

**Key Findings**

- 67.6% of students consulted family members when making borrowing decisions
- Only 54.5% of Hispanic or Latino students and 57.6% of Black or African American students consulted family when making borrowing decisions, compared to 70.6% of White students
- Using more information sources to make decisions about borrowing student loans was associated with more intentional decision-making processes, as well as higher levels of financial stress

**LOAN BORROWING DECISIONS:**

**TRADITIONAL-AGE STUDENTS AT FOUR-YEAR INSTITUTIONS**

**OVERVIEW**

This report uses data from the 2014 administration of the Study on Collegiate Financial Wellness (SCFW) to examine the sources of information students used to make student loan borrowing decisions. The SCFW surveyed students at 51 public and private, two- and four-year U.S. colleges and universities; 18,795 students completed the survey. This report summarizes the information sources that traditional-age (18-23) students at four-year institutions use to make borrowing decisions and explores how those sources vary by demographic characteristics.

**METHODS**

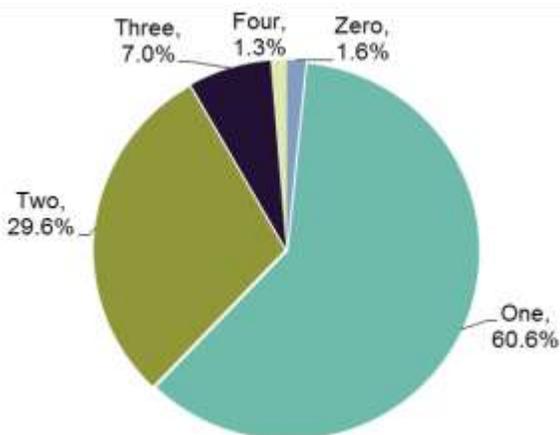
Students were asked which information sources they consulted when making decisions about how much money they needed to borrow for school. The options were: deciding on their own; consulting with a parent, guardian, or family member; consulting a financial aid counselor; consulting the internet; or other. Students could indicate that they had used more than one source of information to make borrowing decisions.

**FINDINGS**

**Students Rely on Themselves and Family Members to make Borrowing Decisions**

Most students (67.6%) reported consulting family members when deciding how much money to borrow. Almost half (47.4%) reported deciding on their own. A smaller percentage of students reported consulting a financial aid counselor (15.3%) or using the internet (15.4%) to make decisions.

**Number of Sources Used in Borrowing Decisions**



More students at four-year private institutions (75.0%) consulted with parents, compared to students at four-year public institutions (66.6%). Fewer students at four-year public institutions (14.1%) consulted with a financial aid counselor when deciding how much to borrow than those at four-year private institutions (24.6%).

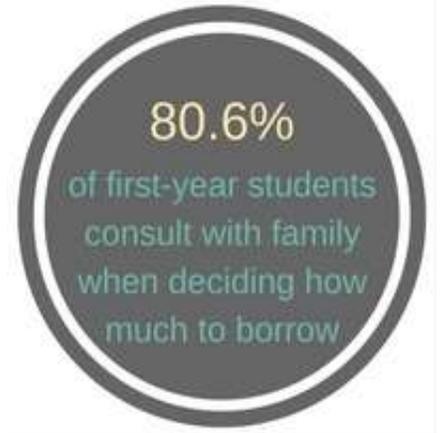
**Most Students Use One or Two Sources of Information**

Though students could select up to five sources of information that they consulted in making borrowing decisions, almost all (90.2%) reported using only one or two sources, and this was consistent between public and private institutions. The majority of students (60.6%) reported using one source of information and almost a third (29.6%) reported using two sources. Of students using only one source of information, more than half (58.4%) relied only on consulting family members and about a third (36.3%) relied only on themselves.

## Demographic Differences in Sources of Information for Borrowing Decisions

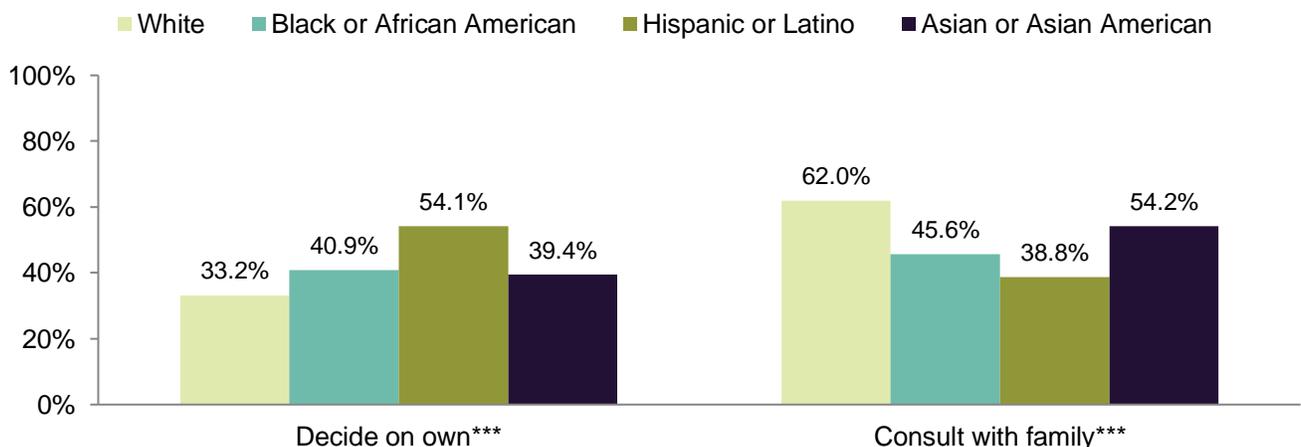
The sources of information used to make borrowing decisions varied by academic rank, race/ethnicity and first-generation status. The gender of respondents was not associated with the types of sources consulted or number of sources used.

First-year students reported consulting with family more often (80.6%) than fourth-year college students (58.5%). A majority of fourth-year students reported deciding on their own how much to borrow (55.9%) compared to just over a third (37.1%) of first-year students. Over a quarter (26.5%) of first-year students consulted a financial aid counselor compared to a tenth (10.7%) of fourth-year students. Of students using only one resource to decide how much to borrow, more fourth-year (46.0%) than first-year students (22.5%) reported relying only on themselves.



White students reported consulting with family most often (70.6%), compared to Asian or Asian American (60.2%), Black or African American (57.6%), or Hispanic or Latino students (54.5%). Hispanic or Latino students reported deciding on their own most often (58.5%), followed by Asian or Asian American (55.3%), Black or African American (50.9%), and White students (45.1%). Among students using only one source of information, the majority of White (62.0%) and Asian or Asian American students (54.2%) reported only consulting with family, while the majority of Hispanic or Latino students (54.1%) reported deciding on their own. Black or African American students using only one resource were split between consulting only with family (45.6%) and deciding on their own (40.9%).

### Students Using Single Sources of Information by Race or Ethnicity

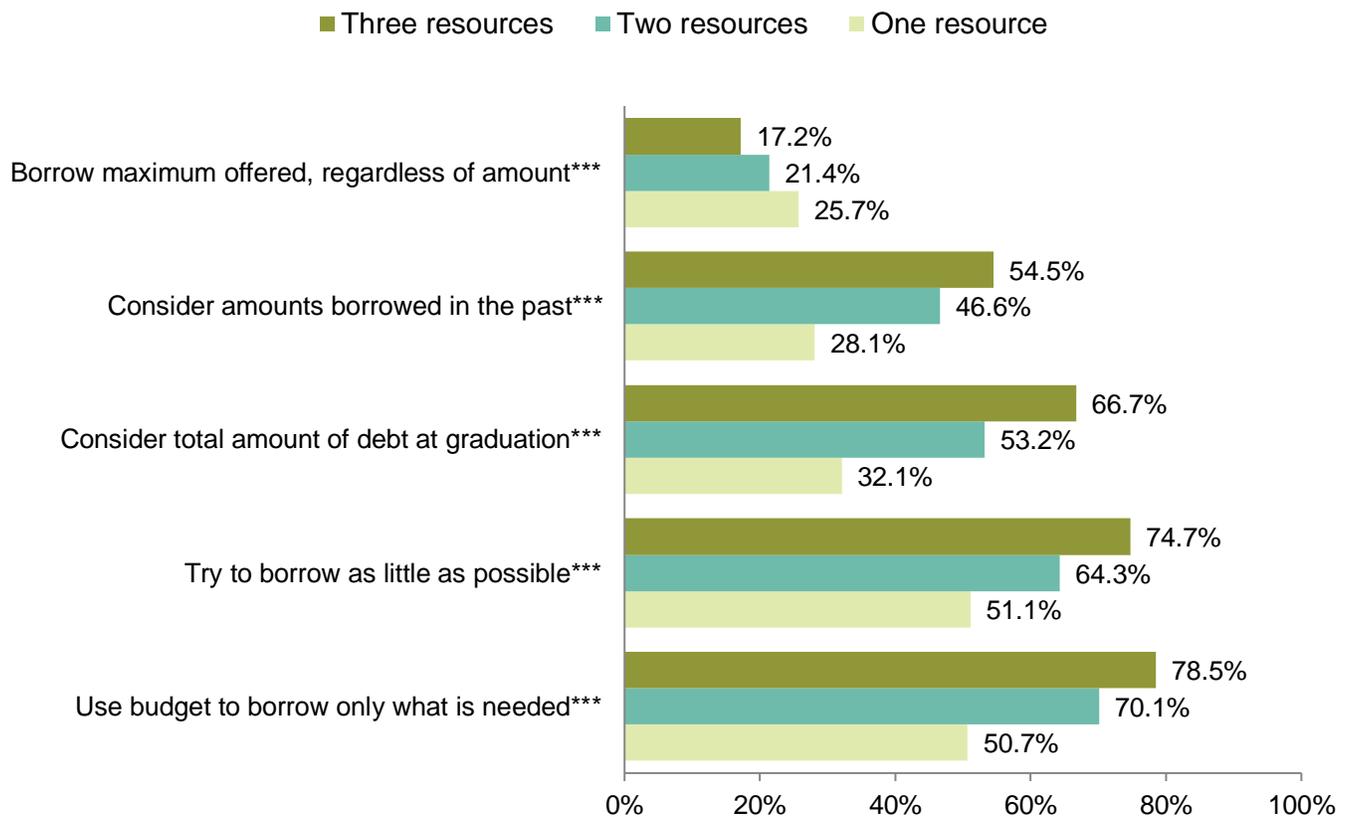


For the purposes of this study, first-generation college students are students for whom neither parent has earned a baccalaureate degree. More first generation college students (54.8%) reported deciding on their own how much to borrow compared to their non-first generation peers (41.2%). Non-first-generation students reported consulting with family at higher rates (76.5%) than first-generation students (57.5%). Among students reporting that they used only one resource in loan borrowing decisions, first-generation students most often relied on themselves (48.2%) while non-first generation students most often only consulted with family (70.3%).

### Using More Information Sources is Associated with Intentional Borrowing Decision Processes

The number of information sources students used when deciding how much money to borrow was associated with different decision-making processes. In general, using more sources to make decisions was associated with more intentional decision-making processes, such as using a budget to borrow only what was needed, considering amounts borrowed in the past, and considering total amount of debt upon graduation.

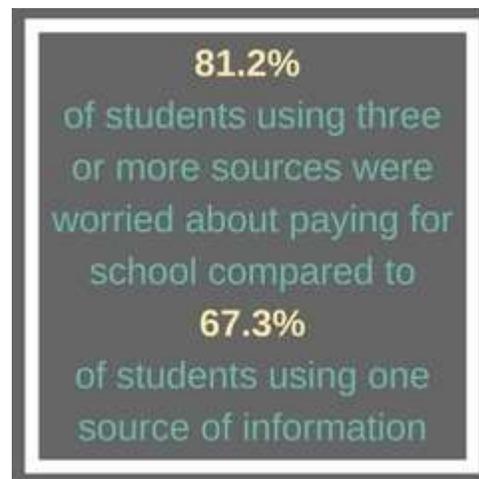
#### Number of Sources Used and Loan Borrowing Decision Processes



Students who used one information source to make borrowing decisions were less likely to report using a budget to borrow only what they think they needed (50.7%), compared to students using two sources (70.1%) and three sources (78.5%). Trying to borrow as little as possible was more common among students using three sources (74.7%) compared to those using two sources (64.3%) and those using one source of information (51.1%). Only a third (32.1%) of students using one information source considered the total amount of debt with which they would graduate, compared to half (53.2%) of those using two sources and two thirds (66.7%) of those using three sources. Fewer students using one source considered the amounts they had borrowed in the past (28.1%), compared to students using two sources (46.6%) and three sources (54.5%). Students using one information source were more likely to report borrowing the maximum amount of student loans available, regardless of amount (25.7%) compared to students using two (21.4%) or three (17.2%) information sources.

## Using More Information Sources is Associated with Greater Financial Stress

The number of sources students used to make loan borrowing decisions was significantly related to greater levels of financial stress. More students using three or more sources of information were worried about having enough money to pay for school (81.2%), compared to those using two sources (73.5%) or one source (67.3%). Students using three or more sources were also more worried about paying current monthly expenses (60.8%), compared to those using two sources (58.5%) and those using one source (54.9%). Overall, more than three-fourths of each group agreed or strongly agreed that they felt stressed about their personal finances in general, but students using three or more information sources more often reported experiencing financial stress (86.0%) than those using two (83.2%) or one (79.7%) sources.



## IMPLICATIONS

These findings indicate that the sources of information that students use to make borrowing decisions are a key component of their overall financial wellness. Relationships between students' personal and family backgrounds, the types of information they use to make borrowing decisions, their borrowing decision-making processes, and their financial stress are important to understand in order to provide support to students using loans to finance their college education.

It is important to understand that some students seek out more support than others when making borrowing decisions. Programs designed to support specific populations and to bridge information gaps may contribute to smarter borrowing choices and lower levels of financial stress.

Due to the correlational nature of the research design, we are not able to examine causal patterns in these relationships, but we can stipulate that there are important relationships between students' backgrounds, loan decisions, and financial stress. For example, we are able to say that first generation college students reported consulting family in making borrowing decisions less often than non-first generation students, but we cannot conclude that being a first generation college student causes students to consult with family less often. More research is needed to explore the causal relationship between these variables and how they are associated with the holistic wellbeing of students.

## MORE INFORMATION

The Study on Collegiate Financial Wellness (SCFW) is a national survey of college students examining financial attitudes, practices, and knowledge. The 2014 survey received a total of 18,795 respondents at 51 U.S. institutions. Most respondents were enrolled at four-year public institutions (81.0%); 9.9% were enrolled at four-year private institutions and 9.0% were enrolled at two-year public institutions.

**If your institution is interested in participating in the next administration of the SCFW, please contact us at [scfw@osu.edu](mailto:scfw@osu.edu).**

### Suggested Citation

Study on Collegiate Financial Wellness. (2016). *Sources of information and loan borrowing decisions*. The Ohio State University, Columbus, Ohio.