. will still lack 13.8 million educated workers by 2018 (Carnevale et al., 2010). Addressing college and university leaders at the January 16, 2014 "Event on College Opportunity," U.S. President Barack Obama highlighted the importance of young people obtaining postsecondary education to fill available jobs and to have the best chance at enjoying at least a middle-class lifestyle (The White House, 2014). In this context, community colleges play an increasingly key role in meeting the demand for postsecondary education (American Association of Community Colleges [AACC]; 2012). Community colleges are an attractive option to many students, as they are generally conveniently located and often offer courses at night so students can work during the day. Further, community colleges typically cost much less than four-year universities (U.S. Census Bureau, 2012a).

Despite the benefits offered by community colleges, many community college students drop out before obtaining their degrees (AACC, 2012; Carnevale et al., 2010), often for financial reasons (Cofer & Somers,

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2000; Dowd & Coury, 2006; Paulsen & St. John, 2002; St. John, 1991; PHENOM, 2009). College costs continue to rise faster than the average income (U.S. Census Bureau, 2012a). Many contend that community colleges should be free (AACC, 2014; Fain, 2014), and while community colleges already cost less than four-year schools (AACC, 2014), community college students tend to be from lower income families (Santiago & Stettner, 2013). Thus, the lower tuition paid by community college students likely represents larger percentages of their incomes.

Perhaps in response to the increasing costs of community college tuition (U.S. National Center for Education Statistics, 2012; U.S. Census Bureau, 2012a), community college students are increasingly using student loans to finance their educations (Baum, Little, & Payea, 2011; Steele & Baume, 2009). This borrowing trend is controversial due to the negative consequences of student loan debt (Herbert, 2013; Valenti, Edelman, & Van Ostern, 2013), such as problems qualifying for a mortgage or business loan (CFPB, 2013). Furthermore, student loan default may be a bigger threat to community college graduates who earn less upon graduation than those with a bachelor's degree (U.S. Census Bureau, 2012a). However, because community college students pay lower costs (U.S. Census Bureau, 2012a), they borrow less compared to students at four-year institutions (The Institute of College Access and Success, 2009). As a result, the debt-to-income ratios of community college students may be equal to or even lower than the ratios of those seeking a bachelor's degree.

Despite the potential adverse consequences of student loan debt, at least for those who persist to graduation the expense of tuition is a worthwhile investment. In 2010, U.S. associate's degree holders 25 to 34 years' old earned an average of \$35,444 compared to \$27,511 for those with a high school diploma alone. This pattern held across ethnicities (U.S. Census Bureau, 2012b), with Caucasian community college graduates faring best at an average annual income of \$40,632, while Latino graduates earned \$33,783, and African Americans \$33,734 (U.S. Census Bureau, 2012b). Compared to high school graduates, Latino and Caucasian community college graduates' income was an average of 29% higher, and African Americans earned 25% more with a community college degree (U.S. Census Bureau, 2012b).

To achieve these increased earnings, many community college students need to borrow loans to cover all of their education expenses (Juszkiewicz, 2014). When students decide whether to take out a student loan, many factors impact their decisions. Low levels of financial literacy, defined by Johnson and Sherraden (2007) as the capability, ability, and opportunity to act on financial knowledge, might impact borrowing behavior. Further, research has shown that Latino students, who dominate the community college population (Santiago & Stettner, 2013), are less willing to take out student loans compared to students from other demographic groups (Cuccaro-Alamin & Choy, 1998; McDonough & Calderone, 2006). The cultural value of "familismo" (strong dedication to family) held in the Latino community (Marin & Marin, 1991) might influence student loan borrowing attitudes, as borrowing a loan may be seen as selfish and not benefiting the entire family. In addition to financial literacy and cultural explanations, many potential students may be averse to the idea of borrowing money in the present time to achieve a reward in the future. Research has suggested that deciding to wait for the benefits of a reward is affected by culture (Miscel & Metzner, 1962) and may be a factor that leads to or averts someone from borrowing a student loan.

In summary, successful completion of a community college program improves lifelong earning potential for community college alumni of all ethnicities and is of importance for the U.S. economy, which increasingly needs skilled workers (Carnevale, Smith, & Strohl, 2010). To attend a community college, students may find it necessary to take out student loans (Juszkiewicz, 2014). Yet factors that affect responsible and proactive use of student loans among community college students of varying ethnicities and levels of acculturation are not well known. The purpose of the present study is therefore to increase understanding of the factors impacting community college students' use of student loans, including time perspective, acculturation, and financial literacy factors.

## Methods

### *Participants*

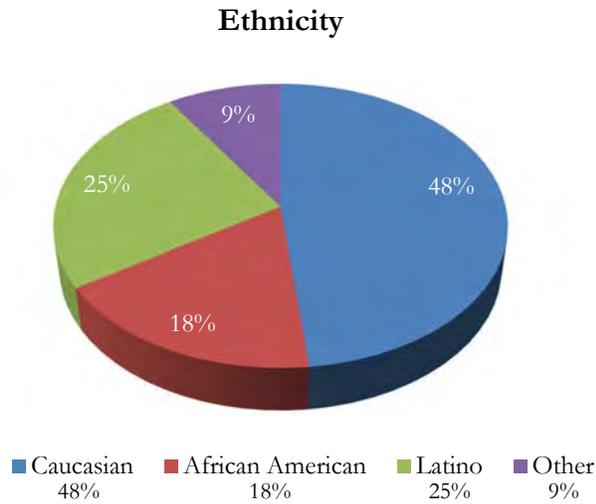
We sampled an ethnically diverse group of 141 community college students older than 18 years of age at three Midwestern community colleges in Illinois and Iowa. Participants gave informed consent to participate (see Figures 1 - 4 for a breakdown of participants' ethnicity, age, gender, and expected degree). The Institutional Review Board (IRB) at the authors' institution approved the study. Participating community colleges did not have IRBs but responsible officers of all institutions agreed to allow participant recruitment on campus.

### *Instruments*

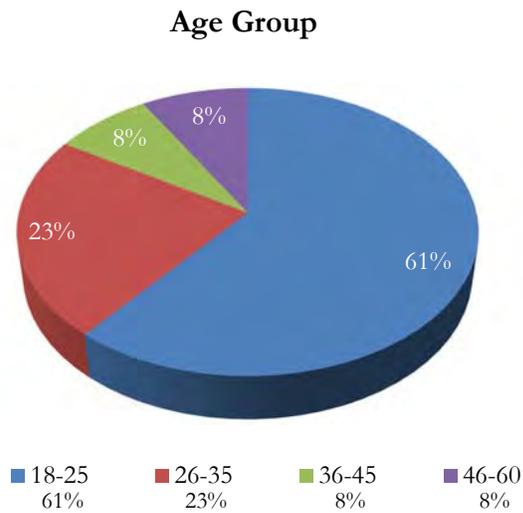
**Stephenson Multi-Group Acculturation Scale (SMAS):** We selected the Stephenson Multi-Group Acculturation Scale (SMAS; Stephenson, 2000) due to its ability to measure acculturation amongst a diverse sample, which was desirable to examine whether acculturation relates to willingness to borrow student loans. Research has suggested that borrowing patterns are culturally implicated (Cuccaro-Alamin & Choy, 1998; McDonough & Calderone, 2006). Participants obtained two scores of acculturation on the SMAS. The first 17 items on the SMAS measured participants' ethnic society immersion (ESI) and whether participants socially interacted and felt close with people from a Caucasian background. Considering the ethnic diversity in large metropolitan areas and the presence of large Caucasian immigrant groups in metropolitan areas in the United States (U.S. Census, 2012b), individuals who identified themselves as Caucasian could also relate to cultures or ethnic identities outside of mainstream American culture. ESI questions also measured participants' levels of knowledge about current events in the US and whether they felt welcome in the US. Scores on certain questions that dealt with participants' comfort speaking English would be expected to be high for native English speakers.

The remaining 14 questions measured participants' dominant society immersion (DSI). DSI items queried language preferences in regard to speaking, praying, and social interactions. Additional items asked about participants' level of knowledge about their native history and appreciation for North American food. The psychometric properties of the SMAS were examined by past researchers in three trials (Stephenson, 2000), and exploratory factor analysis revealed a two-factor solution, ethnic society immersion (ESI) and dominant society immersion (DSI). Past researchers further examined the validity of the SMAS by looking at the correlation between the SMAS' subscales (DSI and ESI) and those of other acculturation instruments, specifically the Acculturation Rating Scale for Mexican Americans (ARSMA)-II, (Cuellar, Arnold, & Maldonado, 1995) and the Bi-dimensional Acculturation Scale (BAS; Marin & Gamba, 1996). ESI was positively correlated with a similar scale on the ARSMA-H ( $r = .87, p < .01$ ) and BAS ( $r = .83, p < .01$ ). DSI was positively correlated with a similar scale on the ARSMA-H ( $r = .49, p < .01$ ) and BAS ( $r = .48, p < .01$ ).

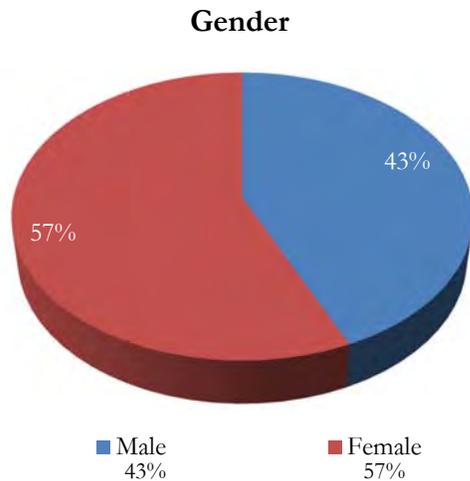
**The Jump\$tart College Survey of Personal Financial Literacy:** This study used the Jump\$tart College Survey of Personal Financial Literacy Amongst College Students (CSPFL; the Jump\$tart Coalition, 2008) to measure financial literacy and collect demographic information. The Jump\$tart CSPFL consists of 31 multiple-choice questions that tap into students' knowledge and abilities to understand financial topics and money management. The remaining questions collected demographic information. We defined participants' financial literacy scores as the total number of items they answered correctly on the first 31 items. Survey designers assessed the tool for validity (Jorgensen & Savla, 2010) and found internal validity of the instrument  $a = .75$  for financial knowledge,  $a = .77$  for financial attitudes, and  $a = .73$  for financial behaviors. Large-scale studies (Chen & Volpes, 1998; Micomonaco, 2003) have extensively validated the validity and reliability of the Jump\$tart CSPFL items



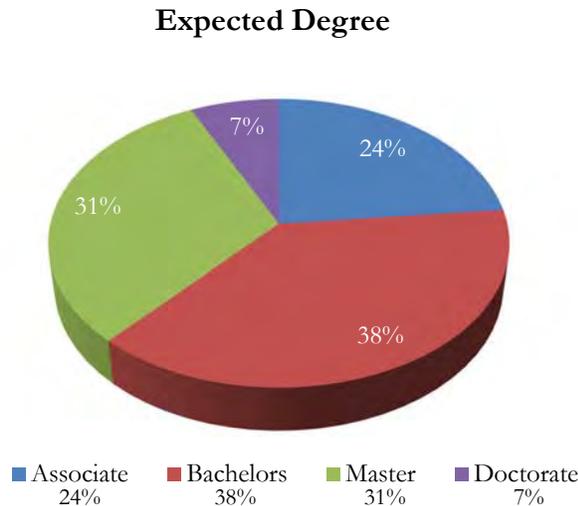
**Figure 1. Descriptive Statistics of Participants Ethnicity**



**Figure 2. Descriptive Statistics of Participants' Age**



**Figure 3. Descriptive Statistics on Participants' Gender**



**Figure 4. Descriptive Statistics of Participants' Expected Degree**

**Willingness to Borrow:** This study measured willingness to borrow using two items from the Jump\$tart CSPFL. These items asked participants about additional forms of debt they had already accrued and expected student loan debt. We added a third item to measure willingness to borrow that asked if participants would borrow if they had no other option to remain enrolled in school. This item had an option that stated, "I have already borrowed a loan" and allowed us to measure how many students had already borrowed a student loan. The willingness-to-borrow measure had a maximum possible score of 10. We then computed willingness to borrow by summing participants' scores on the three items, with lower scores indicating less willingness to borrow. We examined criterion-related predictive validity for this willingness to borrow measure by correlating whether participants had borrowed a student loan, which yielded a Pearson- $r = .599$ ,  $df = 140$ ,  $p < .01$ .

**Zimbardo Time Perspective Inventory:** This study used the Zimbardo Time Perspective Inventory (ZTPI; Zimbardo & Boyd, 1999) to better understand if participants' view of time impacted their borrowing. Zimbardo and Boyd (1999) found five factors related to time orientation: past-negative, present-hedonistic, future, past-positive, and present-fatalistic time perspectives. High past-negative scores describe someone with a negative view of their past. Present-hedonistic scores reflect risk-taking tendencies and an elevated score in the future time domain demonstrates a future time orientation. The past-positive factor estimates how positive participants feel about their past. Present-fatalistic scores identify how much participants feel in control of their life. A high score in this domain suggests the person feels powerless over their present conditions and unable to control their future. Confirmatory factor analysis on these five factors indicated all items had a significant relationship with the factor on which they were expected to load. Prior research suggested that willingness to wait longer to experience a reward impacts a variety of behaviors (Mischel & Metzner, 1962).

The present study, included the ZTPI to evaluate whether having a more future-oriented time perspective is related to willingness to borrow student loans. Participants completed the ZTPI on a five-point Likert scale (very uncharacteristic, uncharacteristic, neutral, characteristic, or very characteristic).

### **Procedure**

Upon obtaining approval from the authors' institutional IRB, we solicited officials from over 12 schools in the greater Chicago land area and Iowa by email for participation. Only three of the community colleges

initially approached participated; others chose not to participate due to administrative and regulatory/legal issues, which reduces the likelihood of selection bias. Two of the community colleges that gave permission were in Iowa and one in Illinois. We did not collect data regarding what classes participants attended, but the majority were taking English writing courses with a smaller number from other liberal arts courses. Participation was anonymous and participants could withdraw at any time without penalty. Participants were informed that they would not be compensated for their participation. Data collection began in July 2011 and concluded in October 2013.

### ***Data Analysis***

We first examined the data to ensure conformity to normal distribution requirements and then obtained descriptive statistics. To examine correlations between financial literacy, time perspective, attitudes toward borrowing, and acculturation by demographic group, a correlation matrix and between subjects, we conducted one-way ANOVAs followed by post hoc analyses.

With  $N=141$ , statistical power was good. Therefore, to ensure that statistically significant results had real life importance, we used an enhanced  $H_0$  requirement throughout the analysis by requiring that any significant results ( $p < .05$ ) also met a second requirement of having an effect size of at least 5% ( $r = +/- .22$ ).

## **Results**

Overall, 8% of community college students had borrowed student loans at the time of data collection. There were no significant differences in willingness to borrow across groups (see Figure 5), although the percentage of African American students who had already borrowed student loans was slightly higher than the percentage of Caucasian students who had already borrowed at the time of data collection (see Figure 9). Although financial literacy scores were quite low across demographic groups (see Figure 6), African American students' financial literacy scores were modestly but significantly lower than Caucasian scores. With regard to acculturation (Figure 7), no significant differences appeared across groups. (Refer to Figures 5, 6, 7, 8 and 9, as well as Table 1 for statistics on the participants' responses to the three surveys.)

Participants' time perspective scores were higher in this cohort compared to previous research (Zimbardo & Boyd, 1999), with a "past-negative time domain" mean score of 3.2 ( $SD = 0.7$ ), compared to Zimbardo & Boyd's mean of 2.98 ( $SD = 0.7$ ). After computing a  $\zeta$ -score for these differences,  $\zeta = .31$ ,  $a = .05$  showed that participants felt only slightly more negative about their past compared to the previous sample (Zimbardo & Boyd, 1999). Scores were also higher in the present-fatalistic time domain, with a mean of 2.8 ( $SD = .5$ ), compared to previous research where the mean was 2.4 ( $SD = .6$ ; (Zimbardo & Boyd, 1999). A calculated  $\zeta$ -score of  $\zeta = .72$ ,  $a = .05$  showed that the current sample viewed their lives as moderately more within their control than participants in past research. Students in the previous study (Zimbardo & Boyd) attended four-year schools that cost more, which could have impacted the control they felt they had over their lives and account for these differences. Scores for participants in this research project were lower in the past-positive time domain with a mean of 3.6 ( $SD = .6$ ) compared to previous research where the mean score was 3.7 ( $SD = .64$ ) (Zimbardo & Boyd, 1999). A  $\zeta$ -score difference of  $\zeta = -.12$ ,  $a = .05$  demonstrated that participants had slightly less negatives views of their past experiences viewed their past experiences compared to a previous cohort (Zimbardo & Boyd, 1999). Scores fell in the same ranges in the present-hedonistic and future time domains; thus participants were about as willing to take risks and plan for the future as those surveyed in prior research (Zimbardo & Boyd 1999).

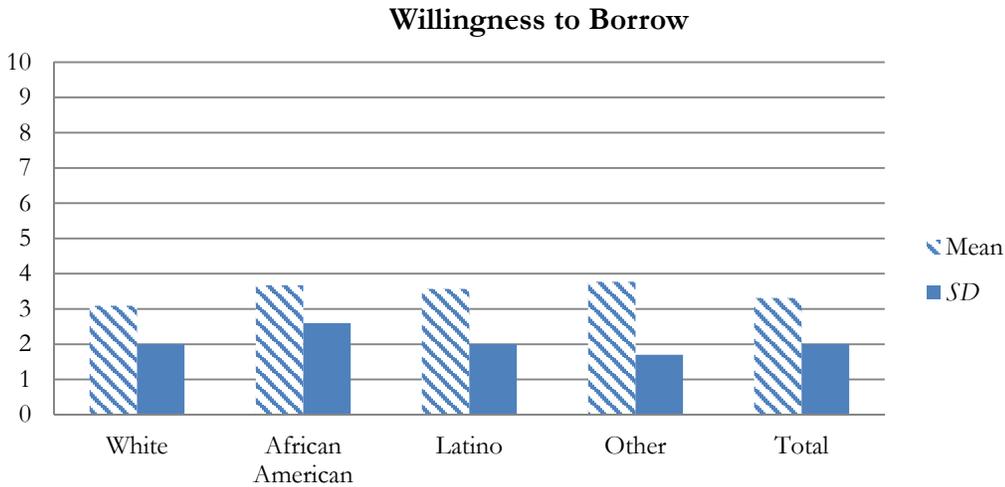
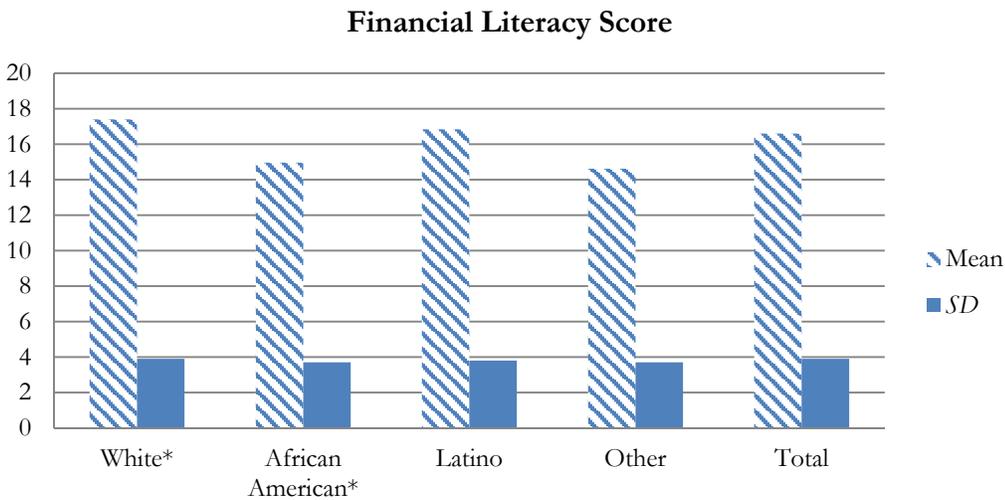


Figure 5. Mean and Standard Deviation of Participants' Willingness to Borrow Student Loans Scores.



\*Ethnicity differs at  $p < .05$ ,  $t(91) = 2.79$ ,  $p < .05$ ;  $d = .66$ .  
 Note. No significant differences were found by gender.

Figure 6. Mean and Standard Deviation of Participants' Scores on the Jump\$tart CSPFL.

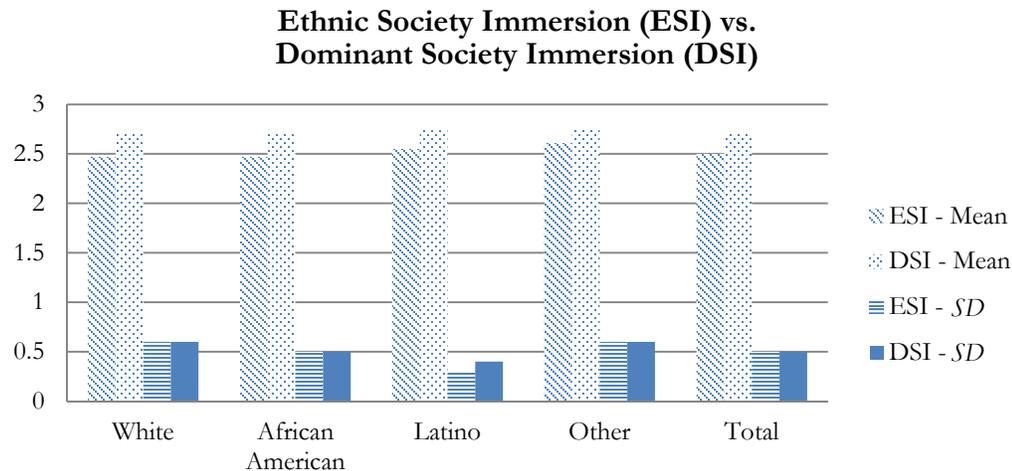


Figure 7. Mean and Standard Deviation of Participants' Scores on the SMS by Ethnicity.

### Time Perspective

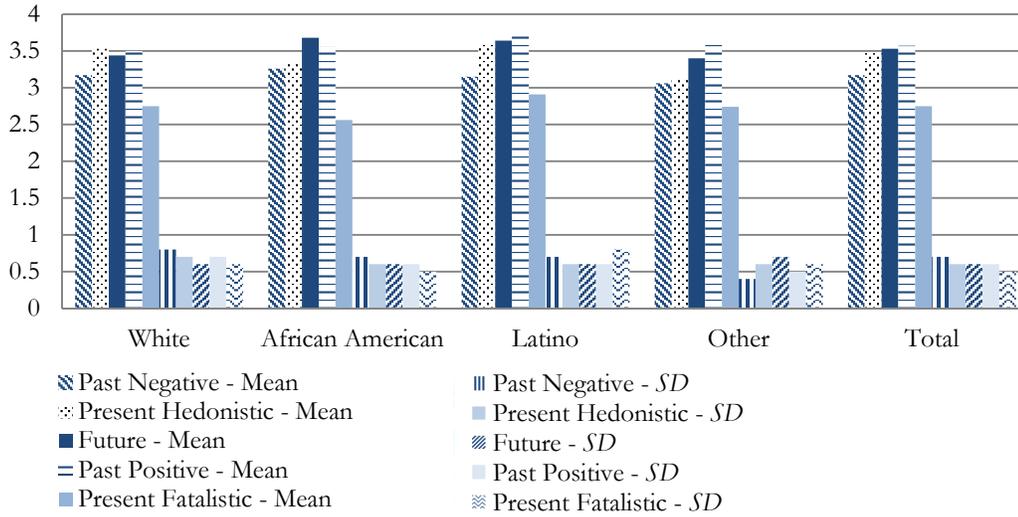
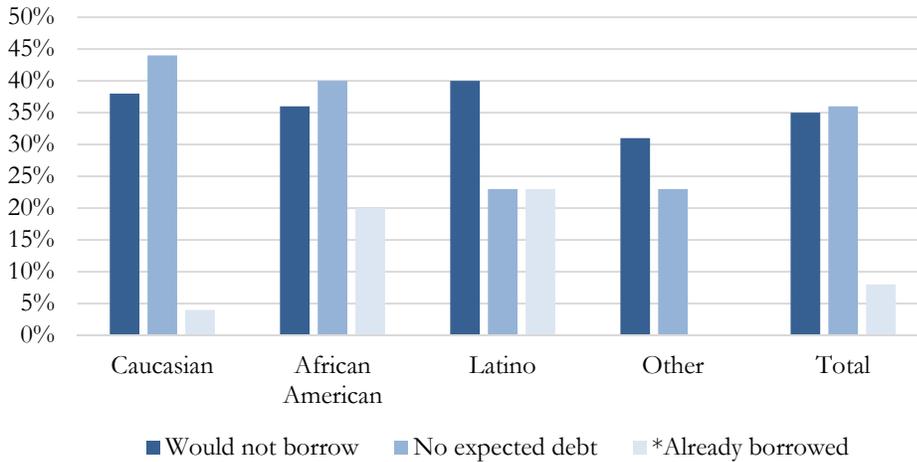


Figure 8. Mean and Standard Deviation of Participants' Scores on the ZTPI, by Ethnicity.

### Percentage of Attitudes Toward Borrowing Student Loans by Demographics



Note. No significant differences were found by gender.

\*Coefficients differ at  $p < .05$ ,  $t(91) = -2.43$ ,  $p < .05$ ;  $d = .49$ . This only applies to Caucasian and African American categories.

Figure 9. Attitudes Toward Borrowing Student Loans by Ethnicity.

**Table 1. Bivariate Correlations of Ethnic Society Immersion (ESI), Dominant Society Immersion (DSI), Present Fatalistic, Future, Past Positive, Past Negative, Financial Literacy, and Willingness to Borrow**

Variables	ESI	DSI	Present fatalistic	Future	Past positive	Past negative	Present heddonistic	Financial literacy	Willingness to borrow
<i>ESI</i>	1	.82	.053	-.021	.075	.065	.019	-.079	-.188
<i>DSI</i>	-.82	1	-.006	-.026	-.042	-.032	.009	.127	.177
<i>Present fatalistic</i>	.053	-.006	1	-.252	-.308	.506	.269	.231*	-.008
<i>Future</i>	-.021	-.026	-.252	1	.344	-.004	.061	.105	.085
<i>Past positive</i>	.075	-.042	-.308	.344	1	-.24	.22	.067	.059
<i>Past negative</i>	.065	-.032	.506	-.004	-.24	1	.323	-.155	.052
<i>Present heddonistic</i>	.019	.009	.269	.061	.22	.323	1	.097	-.06
<i>Financial literacy</i>	-.079	.127	-.231	.105	.067	-.155	.097	1	.089
<i>Willingness to borrow</i>	-.188	.177	-.008	.085	.059	.052	-.06	.089	1

Note. The pattern of correlations was the same for both genders.

\* $p < .01$ .

This project had a lower total average financial literacy score than results found in past research utilizing the JumpStart CSPFL (Sobkow, 2012), with a total mean score of 54% ( $SD = 3.9$ ) compared to a total mean of 62% ( $SD = .33$ ) in past research (JumpStart Coalition, 2008). Out of all the variables, the strongest correlations were between ESI and DSI scores ( $p < .01$ ), shown in Table 1. With regard to acculturation, participants scored lower in ESI, with a mean of 2.5 ( $SD = .5$ ), compared to previously sampled participants who obtained a mean ESI of 2.9 ( $SD = .95$ ) (Sobkow, 2012). A  $\chi^2$ -score calculation of the differences of  $\chi^2 = .43$ ,  $a = .05$  showed that participants were moderately less acculturated to their cultures of origin than participants in previous research (e.g., Sobkow, 2012). DSI scores appeared significantly lower than results found in previous literature, with a mean of 2.7 ( $SD = -.5$ ) compared to 3.6 ( $SD = .29$ ). A  $\chi^2$ -score difference of  $\chi^2 = 3$ ,  $a = .05$  indicated that the current study's participants were significantly less acculturated to the mainstream culture than participants previously sampled (Sobkow, 2012).

The large percentage of Sobkow's (2012) participants who were born in the USA could explain some of the significant differences in DSI scores between samples. While data on participant's birthplace was not collected in the current study, community colleges tend to be more diverse than baccalaureate-granting institutions (Collier & Hernandez, 2015), such as the population used in Sobkow's (2012) research. Efforts have been made to increase and retain ethnically diverse students in higher education (Collier & Hernandez, 2015). As a result of having more diverse backgrounds than participants in Sobkow's (2012) study, the current sample may have had to endure more acculturative stress (Finch, Hummer, Kolody, & Vega, 2001) that influenced them to rate themselves as less immersed in the dominant culture. Another potential reason for lower DSI scores amongst participants in the current project relates to their lower level of education.

Sobkow (2012) studied students who had already obtained at least an associate's degree, with 43% having obtained a doctorate and 40% a bachelor's degree. Further, 69% of Sobkow's (2012) sample had taken coursework on multicultural competence, and a positive significant relationship was found between DSI and multicultural knowledge. The current project examined a sample of students studying to earn an associate's degree, and it is likely that they had not taken coursework on multicultural themes at the time of data collection.

Regarding the relationship of ethnicity with the financial variables, ANOVA post hoc tests showed only financial literacy was slightly related to ethnicity, with African Americans scoring lower than Caucasians on financial literacy,  $t(91) = 2.79, p < .05; d = .66$  (refer to Figure 6). Overall, however, only one participant in the sample scored greater than 80% on financial literacy. On average, students of all ethnicities scored poorly on financial literacy (see Figure 6). Statistical analysis similarly showed more African American students had already borrowed compared to Caucasian students,  $t(91) = -2.43, p < .05; d = .49$  (see Figure 9). But again, while this relationship was statistically significant, it demonstrates that only slightly more African American students had already borrowed student loans compared to the number of Caucasian students who had already borrowed at the time of data collection.

The finding that ethnicity only slightly related to financial literacy and the percentage of students who already borrowed still allows the possibility that more malleable psychological factors, such as cultural and time orientation, may relate to financial literacy and financial decision making. We explored these psychological factors with a variety of correlational analyses summarized in Table 1. The cultural and psychological variables did a better job of predicting unique outcomes in the data, as opposed to ethnicity. For instance, being more oriented to a present-fatalistic time perspective was significantly related with financial literacy scores. Further, acculturation to the dominant and mainstream cultures was related to willingness to borrow student loans.

## Discussion

In summary, participants across demographic groups scored similarly on willingness to borrow and financial literacy regardless of acculturation and time perspective. Overall, participants were only moderately willing to borrow student loans. However, significantly more African American students had already borrowed student loans at the time of data collection compared to Caucasian students. Further, African American community college students' financial literacy scores were significantly lower than those of their Caucasian counterparts. In absolute terms, however, almost all participants scored quite low on financial literacy, with only one participant scoring above 80% correct. Such low financial literacy scores are concerning and point to a need for additional financial literacy efforts directed toward all community college students, and particularly African American students, who were more likely than Caucasian community college students to use loans to finance their degrees.

Other than these statistically significant but relatively small differences, we found no significant differences in participants' scores across all variables. For instance, across the board, participants were moderately acculturated to their cultures of origin and the mainstream culture, regardless of ethnicity. Participants tended to look positively on their past and to feel their present lifestyle was within their control. These findings highlight the many similarities among this ethnically diverse cohort of community college students. These findings are also important when creating financial counseling interventions aimed at supporting community college students in paying for their education, because financial literacy needs and borrowing patterns may relate more to unique individual differences rather than sociocultural variables.

Figure 9 shows that these findings do not replicate prior studies, which found Latino students more averse toward borrowing student loans than students identifying with other ethnic groups (Cuccaro-Alamin & Choy, 1998; McDonough & Calderone, 2006). The present study did not support such a culture-based account, as findings indicated ethnicity did not relate to time orientation, including any tendency to plan for the future. However, we obtained this finding with a community college sample and it may not hold for students in other postsecondary institutions (O'Connor, Hammack and Scott, 2009).

Despite measuring both ethnicity and acculturation, measuring country of origin and immigration-related factors could have enhanced the evaluation of cultural factors in the present study. In addition, Caucasian participants might be further differentiated by migration status, which may relate to the variables of interest, such as financial literacy. Furthermore, the fact that participants were taking English and liberal arts courses could also suggest that participants were not job focused but were in community college for other reasons. Finally, the standard deviation for the willingness to borrow measure was significantly higher with respect to the mean. However, the measure still demonstrated that willingness to borrow among the sample population was low.

Strengths of this study include good external validity due to the sample size ( $N = 141$ ), and the strong reliability and face, content, and predictive validity of the measures (Jump\$tart, 2008; Stephenson, 2000; Zimbardo & Boyd, 1999). Community college students of African American, Latino, and Caucasian ethnicities were also well represented in the sample, which reflects the diversity in community colleges nationwide (AACC, 2012) and allows for comparisons across ethnic groups. In order to avoid reporting low-magnitude-but-statistically-significant findings, we used an enhanced null hypothesis rejection criterion, which required an effect not only to be at an alpha level of less than 5%, but additionally to account for more than 5% of the variability before we interpreted results as meaningful.

The present findings have implications for policymakers and financial aid counseling in the community college setting. While many variables in the present study were unrelated to ethnicity, including willingness to borrow, more African American community college students had already borrowed student loans compared to Caucasian students at the time of data collection. This may well point to a greater financial need among African American community college students compared to Caucasians.

Many prior studies have pointed out the importance of being able to afford college in predicting college success (Cofer & Somers, 2000; Dowd & Coury, 2006; Paulsen & St. John, 2002; St. John, 1991; PHENOM, 2009). African American community college students may be particularly vulnerable in this regard as, according to the present findings, they appear to borrow more despite similarly low levels of financial literacy. Due to this greater financial vulnerability, universally tuition-free community colleges, while beneficial to all community college students (cf. AACC, 2014; Chow, 2014; Fain, 2014), may be particularly important for African American community college students, especially in the context of the high demand for an educated workforce (Carnevale et al., 2010; Obama, 2014).

Despite minor variations, financial literacy and willingness to borrow were similarly low across community college students regardless of ethnicity and other acculturation and cultural factors. Since ethnicity and culture do not strongly influence decisions about student loans, community college financial aid counselors can focus on guiding all students in making prudent decisions about financial aid and help them plan for the future, for example, by improving their budgeting skills. This counseling may be most effective if it focuses on each student's individual needs and personality.

Future research is needed on methods of increasing the overall low level of financial literacy among community college students. Research is also needed to help understand the impact of higher rates of borrowing among African American community college students—possibly within the context of current

discussions about making community college tuition free for all. Such a shift in public policy would also present a unique opportunity for “pre/post research designs to evaluate the impact of free tuition on community college attendance and completion.

### **Nexus: Connecting Research to Practice**

- Research has suggested that student loan borrowing is influenced by culture. However, this paper shows that student loan borrowing is similar across demographic groups in three community colleges. Thus, financial aid interventions aimed at the cultural implications of student loan borrowing may not be effective. Instead, financial aid offices should focus on the individual differences of students and their lifestyles that impact borrowing behaviors.
- Financial literacy is low among the community college population in this study. Increased levels of financial literacy may improve students’ abilities to understand the loan process and borrow responsibly.
- Loan borrowing is not highly elevated at the community college level. Thus, future research might look at why community college students borrow as well as ways to identify students who would benefit from a loan versus those who are not likely to complete their program and thus may not benefit from student loan debt.

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