

MESA L-SLIS RESEARCH BRIEF #5

Student Borrowing and Debt

Ross Finnie

The Graduate School of Public and International Affairs
University of Ottawa, rfinnie@uottawa.ca

Stephen Childs

The MESA Project, stephen.childs@uottawa.ca

Andrew Wismer

The MESA Project, awismer@uottawa.ca

THE MESA PROJECT

MEASURING THE EFFECTIVENESS OF STUDENT AID

MESURER L'EFFICACITÉ DE L'AIDE FINANCIÈRE AUX ÉTUDIANTS

www.mesa-project.org

CANADIAN EDUCATION PROJECT

QUEEN'S UNIVERSITY SCHOOL OF POLICY STUDIES

CANADA MILLENNIUM SCHOLARSHIP FOUNDATION

The MESA Project L-SLIS Research Briefs:

- 1) When Did You Decide?
- 2) First Generation Post-Secondary Education Students
- 3) Engagement, Attitudes and Support Networks
- 4) Funding Post-Secondary Education
- 5) Student Borrowing and Debt
- 6) Time Use In Post-Secondary Education
- 7) Gender and Post-Secondary Education
- 8) a) Immigrants and Visible Minorities:
Post-Secondary Education Experiences

b) Immigrants and Visible Minorities:
Funding Post-Secondary Education
- 9) Large Urban, Small Urban and Rural Students
- 10) Aboriginals In Post-Secondary Education

The authors would like to thank Alex Usher for his input regarding the content of these briefs, Senning Luk for his help with formatting, Ryan Dunn for his assistance in creating the final L-SLIS data set and Miriam Kramer for her management of the project. Thanks also go to Acumen/Academica group for their work on the survey. Arthur Sweetman, Keith Banting and Garnett Picot provided insightful suggestions regarding the structure of the documents and David Binder of Statistics Canada helped in creating the sample weights. Gratitude is extended to Anne Motte and Andrew Parkin of the CMSF for their input and support on this and other aspects of the MESA Project. Finally, the authors also wish to gratefully acknowledge the provision of office space and other support from the University of Ottawa, without which the analysis of the L-SLIS would not have been possible.

Student Borrowing and Debt

(Version 11-18-10)

Contents

Part I: Introduction	2
Major Findings	2
Survey Data and Sample Selection	2
Part II: The Analysis	3
Average Amounts and Pay Back Periods	3
Wanting to Borrow More.....	4
Borrowing by Individual and Family Characteristics.....	4
Concerns About Debt.....	5
Post PSE Plans	6
Part III: Conclusion.....	7
Appendix I: Survey Data and Sample Selection.....	8
Appendix I: Detailed Tables.....	9
Table A1: Student Borrowing (University Students).....	9
Table A2: Paying Back Student Debt (University Students).....	9
Table A3: Percentage of Students Who Would Have Borrowed More From Their Student Loan System if They Would Have Been Able to (College and University Students).....	9
Table A4: Student Borrowing by Individual and Family Characteristics (University Students).....	10
Table A5: Concerns About Debt and Post PSE Plans (University Students).....	11
Table A6: Planning To Live With Parents by Third Year of PSE Living Arrangement and Amount of Cumulated Debt (University Students).....	12

Please cite as:

Finnie, Ross, Stephen Childs and Andrew Wismer. (2010). *Student Borrowing and Debt* (Version 11-18-10) A MESA Project L-SLIS Research Brief. Toronto, ON: Canadian Education Project.

Part I: Introduction

Major Findings

The Longitudinal Survey of Low Income Students (L-SLIS), created to measure the effects of the Canada Millennium Scholarship Foundation's Access Bursary, offers relatively unique information regarding third year university students' accumulated debt. The L-SLIS represents a particularly appropriate data set for the study of student debt because it captures a highly relevant population: those students who receive government aid. To be in the L-SLIS students had to be on student financial aid in their first year.

For the third year low income university students represented in the L-SLIS data, the major findings are:

1. Due to the nature of the L-SLIS, 98 percent of respondents report having government debt; students have accumulated \$18,050 in government debt by third year, on average. Students anticipate it will take 5.7 years for them to pay back their government debts. Students expect that their private and family debts will take much less time to pay off.
2. Around 50 percent of students say they would have borrowed more from their student aid system if they had been able to.
3. About 48 percent of students say they are concerned about their ability to pay back their debts.
4. About 18 percent of students say they plan to postpone further post-secondary education (PSE) until they can pay back some or all of their debt.
5. Over 40 percent of students say they plan to live with their parents until they can pay back some or all of their debt but we find that these plans are not necessarily driven by students' debt levels; students who already live at home are much more likely than others to plan on living at home.

Note that the findings of this brief apply to the low income students represented by the L-SLIS and we cannot say if our findings hold for other low income students or for the student population in general.

Survey Data and Sample Selection

The L-SLIS is constructed from administrative data and from surveys (carried out during the early months of 2007, 2008 and 2009) of students who entered PSE in fall 2006. The sample used for this report includes only students who enter PSE for their first time (the target group of the Millennium Scholarship Foundation's Access Bursary), and is further reduced to single dependant students, as defined by provincial student aid systems. Only students with parental incomes below the National Child Benefit (NCB) line have been included in this analysis in order to allow for consistent samples across

provinces. Due to provincial differences in bursary programs, only students from Newfoundland and Labrador, Nova Scotia, New Brunswick, Ontario, Manitoba or British Columbia are included. Note that all respondents are recipients of government aid in their first year.

Only third year university students are considered in this research brief. Most of the survey questions pertaining to student debt were not included in the L-SLIS until year three; since most college programs last only two years, college students are not included in most of the analysis. For further sample details, see Appendix I.

Part II: The Analysis

Average Amounts and Pay Back Periods

Among all third year university students who report having borrowed money from the government, the average amount borrowed, over three years, is \$18,050 (Table A1). On average these students anticipate that it will take 5.7 years to pay back their government debt. Note that some students of the sample (2 percent) report zero amounts of government borrowing even though our sample is one of students who receive government aid. For some of these students, the entire amount of their first year government loan could have been replaced with a government grant; in other instances, we may have cases of respondent reporting error.

Only 12.1 percent of respondents report having borrowed money from family members which they have to pay back; those who did borrow from their families borrowed an average amount of \$4,500 accumulated over three years (Table A1). Students who borrowed from their families expect that it will take about 2.3 years to pay off their family debts, on average.

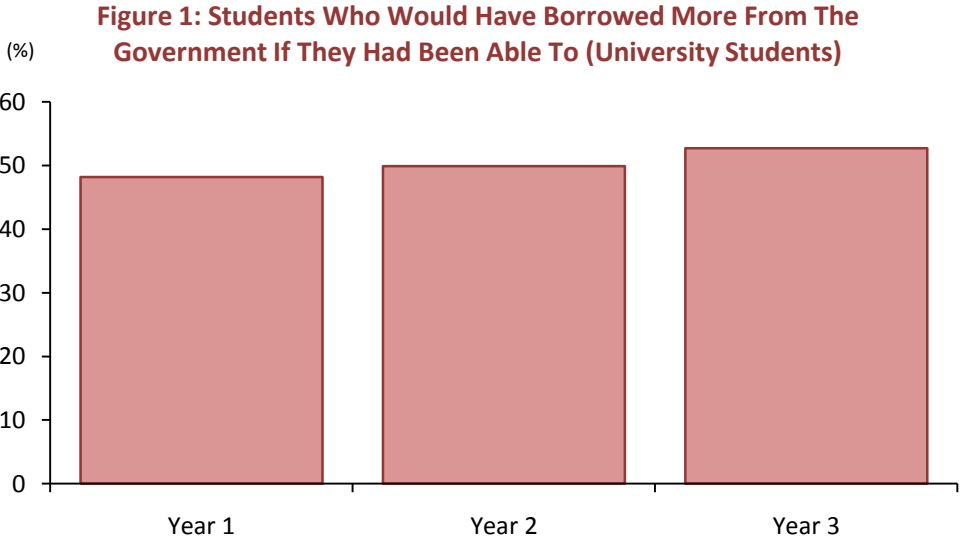
Even fewer, only 7.3 percent, of students say they borrowed from private institutions such as banks (Table A1). For students who borrowed from private institutions, the average amount is \$6,790 accumulated over three years. Students with private debt report that it will take 2.2 years, on average, to pay back their private debts.

About 13 percent of students have already begun to pay back their government debt by their third year of PSE (Table A2). Among students who have begun to pay back their government debt, the average amount paid back is \$2,770. In third year of university, very few students have paid off the full amount of their government debt (1.8 percent); about 96 percent of all students of the sample still have debt remaining.

Very small proportions of third year students report having paid back some or all of their family and/or private debts (Table A2).

Wanting to Borrow More

Students were asked, ‘would you have borrowed more from their government student aid system if you had been able to,’ in each year of the survey. Around 50 percent of students say that they would have borrowed more from their government student aid system if they had been able to (Figure 1). The percentage of students who would have borrowed more increases slightly from one year to the next; this is consistent for both university and college students (Table A3).



Source: Table A3. Only Students who continue through three years of PSE are included.

Borrowing by Individual and Family Characteristics

In the following paragraphs we compare groups according to their proportions which borrowed from various sources, and by their average amounts borrowed (Table A4). ‘Amounts’ refer to the amounts of money students have borrowed by their third year of PSE and do not take into account any amounts which have already been paid back. Since our sample is one of government aid recipients, very few students of the sample do not report government borrowing.

Females borrow somewhat greater amounts from the government, compared to males (Table A4). Meanwhile, females are somewhat less likely than males to borrow from family and/or private institutions; among those that do borrow from family and/or private institutions, females borrow somewhat greater amounts than males.

Students from larger communities appear to borrow smaller amounts from the government than students from smaller communities (Table A4). Students from urban communities are less likely to borrow from private institutions than students from smaller communities but are about equally as likely to borrow from family members. Among those students that borrow

from family members, students from urban communities borrow larger amounts than students from smaller communities.

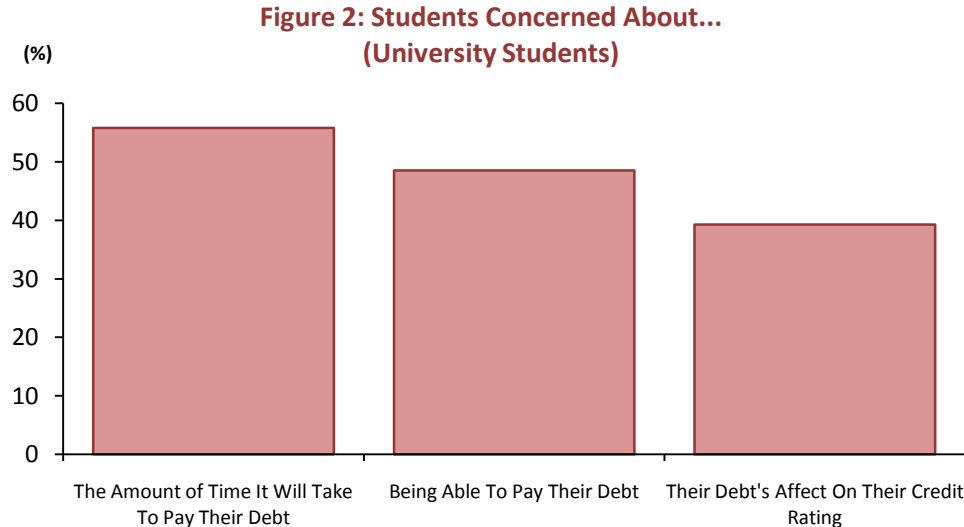
Canadian born students who are non-visible minorities borrow larger amounts from the government compared to students who are immigrants and/or visible minorities (Table A4). Also of note, non-visible minorities born in Canada are somewhat more likely than others to borrow from private institutions.

Students who have at least one parent with a university degree appear to borrow somewhat smaller amounts from the government compared to students with parents who have lower levels of education (Table A4). There does not appear to be a clear relationship between parental education and private or family borrowing.

In our sample of low income students, family income does not appear to have a clear relationship with government borrowing (Table A4). Students with higher parental incomes are somewhat more likely to borrow from private institutions and less likely, however, to borrow from family members compared to students with lower parental incomes.

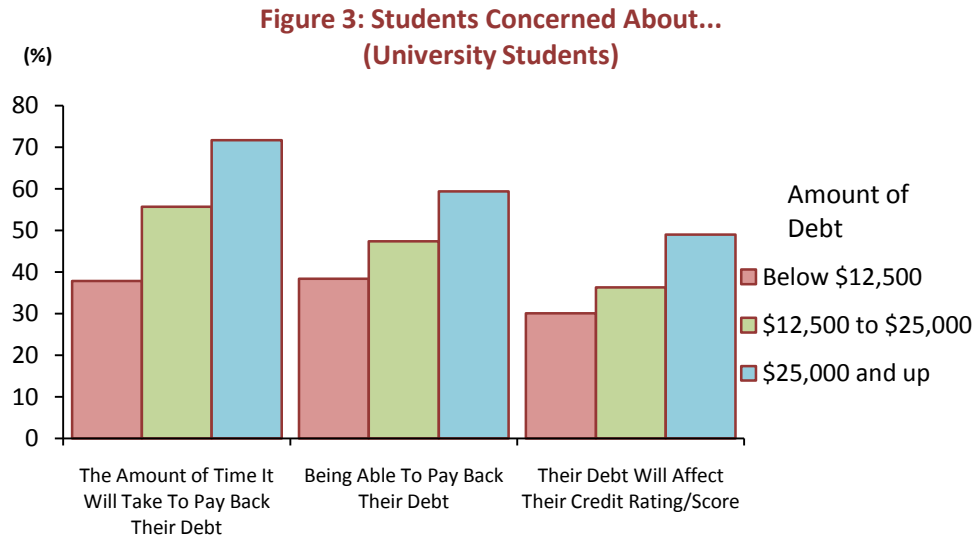
Concerns About Debt

Over 55 percent of students say that they are concerned about the amount of time it will take for them to pay back their debt (Figure 2). Furthermore, 48.5 percent of students say they are concerned about being able to pay back their debt at all. Meanwhile, 39.3 percent of students are concerned that their debt will affect their credit rating. Note that the survey questions which are relevant to these findings were asked of all students, regardless of their debt level.



Source: Table A5. Students are only surveyed about their concerns about debt in their third year of PSE. Only university students who continue through three years of PSE are included.

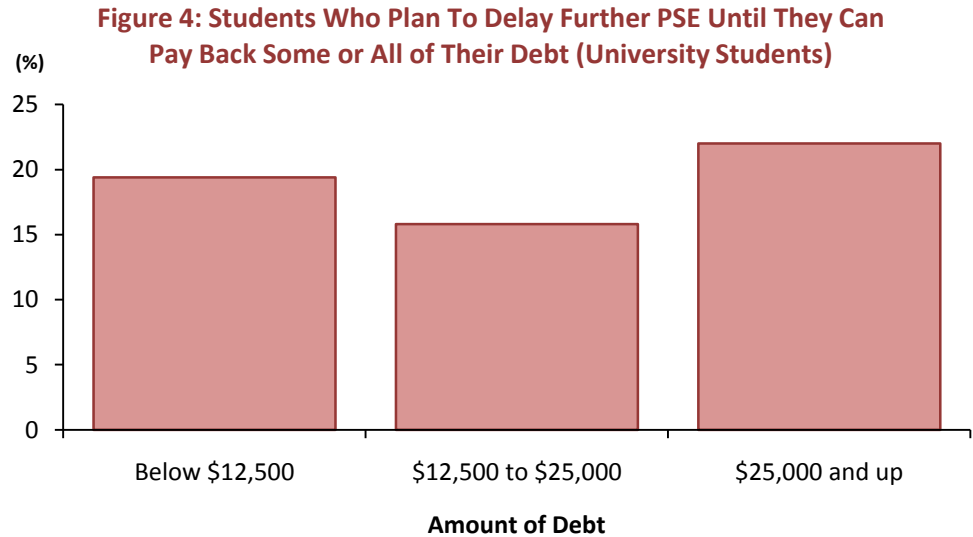
Students with greater amounts of debt are more likely to show concern about their debts (Figure 3).



Source: Table A5. Students are only surveyed about their concerns about debt in their third year of PSE. Only university students who continue through three years of PSE are included. Debt amounts are accumulated over three years.

Post PSE Plans

About 18 percent of respondents say they plan to postpone further PSE until they are able to pay back some or all of their debt (Table A5). Students’ plans to postpone further PSE are not clearly related to students’ debt levels (Figure 4).



Source: Table A5. Students are only surveyed about their debt, as it relates to post PSE plans, in their third year of PSE. Only university students who continue through three years of PSE are included. Debt amounts are accumulated over three years.

A much larger proportion of students, 43 percent, say that they plan to live with their parent until they are able to pay back some or all of their debt

(Table A5). Students' plans to live with their parents seem negatively related to their levels of debt (Table A5) but also seem strongly related to whether or not they live at home with their parents in their third year of PSE. Of students who live with their parents in year three, 64.4 percent say they plan to live with their parents until they can pay their debts; of students who live away from home, only 23.1 percent have similar plans (Table A6). Controlling for whether students currently live with their parents, there is no clear relationship between students' debt levels and their plans to live with their parents (Table A6).

Part III: Conclusion

Students of our sample have accumulated sizable debts by their third of university and on average these students anticipate it will take them just under six years to pay off their government debts.

We have seen that third year university students of different individual and family characteristics borrow varying amounts from the government, private institutions and family members. Also, students of different individual and family characteristics have varying probabilities of borrowing from private institutions and/or family members.

Finally, debt provides a source of concern for many students, especially those with over \$25,000 in debt. Future research should explore whether students' levels of concern are related to their probabilities of working while in school and/or their academic performance.

Appendix I: Survey Data and Sample Selection

Conducted as part of the Measuring the Effectiveness of Student Aid (MESA) project, the L-SLIS represents a longitudinal survey of recipients of the Canada Millennium Scholarship Foundation (CMSF) Access Bursaries¹. The L-SLIS consists of a sample of students who entered PSE for the first time in the fall of 2006. Surveys were conducted, by telephone, in the early winter months of 2007, and then again in 2008 and 2009. Survey data have been linked to government aid administrative data. It is important to note that the eligibility requirements for the CMSF Access Bursaries were determined provincially and vary from province to province. The L-SLIS therefore represents somewhat different populations in different provinces.

Restrictions have therefore been made to the L-SLIS in order to create a consistent national sample. Due to the unique nature of the programs in Quebec, Saskatchewan and Alberta, students from these provinces are not included in this analysis. Prince Edward Island is omitted due to the absence of any administrative data. The following restrictions have been made in order to provide a consistent sample across the remaining provinces, which include Newfoundland and Labrador, Nova Scotia, New Brunswick, Ontario, Manitoba and British Columbia:

1. The sample is restricted to only students who enter PSE for their first time and are single dependant students, as defined by student aid systems.
2. Only students with parental incomes below the National Child Benefit (NCB) line are included.

Furthermore, only third year university students are considered in this particular research brief. The survey questions pertaining to student debt were not included in the L-SLIS until year three; since most college programs last only two years, college students are not included.

Only low income students who apply for and receive government aid are included in the L-SLIS, therefore this is not a sample of all low income students in Canada. The resulting sample has 1,748 observations. Roughly 64 percent of the students in the sample are from Ontario and roughly 15 percent are from British Columbia. The remaining four provinces together make up 20 percent of the sample and each have shares of around 2.5 to 10 percent. Due to small sample size, college students from Nova Scotia are not well represented in the data. Samples are weighted to take account of non-response and to scale up to the underlying populations of lower income students they represent.

The previous version of this brief (Version 02-26-10) excluded the few students that leave PSE early in their first year. Those students are included in the sample used for this brief.

¹ For some provinces, certain non-recipient low-income students are also included in the L-SLIS but they are not included in this analysis due to the income restriction placed on the sample (see below).

Appendix II: Detailed Tables

Table A1: Student Borrowing (University Students)

Lenders	Among All Students, Percentage of Students Who Borrowed From Lenders	Among Students Who Borrowed, Average Amount Accumulated Over Three Years	Among All Students, Average Amount Accumulated Over Three Years	Among Students Who Borrowed, Years Students Anticipate It Will Take To Pay Back Debt
Government	98.0	\$18,050	\$17,690	5.7
Private Institutions	7.3	\$6,790	\$490	2.2
Family Members	12.1	\$4,500	\$550	2.3

Source: Longitudinal Survey of Low Income Students. Only university students who continue through three years of PSE are included.

Table A2: Paying Back Student Debt (University Students)

Debt Type	Among All Students, Percentage of Students Who Have Begun To Pay Back Their Debt	Among Students Who Have Begun To Pay Back Their Debt, Average Amount Paid Back	Among All Students, Average Amount Paid Back	Among All Students, Percentage of Students Who Still Have Debt Remaining	Among Students With Debt Remaining, Average Amount	Among All Students, Average Amount of Remaining Debt
Government Debt	13.0	\$2,770	\$350	96.0	\$18,030	\$17,330
Private Debt	3.0	\$2,140	\$70	7.0	\$6,340	\$420
Family Debt	4.0	\$1,960	\$90	11.0	\$4,340	\$460
Total						\$18,150

Source: Longitudinal Survey of Low Income Students. Only university students who continue through three years of PSE are included.

Table A3: Percentage of Students Who Would Have Borrowed More From Their Student Loan System if They Would Have Been Able to (College and University Students)

	Year 1	Year 2	Year 3
College Students	48.4	49.7	N/A
University Students	48.2	49.9	52.7

Source: Longitudinal Survey of Low Income Students. For college students, only students who continue through two years of PSE are included. For university students, only students who continue through three years of PSE are included.

Table A4: Student Borrowing by Individual and Family Characteristics (University Students)

	Percentage Who Borrowed From The Government	Among Students Who Borrowed From The Government, Average Amount (\$)	Percentage Who Borrowed From Private Institutions	Among Students Who Borrowed From Private Institutions , Average Amount (\$)	Percentage Who Borrowed From Family Members	Among Students Who Borrowed From Family Members, Average Amount (\$)
All	98.0	\$18,050	7.0	\$6,790	12.0	\$4,500
Gender						
Female	98.4	\$18,330	6.0	\$7,840	10.0	\$4,570
Male	97.3	\$17,610	9.0	\$5,550	15.0	\$4,430
Size of Community Where High School Was Attended						
Rural (pop. < 10 000)	99.1	\$21,850	11.0	\$5,180	12.0	\$2,970
Suburban (pop. = 10 000 to 100 000)	98.7	\$18,890	12.0	\$6,040	13.0	\$3,590
Urban (pop. > 100000)	97.3	\$15,660	6.0	\$6,580	11.0	\$5,580
Visible Minority/ Immigrant Status						
Non-Visible Minority, Born in Canada	99.0	\$20,730	11.0	\$5,670	11.0	\$2,330
Visible Minority, Born in Canada	96.7	\$14,730	6.0	\$4,180	9.0	\$4,290
Non-Visible Minority, Immigrant	93.8	\$15,610	11.0	\$5,190	14.0	\$7,120
Visible Minority, Immigrant	97.8	\$16,580	3.0	\$14,960	14.0	\$6,120
Highest Level Of Parental Education						
Less Than High School	100.0	\$19,740	5.0	\$8,860	10.0	\$2,370
High School Completed	98.3	\$18,990	6.0	\$6,410	10.0	\$5,960
Some PSE	99.6	\$17,730	2.0	\$6,850	16.0	\$3,790
College Completed	98.5	\$18,760	15.0	\$5,040	12.0	\$2,830
University-BA	95.4	\$16,620	8.0	\$13,190	10.0	\$4,740
University-Grad	96.2	\$15,900	6.0	\$4,240	19.0	\$6,650

Table A4: Student Debt by Individual and Family Characteristics [continued]

	Percentage Who Have Government Debt	Among Students With Government Debt, Average Amount (\$)	Percentage Who Have Private Debt	Among Students With Private Debt, Average Amount (\$)	Percentage Who Have Family Debt	Among Students With Family Debt, Average Amount (\$)
Parental Income						
\$0 To \$5 000	98.4	\$16,500	4.0	\$4,530	19.0	\$5,670
\$5 000 To \$10 000	100.0	\$18,040	5.0	\$4,870	12.0	\$3,980
\$10 000 To \$20 000	98.3	\$18,770	7.0	\$7,810	12.0	\$4,510
\$20 000 To \$30 000	98.1	\$17,460	6.0	\$6,130	13.0	\$3,900
\$30 000 And Up	96.8	\$18,220	10.0	\$6,810	11.0	\$5,290

Source: Longitudinal Survey of Low Income Students. Only university students who continue through three years of PSE are included.

Table A5: Concerns About Debt and Post PSE Plans (University Students)

	All Students	Amount of Accumulated Debt		
		Below \$12,500	\$12,500 to \$25,000	Over \$25,000
Percentage of Students Concerned About...				
The Amount of Time it Will Take to Pay Back Their Debt	55.8	40.0	55.9	71.7
Being Able to Pay Back Their Debt	48.5	38.4	48.0	59.8
That Their Debt Will Affect Their Credit Rating/Score?	39.3	32.5	37.7	49.2
Percentage of Students Who Plan to Delay Further PSE Until They Can Pay Back Some or all of Their Debt	18.4	19.4	15.8	22.0
Percentage of Students Who Plan to Live With Their Parents Until They Can Pay Back Some or all of Their Debt	43.0	52.3	44.7	30.6

Source: Longitudinal Survey of Low Income Students. Only university students who continue through three years of PSE are included.

Table A6: Planning To Live With Parents by Third Year of PSE Living Arrangement and Amount of Cumulated Debt (University Students)

	Students Who Live Away From Home During Their Third Year of PSE				Students Who Live at Home With Parents During Their Third Year of PSE			
	All Students	Amount of Accumulated Debt:			All Students	Amount of Accumulated Debt:		
		Below \$12,500	\$12,500 to \$25,000	\$25,000 and up		Below \$12,500	\$12,500 to \$25,000	\$25,000 and up
Percentage of students who plan to live with their parents until they can pay back some or all of their debt	23.1	13.7	26.7	22.9	64.4	68.1	60.6	69.1

Source: Longitudinal Survey of Low Income Students. Only university students who continue through three years of PSE are included.