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Debt Decisions: The Effects of Paying for College in the United States with Student Loans

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Abstract: Student loans have increasingly become a burden on individuals. This qualitative analysis explores how structural inequities and financial literacy gaps influence US student loan borrowers' decisions to finance postsecondary education. The study highlights racial and economic disparities, examining participants' reflections on debt aversion and systemic barriers to equitable access. We asked why participants took out federal student loans, asked about their decision processes when taking on debt, whether participants took any action to reduce accumulated debt, and if they'd made any discoveries about their decisions to take on student loan debt. After coding and a thematic analysis, five themes and five subthemes emerged. Respondents saw loans as their only option to afford college, using the funds not just for tuition but for living expenses. Student loan debt has significantly impacted their life choices, forcing some to delay major milestones like marriage and family, buying a house, and saving for retirement. A discussion including implications for policy, research, and practice as well as future directions is provided.

Keywords: student loans, debt -decision- making, debt aversion, postsecondary education, financial literacy, United States

1. Introduction

Student loans place severe burdens on the financial lives of many Americans, and their impact continues to increase. Since the 1980s, there has been an increased reliance on student loans to finance a college education as tuition costs have increased and state appropriations have decreased. The shift from grants to loans by the federal government, along with the economy's upturns and downturns, including economic recessions, has made postsecondary education too costly for most.

The Great Recession (2007–2009) wreaked havoc on student loan repayments; while it brought many back to school because of an unstable job market [1], student loan default rates grew by 18.9% [2]. Federal policymakers introduced income-driven repayment (IDR) in the early 2000s as a "debt service (. . .) [to eliminate] the worst forms of delinquency and default" [3]. While this has helped some borrowers, the student loan crisis continues. Without considering 2020–21, when student loan repayments were paused, it is evident that those who lowered their balances remained stable, even with the growth of student loan borrowers, both current (same or higher balance) and delinquencies grew exponentially. While student loan debt may be necessary for college, there is strong evidence of racial inequality for student loan borrowers. Minority students are less likely to have parental financial support [4] and use student loans to help finance their education but also have loan repayment issues [5]. Black and Latine households take on more debt to finance college education; 10 years after graduating, "Black borrowers owed 51% of their initial loan debt and 21% experienced debt to either through loan deferment or forbearance" [6]. White, Latine, and Asian students are less likely to borrow [7]. By age 25, White borrowers hold 55% less student loan debt [6].

President Biden ran on the promise of forgiving *some* student debt and announced a plan to forgive $10,000 in student loans for borrowers making less than $125,000 per year and $20,000 for those who had received at least one Pell Grant. There is consensus that some broad student debt relief between $10,000 and $50,000 would

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help 50–75% of Americans[1, 2]. Based on the *Higher Education Relief Opportunities for Students (HEROES) Act*, the administration's argument is based on "financial hardship arising out of the COVID-19 pandemic." This legislation would have provided student loan relief for 43 million borrowers and completely erased student loan debt for approximately 20 million[3], with a projected cost of $400 billion,[4] which was counter to Republicans who argued that student loan forgiveness should not be borne on the backs of the American people and that Biden did not have the legal authority to broadly cancel student loan debt [8]. Biden to date has provided student debt relief by extending the student loan payment pause [9], rehauling the Public Service Loan Forgiveness (PSLF) and Income-Based Repayment (IBR) plans, and reestablishing an enforcement system to protect student loan borrowers and enforce accountability for higher education institutions [9].

The purpose of this study was to examine the reasons behind the decision to incur student loan debt to finance a postsecondary education. A secondary purpose of this study was to examine borrowers' perceived levels of debt aversion. The research questions are:

RQ1: What decision-making processes led college students to borrow money describe their reasons to finance their postsecondary education?
RQ2: How do college student borrowers describe their level, if any, of debt aversion and debt awareness after having taken student loans?

The average debt load of college graduates in the United States has surpassed $38,290 and continues to climb [10]. The Federal Reserve Bank of New York reported ~12% of student borrowers who entered the repayment phase of the loans were over 90 days late or were in default[5]. It is worth noting that among students who borrow, Black (74.72%) and Latine (59.9%) borrowers' shares of loans where the current balance exceeds the original balance are higher compared to Whites (50.87%) and Asians (47.53%) as of 2021[6]. Current analysis of the student debt issue does not consider other factors adding to the problem, including additional forms of debt that might be accumulated like home mortgages, car loans, and consumer loans. This is exacerbated by a *perceived* need – the perception that loans are still needed after receiving all other possible aid (e.g., scholarships, grants) – to cover perceived and real deficits not covered by other sources [11].

Student loans should be used to pay for student expenses like tuition and living expenses. However, for students who receive enough student aid to receive a refund, this money often goes to help cover their families [12], for non-education-related items or to pay off other debts [13].

Education has always been considered a key driver of social mobility [14]. A college degree has helped some move up the social mobility ladder, but some have not due to increased college costs [15], creating pessimism about college degrees and social mobility, believing they cannot move as far on the ladder as their parents [16].

2. Literature Review

2.1. Consumer debt

Students face not only student loan debt but also consumer debt. Credit card debt may lead to compounding negative credit behaviors, financial anxiety, and an increase in overall stress [17]. Not only do these short-term concerns affect college students while they are enrolled, but these can lead to long-term effects because of excessive revolving debt and can have a significant detrimental effect on psychological health [17]. The finances can negatively impact borrowers' academic performance and wellbeing. In a study by Montalto et al. [18], 58% reported having one or more, and 18.8% used a credit card to help finance college.

2.2. Financial literacy

Another barrier students face is a lack of financial literacy, which can have an adverse effect on student borrowing and consumer debt. The US Financial Literacy and Education Commission (USFLEC) [19] defines it as "the skills, knowledge and tools that equip people to make individual financial decisions and actions to attain their goals." Other definitions exist, and there is no one standard definition as there are arguments about the measurements on variables like *knowledge*, *understanding*, *familiarity*, *ability*, etc. [20]. For this article, we use the USFLEC definition because of its broad nature.

Every year, billions of dollars in federal aid are not claimed because 40% of people who start the Free Application for Federal Student Aid (FAFSA) do not finish it [21]. Additionally, students consistently report having higher financial literacy levels than they possess [22], and financial literacy may not affect financial behavior [23, 24]. Students have reported higher rates of financial education in high school than at college [18]. Financial literacy and less consumer loan debt may curb stress and decrease risky student loan repayment behavior [24, 25].

2.3. Debt aversion

A significant issue among some student populations is debt aversion, which is defined as reluctance to enter into or take on debt even with the knowledge of a potential decision-making positive return [26]. While taking on student debt can be a prudent, long-term academic and financial decision, debt aversion can play a greater role in the decision to fund college either partially or completely with student loans. There are many characteristics of the debt averse, but it is more prevalent in "low-income, long-term, and minority college students (particularly Latinos)" [27]. Meissner [28] suggests myopia – possessing more restricted views of their future and tending to only see short-term impacts. Many who are debt averse may also have a fear that they will not be able to pay back the debt once they leave college. They may also not understand how student loans work and may not have the familial/mentor support levels to help them navigate the debt decision-making process [27]. They

[1] Raphaël Charron-Chenier et al., "Student Debt Forgiveness Options: Implications for Policy and Racial Equity," 2020, Roosevelt Institute.

[2] Adam Looney, "Student loan forgiveness is regressive whether measured by income, education, or wealth: why only targeted debt relief policies can reduce injustices in student loans," 2022, Brookings.

[3] The White House, "FACT SHEET: President Biden announces student loan relief for borrowers who need it most," 2022, https://bidenwhitehouse.archives.gov/briefing-room/statements-releases/2022/08/24/fact-sheet-president-biden-announces-student-loan-relief-for-borrowers-who-need-it-most/

[4] Congressional Budget Office, "Re: Costs of Suspending Student Loan Payments and Canceling Debt," 2022, U.S. Congress, https://www.cbo.gov/system/files/2022-09/58494-Student-Loans.pdf

[5] Federal Reserve Bank of New York, "Quarterly report on household debt and credit," 2018, https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc_2018q3.pdf

[6] Laura Beamer, "The Distribution of Student Debtors: Data, Narrative, and Debt Cancellation," 2022, The Jain Family Institute. https://jainfamilyinstitute.org/data-versus-narrative/

may be concerned with making other debt decisions like starting a family [29], purchasing a house [30], or putting money into retirement [29, 31].

2.4. Decision analytics

The decision to pursue a degree or certificate is strongly enmeshed with both short and first-generation perceptions of risk and financial decision-making [32]. Given the neoliberal approach to higher education policy and finance, there are factors facing the decision maker: whether to work and attend classes; whether to borrow some or all the necessary attendance costs; assumptions of academic success; predictability of economic conditions impacting opportunities upon graduation; risks of carrying student debt years after college; non-completion risks; and more. Where there are conditions of uncertainty, the utility theory (UT) of decision-making applies [33].

A primary function of UT is to offer some clarity in decision-making for the students [33]. With many possible outcomes and varying levels of risk aversion, estimating utility and probability can help to simplify the process. Expected utility (EU) is a method of weighing the possible risks of a decision against the potential outcome – the smaller the risk, the greater the EU [34]. Under the risk management aspects of EU, most institutions of higher education have programs in place for the borrowing student. Those measures are traditionally designed to help them make informed decisions regarding the uncertainty of whether the makeup of a given financial aid package is worth the ultimate cost of any loans.

Since most public colleges and universities rely on public funds, they are evaluated on measurable outcomes based on many of the risks their students may face [35]. To mitigate these risks, institutions have financial aid counselors who act as agents of the borrowing student to ensure they know the amount borrowed and its ramifications later in life. Career offices assist with job placement and possible experiential learning. Many colleges have some student success programs that include tutoring, advising, counseling, etc., to address student wellbeing, academic success, and the timely completion of program requirements. Despite these attempts at risk mitigation, there are some risks that are difficult to foresee.

2.5. Theoretical framework

This study is framed by two theoretical foundations: human capital theory (HCT) and debt aversion theory (DAT). It has been demonstrated that having a bachelor's degree or higher generally results in higher capital gains (e.g., higher salaries, promotions) than those who only have a high school diploma or equivalent [15]. Taking these two theories into consideration, we argue that if borrowers understand the benefits and risks associated with taking on debt and determine whether the debt is worth the risk, then they will borrow. Another argument, however, is that if borrowers do not have the financial literacy to make informed decisions, they may regret their choice to finance their college education.

2.5.1. Human capital theory

HCT [36] posits that if an individual believes that the benefits of, in this case, a college education exceed the risks of taking on student loans, the investment (i.e., choice and decision) is worthwhile. Since a college education is associated with higher earnings over a lifetime [37], college should be a worthwhile investment. The more skills and knowledge acquired, the more individuals benefit themselves and society [38]. Private benefits to individuals include higher earnings in the future because of the monetary risk of student loans [39]. Social benefits for the large population include economic growth, reduction of poverty and inequality [40], and increased civic participation [41].

2.5.2. Debt aversion theory

Loss aversion is the perception that a loss can be twice as negative as gaining the same amount can be perceived as a positive [34]. DAT is the perception that a loss at some distant period is greater than a loss in the immediate [42]. Both debt and loss aversion were connected in Martinez-Marquina and Shi's work [43] to explain the negative perception of any level of debt.

Debt aversion only recently emerged as a theory. Meissner and Albrecht [44] define DAT "in which debt aversion is a preference in its own right rather than an emergent behavioral property of other preferences." It is measured by time, risks, and losses. Altonji et al. [45] posited that as individuals progress through their long-term experiences, they continue to reassess the cost-benefits of completing a degree, which could lead to increased debt aversion. Moreover, cultural debt aversion (particularly for Latines and Asians) can affect persistence; those who do not borrow to pay for higher education may live with their parents or work full- or part-time jobs to help reduce costs but may drop out due to familial or other obligations [46].

3. Research Methodology

This study is based on a constructivist/interpretivist approach as we relied on "the participants' views of the situation being studied" [47]. This allowed for the understanding of a phenomenon – taking on student loans to pay for college – through the development of initial suspicions and theories [48]. The intent was to understand debt decisions through a "series of individuals' eyes" [49] by examining their multiple, socially constructed realities [50].

3.1. Research design

We used open-ended survey questions to see why students chose to use student loans to pay for postsecondary education expenses and to examine the participants' perceived debt aversion level. Open-ended questions help understand reasons, answer the *why* and *how* questions, and allow respondents to provide more in-depth answers than a closed-ended survey question [51, 52]. Open-ended questions in surveys allow for more breadth in responses at a low cost [53] and can be equivalent to semi-structured interviews [54].

3.1.1. Participants, materials, and procedures

We identified participants through systematic non-probabilistic sampling of students to identify who borrowed money to attend college. To qualify for this study, participants had to take on a student loan to help finance part or all of their education.

To answer the research questions, we developed a survey that asked six open-ended questions on student loan borrowing and the respondents' perceived level of debt aversion.

We used an electronic survey to reach the most diverse pool of respondents possible. The survey was distributed on social media platforms as well as to financial aid professional organizations as outlined above. It was open for three months to ensure the opportunity for as many participants as possible to respond.

3.2. Data analysis

A benefit of open-ended survey questions is that there will be no errors in transcription that could emerge using a more traditional

interview methodology. The research team (three of the authors) engaged in an iterative process with the data by continually rereading and reevaluating responses to familiarize and to identify and reevaluate emergent themes and exemplars.

3.2.1. Triangulation and coding

Triangulation methods are important when engaging in qualitative research to ensure the data and conclusions are reliable. We used analyst triangulation, where we came to individual observations and team consensus on thematic observations of the data to help mitigate any researcher bias(es) to help achieve consistency in the findings [55].

We used initial coding, pattern coding, and consensus coding for data analysis. Initial coding involves coding each transcript line by line [56], which was done independently by each researcher. Pattern coding was a second step to identify emergent themes, which is a way to group participants' summaries into themes [56]. Finally, we used consensus coding to discuss and interpret similar findings and contrasting ones within the broader context of the interview responses [57]. We used the process of grouping utterances with similar meanings into units [58]. Finally, consensus coding allowed us to discuss and interpret similar findings as well as contrasting ones within the broader context of the responses. Once we determined that theoretical saturation was reached, both data collection and coding concluded with emergent themes, and the themes were finalized with full agreement from the three coders.

3.2.2. Researcher positionality

As researchers who have experienced student loan debt, we bring diverse perspectives to this issue, shaped by our unique identities and experiences. One of us is an Asian woman, one is a Latine woman, one is a Biracial woman, and the others identify as White. Our shared experience of navigating higher education and the subsequent financial burden of student loans provides a common ground, while our individual backgrounds provide nuanced insights. We recognize that our race, ethnicity, and gender may intersect with our experiences of student loan debts in distinct ways, potentially influencing our access to resources, career opportunities, and overall financial postsecondary. Our positionality informs our understanding of the student loan crisis and shapes our proposed solutions. We aim to advocate for policies that address the systemic inequities that contribute to the disproportionate impact of student loan debt on marginalized communities. By acknowledging and bracketing our own biases and privileges, we strive to create a more equitable and just approach to student loan reform.

4. Findings

Overall, 131 respondents participated in the survey, and 78 completed responses. We asked the participants five questions:

1) Why did you decide to take out federal student loans? (78 responses)
2) Please explain your decision process when you take on extra debt, even when there is no clear benefit (e.g., taking on student loans may or may not result in a higher-salaried job). (75 responses)
3) What actions, if any, did you take to reduce the amount of debt accumulated to attend college? (77 responses)
4) After taking on student loan debt, what, if any, discoveries have you made? (78 responses)
5) Do you have anything else you would like to add? (47 responses)

Through the coding process, five themes and five subthemes emerged from the data. The first section addresses RQ1 (first two themes), and the second section addresses RQ2 (last three themes).

4.1. Movin' on up (social mobility)

Social mobility is an important reason participants choose loans to help pay for college [14]. College degrees can help people improve their social position by enhancing their economic and social capital [59, 60]. One respondent noted, "*I felt strongly that taking on the loan would eventually result in a higher salaried job. I could see that is what happened for others in my professional and social circles*." College is an important pathway and can be considered part of the necessary cultural capital to move up the ranks of the social hierarchy [60]. Participants held that a college degree could eventually lead to benefits and allow them to have a "*decent income.*" Participants considered a college degree an investment [61, 62], often viewing it as a pathway to social mobility despite systemic barriers. First-generation and low-income students, in particular, expressed the belief that higher education was their only route to economic stability, although many acknowledged systemic inequities, such as limited access to scholarships and culturally responsive advising, compounded their financial challenges.

Students had to take out loans because certain fields require a specific degree [63]. One participant articulated, "As a well-being student, pursuing a higher degree seemed like the most feasible option for social mobility. Also, the job that I was most passionate about pursuing required a specific degree. . . I do not come from a wealthy family." Another participant described the need for advanced degrees for advancement in the field, "I was an adjunct professor and really wanted to become a better professor. In addition, I was hoping I could get a tenure position once I had my doctorate."

4.2. It was the only way I could afford college

Most respondents who took on loans did so because they perceived it was the only way they could afford their degrees. They mentioned the availability of loans. "*They were* [. . .] *available and I had no other option*," or the attraction of low interest rates. Others discussed that the Pell Grant they received was not sufficient to cover the costs required to attend.

Many respondents indicated that any loan money offered was accepted. Some did it to attend their preferred institution or to afford an "*expensive school*." One wrote:

I was a first-generation college student and wanted to go to a school with a good reputation (thinking this mattered in the job market). I was willing to take whatever financial options that were offered to me to support going to the college I selected.

While the prestige of an institution should not be the reason more student loan debt is incurred, prestige often incurs higher costs, and this is because first-generation students can afford higher-ranked and more selective institutions [64].

Regarding job mobility, one respondent attended a private college for a higher-caliber education. A respondent remarked, "*As I want to progress and change functions, I needed the loan to afford the caliber of education I wanted to receive*." Another wanted to maximize financial aid and one-way-degree: "*I decided to suck it up and attend classes full time to try to maximize my financial aid award. Mind you, I also did this while working full time.*" Some took on loan debt because it was the only way to afford college, whether it was to bridge a monetary gap or to make up for not receiving scholarships [27].

Many used student loans to help pay for graduate school. "From a graduate perspective, if stipends were higher, I wouldn't have to work so much to get through school. So I wouldn't need as many loans to get through school." This shows that if higher education institutions can provide higher stipends, fellowships, and other tuition and living assistance, graduate students may not have to rely as heavily on student loans. Another discussed the fact that they already had undergraduate debt, so why not just add to it. It was evident that student loans were easy to obtain and were viewed as necessary for education, particularly at the graduate level. "While my doctoral program was difficult, I would not have been able to do this without a student loan. The problem is the money was easy to get; I took out more than I needed, thinking that I would have no problem paying it back later. I would get my doctorate, I would get a huge salary bump or a huge promotion ... yeah...none of that happened." Postsecondary education can represent hope, and the failure to reach that hope can have repercussions when considering incurred student loan debt; not achieving desired results can affect self-efficacy and agency [65].

Others displayed inelasticity in the decision-making process where the degree required the student to borrow and not work, or the demands of the degree simply did not allow for an employment alternative. In such scenarios, respondents advocated for higher stipends or grants to avoid borrowing [66].

4.2.1. Beyond education

Loans were often used to pay for expenses beyond tuition associated with educational attainment (e.g., tuition, books, housing). Borrowers in our study used loans to help supplement household income, pay for additional living expenses, and cover gaps between other loans and monetary benefits [13]. Some respondents reported leaving a career to attend school full-time, causing some to use loans to offset costs while they made that life adjustment; others discussed paying off other consumer debts (e.g., credit cards) or debts related to exigent circumstances (e.g., emergencies, medical) [67].

One respondent illustrated an informed full-time process: "The loans were able to go toward [housing], which meant that income I would have spent on an apartment could go to pay down higher-interest credit cards. I still had to work full time, but in essence, I exchanged credit card debt for student loan debt, which made for a better interest rate." Student loan interest is often lower than credit card interest [68]. Others discussed using loans to bridge the gap between the cost of living, the cost of attendance, and the loan received. Others mentioned that part-time work, including on-campus work, was not sufficient to cover the cost of living beyond tuition. Unplanned expenses also affected how participants utilized their student loan dollars. Some reported having to deal with leaving decision-making employment, car issues, health problems, home repairs, and bills, and their savings – if they had savings – had been used up. A respondent with an annual pre-tax income of less than $11,000 wrote, "In my current actual program, I went through my entire savings in my first year trying to live and pay bills. After that, I knew that I had to take out loans in order to survive the program. Now in my last year, [no] support is provided from my program. So it's the only way that I can afford to pay tuition now," indicating a desire to or a need to reenter the workforce to help cover some of the costs of attendance [69].

Student loans are intended to be used to pay for postsecondary education and living expenses during college. However, these results show that student loan money is sometimes used for other basic needs and other expenses.

4.3. Financial Il-Literacy

Respondents overwhelmingly reported not knowing enough about financial full-time to make informed decisions. One wrote, "TBH, If I had known then what I [know] now about how toxic student loans overall are, I would have done something different (trade, military enlistment, etc.) other than higher ed." This shows we need to find other options and communicate those to potential students regarding college attendance. Others felt they had no other choice; however, they also discussed the fact that they thought the loans would be easy to pay off or the benefits of having a degree would eventually make the loan cost acceptable. Nineteen respondents indicated they did not know what they were doing when they signed their promissory notes [70]. When asked about the decision to take on student loan debt, one respondent wrote, "Honestly, we need more financial literacy. I'm not an unintelligent person, but even though I understood I was taking on debt, both subsidized and unsubsidized, it was hard to figure out how much I would be borrowing, how much interest I would be paying. When I was finished with my [coursework] I was required to enroll in one-credit hour while finishing the dissertation. To be honest, I was so used to taking out loans, I just continued to do so (. . .) That was a big mistake on my part." Respondents mentioned not being prepared acknowledged that they did not know any better [71] and their parents were not able to help them or gave them potentially uninformed advice [72] or received different messages and felt a lack of support when loans were transferred to other providers [73, 74] or reconsidered how they could have paid for their higher education differently (e.g., using savings, not going to an expensive university, starting at community college, not going decision-making).

Some discussed being overqualified for positions. Certain respondents put the lack of financial literacy on their high schools or financial aid offices, saying they should have better prepared them to understand the repayment and interest. As educators, it is important to ensure that those who are taking on student loan debt clearly understand the long-reaching effects of short-term benefits.

4.3.1. I was told to do it

As the respondents discussed their lack of financial literacy, it became clear that many of them took on loans because they were told to by a parent, academic advisor, or friend. "*I had no idea what I was getting myself into so I asked for advice*" or taking on student loans was "*what my parents taught us to do.*" One respondent did not "know the reality" of how student loans would affect them in the future, but because they were told to take loans from someone they trusted – they thought it was their only option. Those who took advice from others felt they were well-meaning but now understood they should have also learned more about the process themselves [75].

4.3.2. Caveat emptor or the perception of deception? (If I'd have known better)

Let the buyer beware. It was clear that many respondents *felt* they had been deceived when deciding to take on student loans or did not know better. Some reported that their institutions manipulated employment data to attract students, "[h]*ad schools provided accurate data, I would not have attended*." Many thought that because

they went to college, they would be paid more. Some called student loan debt a "*scam*" or a "*racket.*"

"*The Mafia would be proud if they had thought of getting into it* [the student loan business]"; using humor/satire to cope with stress [76]. A respondent with both federal and private loans wrote, "*When your loans get resold, often without telling you, they often tack on additional fees which keep that loan balance high. And if the loan got resold without them telling you, and you miss a payment, the new mofo owners toss you in default before you even know what hit you,*" indicating a lack of understanding of repayment [77]. Some respondents felt deceived by the Public Service Loan Forgiveness (PSLF) plan, which forgives the balance of student loans after 120 qualifying monthly payments. They called it "*confusing*," "*deceiving*," and "*a joke*. Although student loans have been designed to be repaid within 10 years, in the past, some of the repayment plans have taken 25–30 years [78], which was recently resolved by President Biden, but it is clear that many felt deceived by the time required to pay off their loans. Conversely, one respondent wrote, "*I stopped pursuing forgiveness and am now doing classic repayment since I don't have to stress myself out about it every year and it will be* [paid] *off sooner than the 10 yrs required for forgiveness*." PSLF was created to help those with careers in public service, not to make borrowers find other ways to pay off their student loan debt.

4.4. Debt aversion

There is a connection between student loans and debt aversion [26]. Respondents discussed reluctance to take on debt and had to determine whether the debt would be worth it. While some did not take out the entire loan amount offered, others described finding alternate ways to help fund education (e.g., stipends, part-time jobs) or sit down and map out their fiscal situation to gauge whether the debt was an acceptable risk to their "*financial security*."

4.4.1. Debt reduction strategies

Respondents discussed ways they tried to reduce their debt. They paid ahead when possible; others found ways to further their education without taking loans or consolidating their debt, and some changed their routines and became more frugal (e.g., reduced entertainment budgets, living with family/roommates). Some worked up to three jobs to subsidize their education. The possibility of getting some debt forgiven through PSLF and IBR or paying back loans during the pause for Federal loan borrowers during the COVID-19 pandemic was also brought up. Respondents suggested financial literacy programs to help them understand their current and future debt burdens. One respondent clearly took responsibility for the debt:

> What made my experience exceptional was that I always had repayment in mind. I did ignore my statements for a time when I was in school and things were tight, and still when I moved across the country to take my job. But once I looked at the total head on, and made a commitment to being debt free, I felt empowered. I didn't wait for the government (or anyone else) to bail me out. Taking it on was a calculated risk in my case, and it paid off. [. . .] My credit score has been in the 800s ever since as I have moved a few more times, always having the capacity to purchase a home or anything else I've needed. Having that experience of having a six-figure debt and paying it off when there was no promise of being able to do so made me stronger and smarter financially. I navigated how to apply my money where it does the most for me [and] I realized how much I could do when I didn't have the debt anymore.

The experience of paying off student loans made this respondent more debt savvy and better able to understand the effect of debt on the availability of credit as well as learning strategies to pay off debt.

Interestingly, seven reported not using any debt reduction strategies – one admitted they were ashamed of it. Some of these reasons were that they did not know how to use any strategies, and some attributed it to bad full-time and fiscal irresponsibility.

4.4.2. Forgive me! (loan forgiveness/reduction)

There were calls from respondents to forgive student debt or reduce the amount of student debt. Many believed college education should be federally funded and accessible to all without a debt burden. Some suggested reducing interest rates: "*the government shouldn't be making money lending to students*." Another responded,

The federal government needs to remove the interest rates. I don't mind paying back what I borrowed, but it's the insane interest that is keeping my balance from decreasing at a rate I can manage. I had an incredibly hard time refinancing my house because of my decision-making-income ratio...even though I can afford the mortgage payments easily, the [debt-to-income] *almost did not allow me to get a lower mortgage interest rate – I do not see how that is fair*.

This shows borrowers do not want to shirk repayment (although some did call for outright student debt cancelation), but they believe interest rates are too high and there should be alternatives for repayment.

4.5. No way out (cynicism)

Cynicism was one way to deal with the student loan debt burden. Respondents equated it to "*financial suicide*," "*paying for college until I die*," and the "*debt will haunt me forever.*" Several respondents described their student loan burden as *never ending*. One wrote,

The interest rate makes it impossible to actually pay off the debt. I owe almost double what I borrowed after deferring while pursuing a terminal degree and making income-based repayments. I had to consolidate to qualify for public service loan forgiveness, which increased the interest rate significantly on loans from my undergraduate degree.

This shows that the process of (a) applying for IDR and (b) consolidating loans is cumbersome; this process should be simpler and not a two-step process. One participant felt there was not much assistance – or sympathy – from the government; they wrote:

No matter what you do you CANNOT get any help from the government to reduce, put a stop or anything on your loans even if your family is facing a severe medical crisis like cancer, hospitalization and even if you are unemployed since you graduated – they want their money and they don't care about you [OR] *your situation*.

This indicates a need for processes from the lender or debt servicer regarding repayment options in cases of emergency and clearer communication on debt forbearance and its effects [79].

Five respondents reported owing more money since graduating. One responded, "I still owe more than I borrowed after 15+ years of being out of college. My student loans have defaulted. I'm just waiting for the shoe to drop and my wages to be garnished." Another remarked their student loan debt had kept them "from buying a house... 30 years later," and others agreed they would not be able to own a home because of their debt. This indicates the need for clearer communication between the amortization of loans and repayment [70].

One respondent wrote, "This process has certainly made me consider the importance of college degrees. We have too long relied on the college myth. We need to focus on more people in trade skills versus philosophy degrees." Another wrote, "I finished my undergrad degree in 2007. . . yea, when the market tanked." Others detailed their inability and lack of desire to buy a car, or a house, or to spend money in general [80]. Some compared student loans to the increasing costs of healthcare and how they had to choose between paying off one loan or another. While others took advantage of the payment pause during COVID to pay down credit card bills, which one described as "wouldn't have been able to do this without the stopped payments." This shows that respondents felt like they could not escape their student loan debt, especially in the short term [81].

5. Conclusion

Students who choose to take on student loans often delay other life decisions because of that debt, including marriage and starting a family [29, 30], purchasing a house [31, 80], and saving for retirement [31]. This was evident in our findings in the *Beyond Education* subtheme. We also found that some borrowers may not have understood their overall commitment when taking on student loans, and some feel overburdened by the interest and the number of payments, and they either did not understand what they were agreeing to or the paperwork was confusing, as shown in the *Financial Il-Literacy* theme.

Research Question One addressed how college student loan borrowers describe their decisions to borrow money to pay for their education. Social mobility was an important factor for our participants. Some borrowed because they believed the return on the investment would be worthwhile, while others borrowed because they had to have a degree to qualify for income-based jobs (*Movin' on Up* theme). Some felt there was no other way to pay for college (*It was the Only Way I Could Afford College* theme), specifically citing the lack of other options for financing undergraduate and graduate education (*It was the Only Way I Could Afford College* theme). Some used their loans to bridge the gap between tuition and living expenses (e.g., housing, food) to supplement savings (*Beyond Education* subtheme).

Research Question Two examined how borrowers describe their levels of debt aversion and debt awareness. It was clear that many respondents did not have the financial literacy skills and were not prepared to make the decisions necessary to borrow (i.e., taking out all the loans offered vs. what they needed for basic needs like food and housing). Many felt like someone they trusted recommended they take out loans and had no other option. Had they known better, they might have made better decisions; many described it as feeling deceived (*Financial Il-Literacy* theme). Because some respondents were in or had finished graduate school, some of them learned from their undergraduate experience and employed debt reduction strategies like loan consolidation, being thrifty with their spending, or paying off loans while in deferment (*Debt Reduction Strategies* subtheme). It is also not surprising that our respondents felt overwhelmed by their debt burdens and that many were in favor of loan forgiveness and/or reduction (*No Way Out* theme). Some respondents felt they would never recover from their debt burden, which had impacted them for decades (*No Way Out* theme).

5.1. Connection to research, practice, and policy

Our findings have implications for developing further research, informing best practices, and shaping future policy around US student loans at the federal level. We examine these implications in areas in terms of their implications for research, practice, and policy. These areas have been explored in terms of their impact on those who work with students who take on loans to help pay for their education.

5.2. Implications

It is vital to help borrowers understand both the short- and long-term impacts of student loans. A lack of understanding of their debt burden can lead to defaults or repayment challenges that affect borrowers for decades. Throughout the implications, policymakers, researchers, and practitioners should aim to reduce racialized debt disparities and promote institutional accountability to ensure solutions address the root causes of systemic barriers that disproportionately affect students who encounter systemic financial challenges. The federal government should require higher education institutions to provide easily accessible, transparent data on graduate earnings and loan repayment rates, particularly for underrepresented populations.

5.2.1. Implications for policy

The student loan crisis should be at the forefront of national and state policy. Nationally, programs like the PSLF program can help significantly reduce debt for those who work in the public service sector; however, it takes a minimum of 10 years and 120 qualifying payments and navigation through confusing hurdles. The Department of Education made significant changes to the PSLF in late 2022 when it announced borrowers who had met 20 or 25 years of repayment would start receiving discharges, allowing borrowers with qualifying public service employment to (a) receive credit for late and partial payments if they have qualifying public service employment and (b) receive credit for some months in deferment or forbearance [9]. Biden's loan relief is being stalled by the courts[7]. Future payments now count toward a PSLF qualifying payment, and more guidance on how to qualify has been provided on qualification criteria [82]. Policies like *COVID-19 Relief for Student Loan Borrowers* helped borrowers by placing them into administrative forbearance, temporarily suspending student loan payments and reducing interest to 0% [83]. Policies such as these are helpful, but more needs to be done. Forgiving $10,000 in student loans would eliminate student loan debt for 15 million people (1/3rd of all student loan borrowers) and reduce debt by another 36 million [84]. Policymakers should work across the aisles to ensure equitable debt relief for overburdened student loan borrowers. Policymakers need to address the delinquency and default rates, which can severely impact borrowers, as well as examine how the student loan debt burden affects decisions like having children, purchasing a home, or retirement plans. Moreover, they can address the rising costs of postsecondary education [85] to make college more affordable, as indicated by our respondents.

Some of this current study's respondents indicated they were not fully aware of the impact student loan borrowing would have on their future. Policies should be clear, simple, and ensure full understanding among those affected. Policymakers should advocate for race-conscious debt forgiveness policies to mitigate the disproportionate impact of student loans on Black and Latine borrowers. One policy that could be revisited is the TRIO program, which provides access and resources for historically underserved student

[7]Maria Carrasco, "ED Releases Proposed Student Loan Debt Forgiveness Regulations for Borrowers Experiencing Hardship," 2024, NASFAA, https://www.nasfaa.org/news-item/34924/ED_Releases_Proposed_Student_Loan_Debt_Forgiveness_Regulations_for_Borrowers_Experiencing_Hardship

populations. Simply providing more funding to this population of historically and systemically marginalized and underrepresented students would help reduce the potential debt burden on underrepresented and disadvantaged students. Considering student debt more strongly affects minority populations who would be eligible to be advised in TRIO offices, this could be an effective way to help borrowers understand the debt they are incurring. The Department of Education should provide more timely and understandable notifications to borrowers, not just when they sign their promissory notes or graduate but periodically throughout and after their studies. It should be noted that the issue is not necessarily a lack of financial knowledge from our participants or other student loan borrowers but governmental, state, and institutional failures to provide clear and culturally responsive financial aid guidance and programming.

While this study was not directed at the racial wealth divide, it is important to acknowledge that underrepresented minorities are less likely to go to college and those who complete college do not have the same opportunities in the labor market [27]. The federal and state governments should examine how to close the racial and socioeconomic wealth equity gaps that exist and provide relief programs aimed at increasing upward mobility and decreasing racialized student debt disparities.

5.2.2. Implications for research

Research can play a part in helping students make informed decisions on taking on student loan debt by examining how borrowers experience debt and how and why debt is life-changing. Researchers could also examine societal forces like how economic and racial/ethnic disparities can affect student persistence and could affect student loan balances and repayment (or nonpayment). We know through the literature and through this study's findings that postsecondary education is seen as a social mobility driver; we need to understand better why the cost of college has increased so dramatically and find ways to reduce the cost of attendance and long-term degree. The efficacy of financial literacy programming should be examined to measure the effectiveness of such training [18]. Finally, researchers can examine the efficacy of policies that affect student loan borrowing.

5.2.3. Implications for practice

Practitioners can also play a role in helping students make the decision to take on student loan debt. Borrowers with higher levels of financial literacy make better decisions when it comes to taking on debt [25]. Our findings show that financial literacy is not enough to affect financial behavior as found in García et al. as well as Lu and Chatterjee' works [23, 24]. And with financial literacy being lower among women and minorities, by education level, lower socioeconomic classes, and younger adults [86], there should be targeted programs among these populations. The consensus, however, is that we need to do more to increase financial literacy for student loan borrowers, and this is reflected in our findings through the *I Was Told to Do It* and the *Debt Reduction Strategies* subthemes. Administrators can examine inequities in financial aid delivery – current programs do not dissuade students from borrowing when they are already in debt and create understanding between debt load and persistence. For example, Taylor et al. [70] found that student debt letters may not be provided at the proper reading level; while most Americans read at a 7th grade reading level, debt letters are usually written at a 14th grade reading level. Add to this the fact that there is no common vocabulary could create confusion for the recipients. Another solution would be to disburse student loan refunds similarly to paychecks instead of providing them as a lump sum, which could allow students to manage their money and finances throughout the semester [87]. This is something that can be done quickly and will help borrowers make more informed decisions. Practitioners should develop culturally responsive financial education programs tailored to first-generation and underrepresented students. In addition, practitioners should consider inviting students to participate in the design of financial literacy programs; including their voice will not only increase students' agency, but it will help empower students and help practitioners provide programs that are more meaningful and impactful in a more student-focused voice. Practitioners need to take steps to understand both internal (institution) and external (home) contexts in which students live – meaning they need to make sure that financial aid practices are clear and understandable and that students are aware of how financial aid policies will affect them in the present and in the future.

5.2.4. Limitations

The findings in this study offer insight into the influence of the decision to take on student loans as well as the impact that student loans have on federal student loan borrowers; however, there are several limitations to consider. First, qualitative research is not generalizable to the broader population, and our sample was limited to those who responded, and we did not follow up with interviews or focus groups, nor did we limit or target participants beyond whether they took on a federal student loan. Data collection was limited to an online survey – one reason was to attempt to reach as many respondents as possible, and another was because of the realities posed by data collection during the COVID-19 pandemic. We only asked five broad questions and did not analyze these questions based on demographic information. We attempted to minimize researcher bias by keeping the questions open-ended and using consensus coding to ensure more neutrality by bracketing our assumptions, but we acknowledge we may not have fully addressed biases that could have affected the coding. We assumed respondents answered honestly and used thick descriptions incorporating the respondent's own words as much as possible. Finally, we did not consider international students studying in the United States, as they are not eligible for federal student loans.

5.2.5. Future directions and conclusion

The impact of student loans will affect generations to come. Although there continues to be pressure to reduce or forgive student loans, the likelihood of that happening for everyone is uncertain. Further research should consider the first-generation process when deciding whether to invest in college. A better understanding is needed on how potential borrowers find and receive comprehensible information about the student loan process and whether that loan burden will result in higher lifetime earnings or upward social mobility. Those considering taking on student loan debt should also determine the best way to optimize grants and loans, as well as outside funding, to finance postsecondary education. When we consider students by population (e.g., decision-making, minorities, low-income, and older students), we need more research on increasing financial literacy and providing information, so these populations can make informed decisions prior to taking on significant student loan debt. A future analysis could examine predatory lending practices and the privatization of higher education and its impact on student loan borrowers. We did not explore intersectionality in the student loan experience, which, when combined with different lenses (e.g., race, gender, decision-making status, disability), could influence financial decision-making and challenges with loan repayment. Finally, we recommend a mixed methods study to

provide a broader experience on decisions to take on student debt to finance higher education.

Ethical Statement

This study was approved by the Old Dominion University's Darden College of Education and Professional Studies Human Subjects Board. All participants of the study provided their written consent before participating in the study.

Conflicts of Interest

The authors declare that they have no conflicts of interest to this work.

Data Availability Statement

The data that support this work are available upon reasonable request to the corresponding author.

Author Contribution Statement

Kim E. Bullington: Conceptualization, Methodology, Validation, Formal analysis, Investigation, Resources, Data curation, Writing – original draft, Writing – review & editing, Visualization, Supervision, Project administration. **David J. Thomas:** Conceptualization, Methodology, Validation, Formal analysis, Investigation, Resources, Data curation, Writing – original draft, Writing – review & editing, Visualization. **Minghui Hou:** Conceptualization, Methodology, Validation, Formal analysis, Investigation, Resources, Data curation, Writing – original draft, Writing – review & editing, Visualization. **William L. Nuckols:** Conceptualization, Methodology, Validation, Formal analysis, Investigation, Resources, Data curation, Writing – original draft, Writing – review & editing, Visualization. **Dennis E. Gregory:** Conceptualization, Methodology, Validation, Formal analysis, Investigation, Resources, Data curation, Writing – original draft, Writing – review & editing, Visualization. **Joshua L. Howell:** Conceptualization, Methodology, Writing – original draft. **Kaycee L. Bills:** Conceptualization, Methodology, Writing – original draft. **Amy-Leah Joaquim:** Investigation, Resources, Data curation, Writing – original draft, Writing – review & editing.

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