

SEMINARIO INTERNACIONAL



**Crédito Educativo en la
Educación superior**

**EQUIDAD
&
MOVILIDAD SOCIAL**

Con el apoyo de:



MORE EFFECTS OF STUDENT LOAN OFFERS ON EDUCATIONAL ATTAINMENT

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MESA 5: acceso a la educación superior y resultados en el mercado laboral



Student loans

Outstanding student loan debt > \$1.6 trillion (FRBNY 2021)

Federal student loans have benefits and costs

- Increased financial resources and time for coursework
- Risk of delinquency and default after entering repayment (Looney & Yannelis 2015)

The presentation of loan offers (“packaging”) in financial aid is a consequential decision

- >50% of community colleges do not package loans
- Packaging loans can increase community college student attainment (Marx & Turner 2019)



This study

How does the presentation of student loans affect borrowing, credit, educational attainment, and earnings?

Are loan packaging and borrowing “worth it?”

Randomized Control Trial:

- Community college + four-year college in large system (AnonU)
- Financial aid award does/does not include loan offer
- When included, offered loan amount varies
- Students’ eligibility is unaffected



The experiment

FAFSA applicants randomly assigned to loan packaging

- 2019-20 (cohort 1), 2020-21 (cohort 2) , and 2021-22 (cohort 3), and 2022-23 (cohort 4)
- Control group: no loans
- Treatment group split between high and low loan offers

Class standing	Low loan offer	High loan offer
Freshman	\$3000	\$5500
Sophomore	\$4000	\$6500
Upper level	\$5000	\$7500



Example award letter: Treatment group

Select the [term hyperlinks](#) below to see more detailed information.

Aid Year			
Award Description	Category	Offered	Accepted
Federal PELL Grant Fall	Grant	3,097.50	3,097.50
Federal PELL Grant Spring	Grant	3,097.50	3,097.50
2 Subsidized Direct Loan	Loan	3,000.00	0.00
[REDACTED]	Grant	2,212.50	2,212.50
[REDACTED]	Grant	2,212.50	2,212.50
Aid Year Totals		13,620.00	10,620.00



Example award letter: Control group

Select the term hyperlinks below to see more detailed information.

Aid Year			
Award Description	Category	Offered	Accepted
Federal PELL Grant Fall	Grant	3,097.50	3,097.50
Federal PELL Grant Spring	Grant	3,097.50	3,097.50
	Grant	2,212.50	2,212.50
	Grant	2,212.50	2,212.50
Aid Year Totals		10,620.00	10,620.00



The experiment

Default loan = \$0

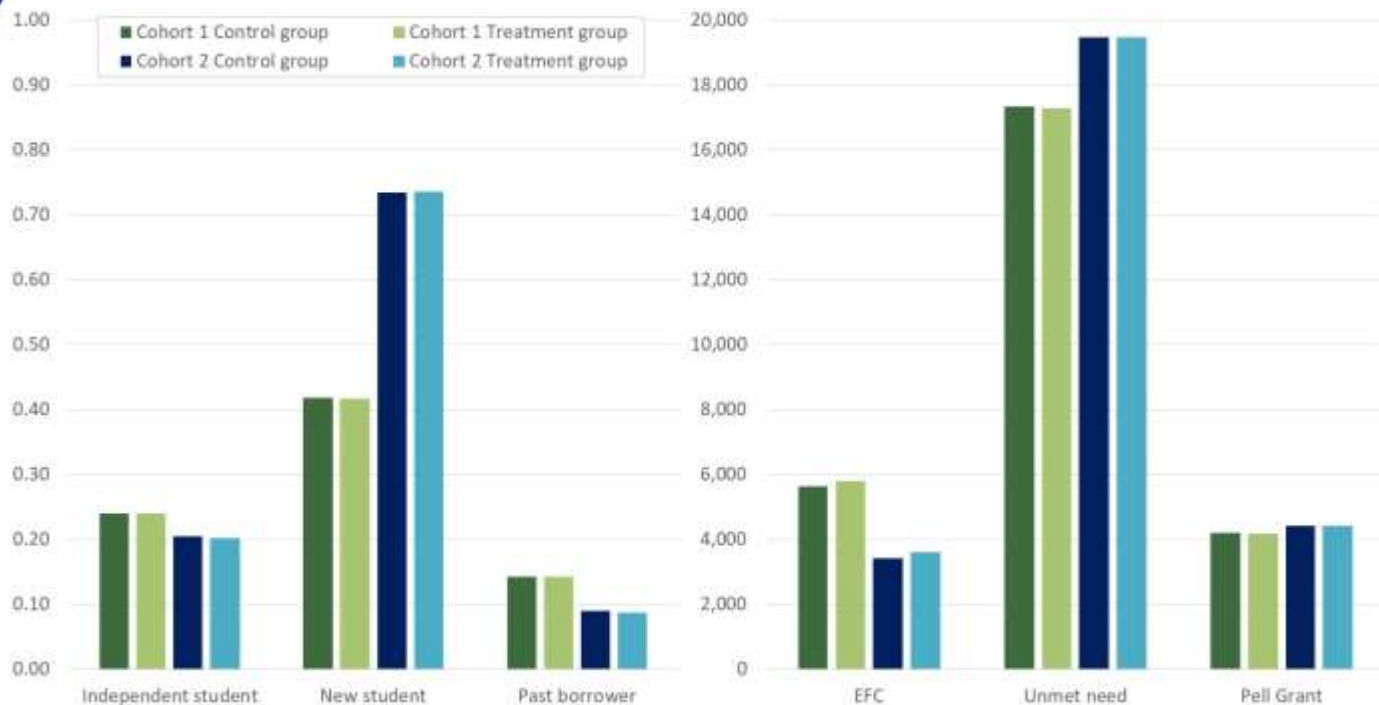
- Students at four-year college could accept, reduce, decline loan online
- CC students who wanted to borrow had to visit financial aid office and fill out Direct Loan processing form

Changes to CC award letter language after cohort 1

Initial treatment-arm assignment maintained across colleges and years where applicable

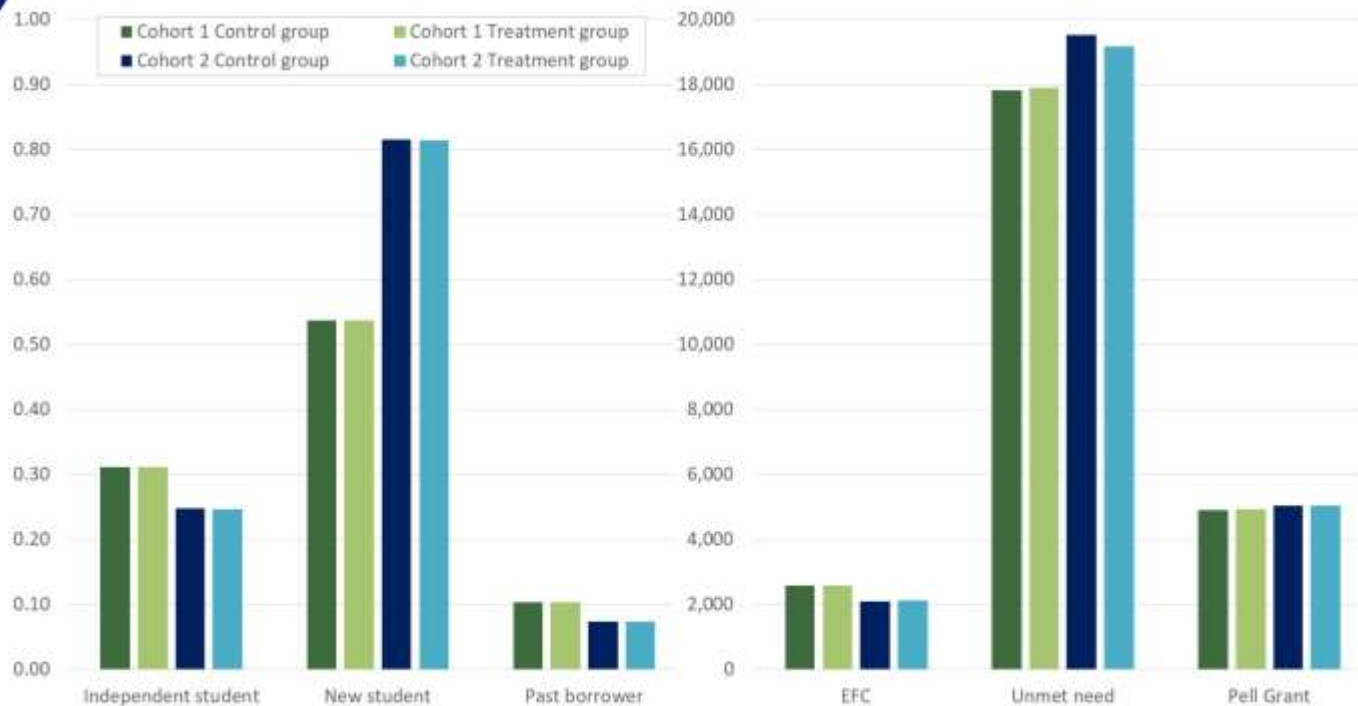


Experimental sample: the 4-year college





Experimental sample: the 2-year college



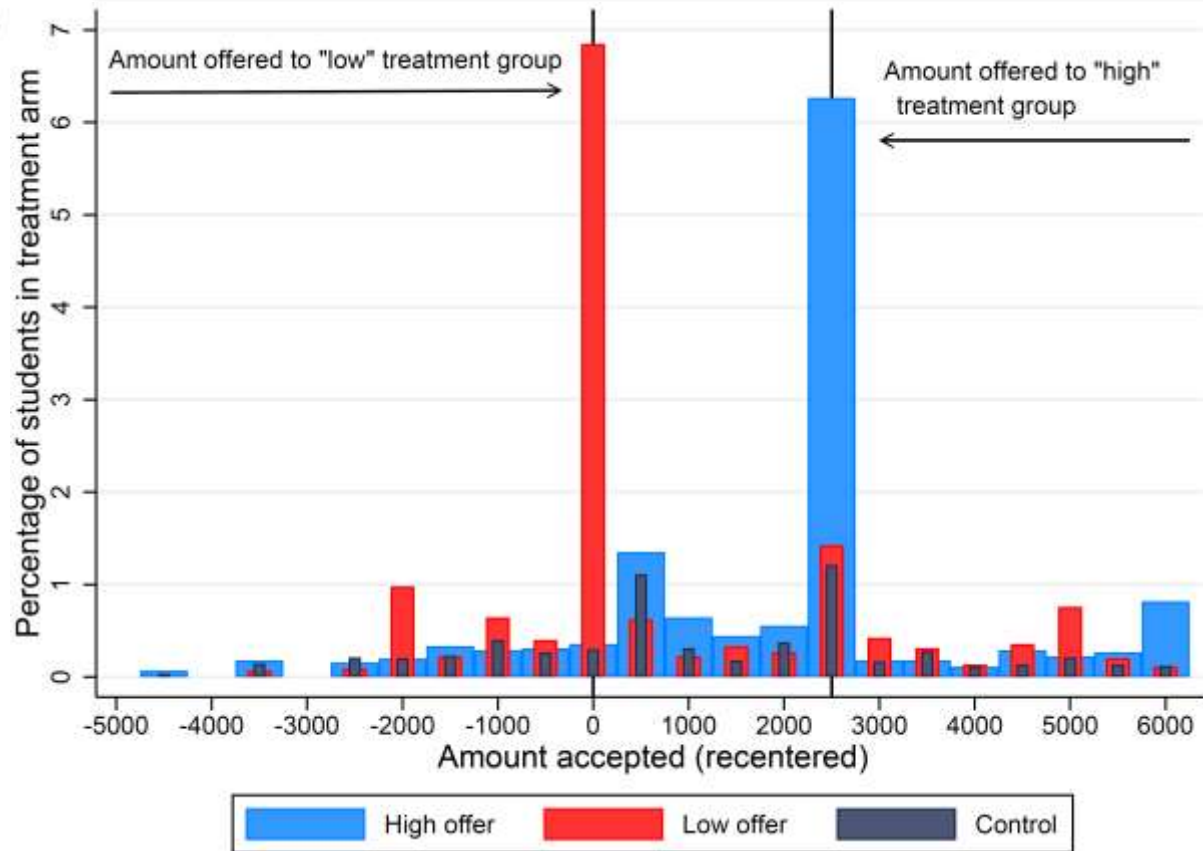


Findings: Borrowing, year 1 (4-year)

	(1) Amt. offered	(2) Any disb	(3) Amt. disb
<i>A. Control group mean</i>	\$241	0.075	\$437
<i>B. Any packaging</i>			
Treatment group	3898	0.022	91
	(74)**	(0.005)**	(27)**
Observations	18,023	18,023	18,023
<i>C. High versus low packaged amount</i>			
High loan amount treatment	4944	0.023	118
	(83)**	(0.006)**	(35)**
Low loan amount treatment	2849	0.021	64
	(72)**	(0.005)**	(29)*
test of equality (<i>p</i> -value)	<0.001,	0.638	0.127
Observations	18,023	18,023	18,023

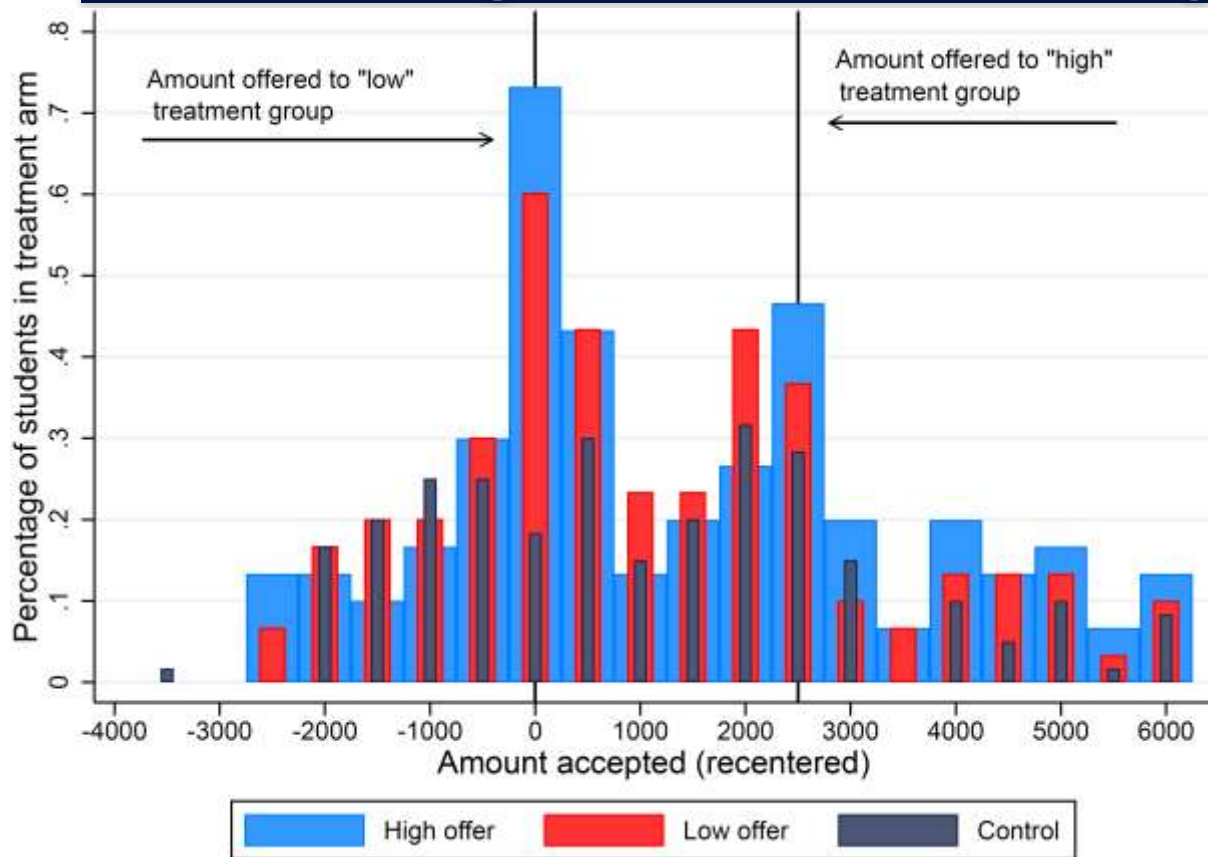


Borrowing amounts: the 4-year





Borrowing amounts: the 2-year





Findings: enrollment (2-year)

	<u>Cohort 1</u>		<u>Cohort 2</u>
	(1) AY1	(2) AY2	(3) AY1
<i>Enrolled in AnonU</i>			
Treatment group	-0.010 (0.005)*	0.009 (0.008)	0.005 (0.009)
Control mean	0.841	0.604	0.810
Observations	11,977	11,977	6,697
<i>Enrolled in non-AnonU</i>			
Treatment group	0.001 (0.005)	-0.007 (0.004)+	-0.001 (0.004)
Control mean	0.059	0.059	0.035
Observations	11,977	11,977	6,697



Findings: enrollment (4-year)

	(1) AY1	(2) AY2
<i>Enrolled in AnonU</i>		
Treatment group	0.010 (0.003)**	0.004 (0.006)
Control mean	0.759	0.632
Observations	29,482	18,023
<i>Enrolled in non-AnonU</i>		
Treatment group	-0.008 (0.002)**	-0.004 (0.002)
Control mean	0.146	0.101
Observations	29,482	29,482



Findings: credits (4-year)

	(1) AY1	(2) AY2
<i>A. Cumulative credits attempted (AnonU)</i>		
Treatment group	0.286	0.268
	(0.086)**	(0.255)
Control mean	18.96	35.05
Observations	29,482	18,023
<i>B. Cumulative credits earned (AnonU)</i>		
Treatment group	0.212	0.149
	(0.086)*	(0.226)
Control mean	17.61	32.95
Observations	29,482	18,023



Findings: graduation (4-year)

	(1) AY1	(2) AY2
<i>A. Any degree from AnonU</i>		
Treatment group	0.003 (0.003)	0.010 (0.005)*
Control mean	0.093	0.252
Observations	28,347	18,023
<i>B. Any degree (AnonU or other)</i>		
Treatment group	0.002 (0.003)	0.011 (0.005)*
Control mean	0.091	0.260
Observations	29,482	18,023



Discussion

Evidence of positive effects on human capital accumulation... in more ways than previously observed

Enrollment effects to be examined further

- Effect on enrollment at AnonU vs. other colleges and universities
- Effect on enrollment at experiment sites vs. other AnonU colleges
- Heterogeneity: past borrowing, application to other AnonU colleges, new vs. returning

Outcomes coming soon: employment and earnings



THANK YOU!

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