

DIGGING DEEPER INTO THE PSYCHOLOGICAL COSTS OF COLLEGE

Report 1: Financial Distress At The Start Of College

Author: Micere Keels; Associate Professor; University of Chicago; micere@uchicago.edu

Contributing Authors: Myles Durkee, PhD & Elan Hope, PhD

Commentary: Sara Goldrick-Rab, PhD

Research Assistants: Carly Offidani-Bertrand, Natalia Delery, & Gabriel Velez

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Contact Address: Dept. of Comparative Human Development; 1126 E. 59th St
Room 318J; Chicago, IL 60637

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Report 1: Financial Distress At The Start Of College

OVERVIEW OF THE MINORITY COLLEGE COHORT STUDY (MCCS)

The MCCS is examining the emerging adulthood trajectory of a cohort of Black and Latino college freshmen who enrolled in the fall of 2013. Students were recruited from five universities in Illinois: DePaul University, Loyola University, Northern Illinois University, University of Illinois at Chicago, and University of Illinois at Urbana-Champaign.

THE REPORT

This inaugural report focuses on financial distress—the psychological effects of not having enough money to pay tuition and bills—because research consistently shows that financially constrained students have the highest likelihood of not persisting through to degree attainment.^{1,2} Future reports will examine topics such as the psychological costs of campus racial and ethnic microaggressions, the psychological costs of having a low level of integration into campus life, and the psychological benefits of civic engagement while in college.

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Micere Keels
Associate Professor
University of Chicago
micere@uchicago.edu

TABLE OF CONTENTS

INTRODUCTION 3

SAMPLE DESCRIPTION 4

MEASURING FINANCIAL DISTRESS 4

FINANCIAL DISTRESS AT THE START OF COLLEGE 5
Figure 1. Percent Of Students Reporting Each Aspect Of Financial Distress, Fall Freshman Year 6

TOO MANY SIMULTANEOUS ADJUSTMENTS 8
Table 1. Percent Of Students Making Various Financial Adjustments By Level Of Financial Distress, Fall Freshman Year9

CHRONICITY OF FRESHMAN YEAR FINANCIAL DISTRESS 11
Figure 2. Chronicity Of Financial Distress, Among Students Who Had A **High** Level Of Financial Distress At The Start Of College12
Figure 3. Chronicity Of Financial Distress, Among Students Who Had A **Moderate** Level Of Financial Distress At The Start Of College12
Figure 4. Chronicity Of Financial Distress, Among Students Who Had A **Low** Level Of Financial Distress At The Start Of College13

COBBLING TOGETHER MULTIPLE SOURCES OF AID 15
Table 2. Percent Of Students Receiving Each Source Of College Financing By First Generation College Student, Fall Freshman Year16
Figure 5. Percent Of Students Reporting Each Level Of Financial Distress, By College Funding Category17

FINANCIAL DISTRESS AND THE PERCEIVED BENEFITS OF COLLEGE 17
Table 3. Average Confidence In The Financial Benefits Of College, By Level Of Financial Distress, Fall Freshman Year18

ASSOCIATIONS BETWEEN FINANCIAL DISTRESS & WELL-BEING 19
Figure 6. Percent Of Students Reporting Each Level Of Depressive Symptoms, Based On Level Of Financial Distress, Fall Freshman Year20
Figure 7. Percent Of Students Reporting Each Level Of Depressive Symptoms, Based On Level Of Financial Distress, Spring Freshman Year21

CONCLUSION 24

COMMENTARY by Sara Goldrick-Rab 25

Appendix 1. Institution Characteristics..... 28

INTRODUCTION

The costs of college extend beyond the financial costs of attendance. There are opportunity costs in the form of foregone employment, and psychological costs in the form of stress, depression, and anxiety. Researchers and policymakers have long recognized that there are psychological costs of obtaining a degree, but these costs are still poorly understood. These psychological costs are usually discussed as the frustration and emotional strain of attempting to manage coursework that is unduly hard for students with low academic preparation.³ However, there are additional psychological costs that disproportionately accrue for minority, first generation students, and low-income students. The psychological costs are greater for students who are experiencing financial distress, are uncertain about their ability to payoff loans, do not see themselves reflected in the larger student body and faculty, are less integrated into campus social life, and need to juggle both school and paid employment.⁴ The psychological costs of college attendance are also greater for students with an information gap: students that have to search for instrumental knowledge about how to navigate college—knowledge that is not readily available in their social network.⁵ Understanding and measuring the psychological costs are of increasing importance because researchers have established that ability, preparation, and financial costs explain only part of the variation in college enrollment and persistence.⁴

We focus on Black and Latino students because though there has been dramatic expansion in access to degree granting colleges and universities, with more minority, first generation students, and low-income students enrolled than ever before, their graduation rates continue to be discouragingly low. Black and Latino students are disproportionately likely to be first generation and low-income students. Approximately 40% of Black and 52% of Latino freshmen obtain their degree within 6 years, compared to 63% of White and 70% of Asian students.⁶ It is also the case that Black and Latino students have significantly more student debt than White and Asian students.⁷ For example, approximately, 43% of Black and 30% of Latino graduates have more than \$30,500 in student debt, compared to 25% of White and 10% of Asian students. Consequently, broadening access without increasing persistence disproportionately harms Black and Latino students. *If students leave college with substantial debt and without a degree their adult trajectories could be irreparably harmed, and further derailed if they are also slow to recover from the psychological costs of not achieving their goal.* The number of students that constitute this group is currently unknown, but needs to be known to truly understand the consequences of broadening access without providing the supports necessary to increase persistence.

Because persisting through to degree attainment is particularly important in reducing Black-White and Latino-White gaps in employment and earnings, this and future reports delve deeper into the experiences of the current generation of Black and Latino college students in order to identify policy and practice relevant factors that can promote postsecondary success.⁸

SAMPLE DESCRIPTION

The MCCS is a sample of 533 academically prepared and educationally motivated Black and Latino freshmen who entered five Illinois universities in the fall of 2013. These universities represent a range of institutional selectivity, geographic locations, size, cost, and representation of minority populations (institution characteristics are detailed in Appendix 1). Representative of the Illinois student population, the sample includes significantly more Latino than Black students (59% Latino vs. 41% Black).^a The sample is also indicative of the dire national gender gap in minority student enrollment and includes significantly more female than male students (64% women vs. 36% men).

The MCCS is a sample of students that are above average in their level of college preparedness, which allows us to focus on barriers to success among a group that possess the academic and motivational prerequisites. Students reported an average high school GPA of 3.5 and 77% had taken at least one advanced placement course. They reported an average ACT score of 24, which is at approximately the 75th percentile of national ACT ranking. They entered college with high hopes for undergraduate and graduate degree attainment. On a scale from 0 to 100, students averaged a 93 in level of confidence that they will complete their bachelor's degree, and a 79 in level of confidence that they will go on for graduate study.

The findings presented are based on data collected from the first four surveys: Survey 1 in October of freshman year, Survey 2 in February of freshman year, Survey 3 in June after freshman year, and Survey 4 in October of sophomore year. This report also draws on in-depth interviews with 28 students that stopped-out⁹ or transferred by the fall of sophomore year.

MEASURING FINANCIAL DISTRESS

This report focuses on financial distress—students' perception of the adequacy of their finances rather than the actual amount of debt and unmet need—and its effects on student well-being via diminished feelings of belonging and commitment to educational goals, heightened doubt about the benefits of college, and stress and depression.¹⁰ This is not to diminish the importance that the actual dollar amount of debt and unmet need have on persistence by directly affecting the ability to maintain

^a The overwhelming majority are in-state students (90%), and consistent with the location of Black and Latino populations in Illinois most are from the Chicago metropolitan area. The majority (60%) are first generation college students, where neither parent has a 4-year degree. Latino students are particularly disadvantaged with regard to parent education; 28% of Latino students' parents did not have a high school diploma or GED compared to 5% of Black students. Approximately 69% of students lived in campus housing and 26% lived with their parents. Students' housing status heavily depended on the institution attended; over 90% of those attending the rural colleges lived in campus housing compared to about 50% of those attending the urban colleges. Only 9% of the sample is foreign born (10% of Latino and 7% of Black students); of this 9%, only 20% came to the US after age 10 and only 4 students came after age of 18.

enrollment, and increasing the attractiveness of alternatives such as the armed forces, employment, and lower cost two-year colleges.

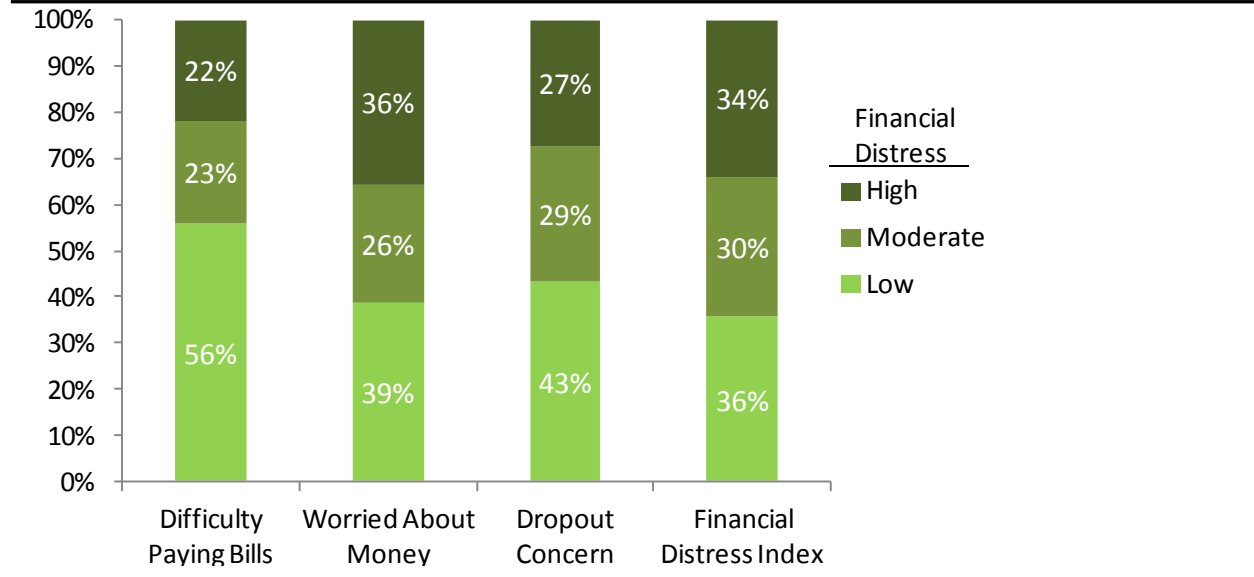
Financial distress measures that capture perception of adequacy of financial resources, perception of debt burden, and worry and anxiety about one's financial situation have proven to be more accurate and predictive of college persistence than the actual amount of debt and unmet need.^{11,12} It is the fears and uncertainties—whether and how one will pay for tuition, food, housing, and required textbooks—that link financial distress with educational outcomes.^{10,12,13} Furthermore, because students vary in their access to financial resources, distress is not determined by an absolute amount of debt. The distress created by \$10,000 of unmet need for one student may be less than the distress created by \$2,000 for another depending on wealth and access to credit.

Students responded to three financial distress questions that are brief enough for institutions to administer and quickly identify those most in need of follow-up financial counseling. The three questions included: (1) How much difficulty, if any, are you having paying your bills; (2) How upset or worried are you because you do not have enough money to pay for things; and (3) How concerned do your current financial conditions make you about the chances you can afford to complete your college degree? Responses were averaged to create a financial distress index. For this report, each financial distress question and the combined financial distress index are collapsed into a three point scale indicating low, moderate, and high levels of distress.¹⁴

FINANCIAL DISTRESS AT THE START OF COLLEGE

We find that a substantial minority of Black and Latino students start college with high levels of financial distress. In the fall of freshman year, 22% reported having a lot or tremendous amount of difficulty paying their bills; 36% were very or extremely upset that they did not have enough money to pay for things; and 27% were very or extremely worried that they would not be able to afford to complete their degree. The share of students reporting each of these aspects of financial distress is shown in Figure 1 below.

Figure 1. Percent Of Students Reporting Each Aspect Of Financial Distress, Fall Freshman Year



Students that started college with a high level of financial distress fell into three groups. The first group is students who enrolled knowing there was an unmet need that would have to be paid for out-of-pocket, but hoped that somehow they could find a way to pay it before a hold was placed on their account. The second group is students who enrolled believing there was no unmet need but the final amount of aid received was lower than expected, or made housing or other changes without realizing that it would create unmet need. Any such changes triggered financial distress that resulted in stopping-out because there was no room for contingencies in their budget and no access to additional credit. The third group is students who, because of limited financial knowledge, believed that financial aid would cover everything and did not budget for living expenses such as food and activity fees. For students without access to any additional credit, incidental expenses add up and lead to stopping-out. This latter experience, of low-income students enrolling with the expectation that financial aid would cover all expenses, is evident in Tony’s experiences described in the first case study below.

Not A Penny To Spare

Tony, a first generation college student (neither parent completed high school), graduated from a public high school in south suburban Chicago with a 2.7 GPA and scored a 15 on the ACT. He enrolled in a university about three hours from home. He was highly educationally motivated and planned to become an engineer. He knew that he could only go to college if financial aid covered all but the most basic incidental expenses, and that is what he believed would happen. There was no cushion in his budget and no ability to call home for money. An unpaid balance of \$4,000 on his student account at the end of fall term was too much for him to pay, and he was forced to stop-out a few weeks after the start of spring term.

It was just the next step. It was natural for me. I've always liked school. I've always been the type to want to know something new, to learn something new. I've always wanted to be involved in something new, like show me something, challenge me. And I was always the type of kid whether I was sick or wasn't feeling good I would still go to school. I needed to go to school. I needed to be in school, like it was no option for me. But then reality hit and [college] it's just the next step, it's just harder, it's just a little more difficult than it was coming from high school. But it felt good, it felt good. I felt accomplished. [Now] I kind of feel like sometimes that I messed up, like right after high school I should have just went to a community college, just to get more prepared.

I knew that I would have to get some type of financial aid right off the bat because it was no way that I was going to be able to pay for it out-of-pocket by myself. I knew I was going to need some type of financial assistance. I didn't get any scholarships but I did get one or two grants with the financial aid, [but] more loans than grants. [My family] did what they could, they put in what they could. The only money that we did have [saved] to pay for out-of-pocket was maybe for the books and money put aside for me to use for like laundry, and my meal plan, and stuff like that. So that helped out a lot.

The financial bills come from the dorms where I stayed in. And miscellaneous kind of things I would do. It's a fee for everything! Because you know my student ID, if you lost that that was additional fees, and your curfew fee, and it was a lot of fees that were added on. But the main thing was my dorms where I stayed at. And then the fees and everything.

It was getting close to [spring] semester to start and I still had a hold on my account basically. Which I had owed money and it was getting closer and closer for me to start registering back to school and I didn't have the money. I didn't have the money to go back so I knew that I would probably have to take the semester off.

The university had low assistance, like in the financial aid building it was only two people working; out of the whole university it was only two financial aid people and how is that going to work? Out of the whole little financial aid office it was only two people being able to give limited information about financial aid, and try to help us register back for school, and trying to help us get the money off of our accounts. I went back and forth, back and forth to the financial aid office, back and forth trying to figure out what could I do to reduce my [\$4,000] balance so that I would be able to register for [spring] semester. I don't know exactly how, but it needs to be a better way. It needs to be a better way.

[Currently, I'm] a college student working at McDonald's that's it. I've been working at McDonald's since I was 17. I turn 19 this August. I work like maybe 25 to 30 hours per week. I make about \$850 to \$900 a month.

It's important. It's very important [that I return to college]. The time that I've taken off made me realize how much more important it is now than it really was to me when I was actually in college. [When I go back to college] I'm gonna try to a get job. I want to try to get a job to help me in case of any other expenses that I might not be able to pay for, or the school may not be able to help me pay for. You know, saving up, putting some money aside for any other things that I need to be able to pay for.

[I would tell high school students to] do everything you can to produce the funds; apply for scholarships, grants, more than anything try to stay away from loans. That's the number one thing, try to stay away. That's what hurts you the most as far as money is concerned. You take out loans then you have to pay them back, so how do you try to get money when you know you're probably not going to be able to pay them back and then it messes up your name and all that other stuff. So I say more so than anything stay away from loans as much as you can, if possible. And if you do as your last resort, take out one to two loans. Anything more than that then you need to find another way. Financial aid helps, but it doesn't help as much as they try to make us believe it does. Because if they did, I would still be in school right now.

TOO MANY SIMULTANEOUS ADJUSTMENTS

When financial aid and money from family are not enough, many turn to credit cards and other financial adjustments to make ends meet.¹⁵ The overwhelming majority (75% of students) reported making at least one financial adjustment at the start of freshman year, including students reporting low levels of financial distress. However students experiencing high financial distress reported making multiple simultaneous adjustments. Some of these financial adjustments are more adaptive than others (e.g., cutting back on social activities and entertainment), and some can have direct and negative effects on course grades (e.g., not buying required school books or materials). Table 1 below shows the share of students making various financial adjustments. The ways in which compounding financial adjustments erode students' abilities to succeed in college are illustrated in Briana's experiences described in the case study below.

Table 1. Percent Of Students Making Various Financial Adjustments By Level Of Financial Distress, Fall Freshman Year

	Level of Financial Distress		
	Low	Moderate	High
Less Adaptive			
Borrowed Money Or Used Credit Cards More Than Past	11%	29%	47%
Postponed Medical Or Dental Care	5%	7%	17%
Put Off Paying Bills	3%	6%	16%
More Adaptive			
Cut Back On Social & Entertainment Expenses	44%	62%	72%
Changed Food Shopping Or Eating Habits	41%	58%	61%
Can Directly Affect Grades			
Didn't Buy Some Required Books Or Materials	13%	26%	44%
Increased Paid Employment	7%	12%	18%
Decided Not To Buy A Computer	4%	13%	10%

Note: Students were asked to check all that apply

More Adjustments Than One Student Can Manage

Briana graduated from a public high school in south suburban Chicago with a 3.7 GPA, scored a 20 on the ACT, and enrolled in one of Chicago's top three universities, about 45 minutes from home. Her mother has a high school diploma and her father completed some college, and her older sister was a senior in college at the time of the interview. Despite her and her parents' attempt to make smart financial decisions about college she ended up in financial trouble within weeks after the start of freshman year. She eventually found a job working 25-30 hours per week, but was unable to keep up with school, work, and expenses. She stopped-out at the end of fall term.

[I went to college] so I could have a good paying career. I didn't want to just have a mediocre, minimum wage job. I wanted to continue my education. [My parents'] thing was mainly location and cost. They didn't want me to go too far, and they also didn't want me to go anywhere that was too expensive where I would have to drop out because I couldn't afford it. I got accepted into some out of state colleges. At the end I did stay in-state.

I really loved the university I attended. It was very diverse and I had never met anyone there that wasn't friendly towards me, everyone there always smiled and said hello even if you didn't know them. It turned out to be a good experience.

I thought that my financial aid was going to pay for [everything] but I had a set back. My roommate, organized through the school, made different housing arrangements. Probably about two weeks before I got there. They asked me did I want another roommate or did I want a modified single and I told them that I wanted a single. I didn't realize it was going to cause me to have a balance past my financial aid, but once it was done I couldn't take it back. They ended up charging me an extra probably about \$3,000. So that kind of messed up my financial plan. That money had to be pretty much taken out-of-pocket and I had to take out some loans so that kind of messed things up a bit. I know I have a \$2,000 loan, and I know I had another loan out for \$1,500, and I believe another for \$1,000.

They tried to put me on a payment plan but it was all out-of-pocket. They just told me I would have to pay about \$300 or \$400 a month to payoff that remaining balance. So they encouraged me to get a job to pay that off, which I did, but then my job started interfering with my school work, because I got off late and I had to go in after classes so that turned into a problem as well. I started working about mid-October, about 20 to 30 hours a week. [My family] gave me money here and there for myself but they really didn't help pay my bill, they really didn't have it, and I told them not to worry about it since I had found a job. So I didn't want to put pressure on them as well.

[I didn't have money to buy] books for class. So not sure if I was even reading the correct material because I was getting material from different books like at the library and things like that. So I wasn't exactly sure if I was getting the correct material for the rest of my classes. I talked to my English professor about not having one of my English books and he told me not to worry about it. He just copied pages out of his book and then he would hand them to me that way I could do my work. My algebra class was online and I did talk to another one of my advisors at school about my books

and they tried to help me find them or see if I could get any book vouchers but they didn't find any. So they just told me to see if I could share off of friends or anything like that.

This fall I plan on going to [community college] and retake [the two courses I failed]. I probably won't immediately go back to [the university] just because [the community college] would probably be cheaper to finish my general ed. classes. I'm registered [at the community college] but I didn't go in yet for my classes because they told me they needed my transcripts from [the university] to know what classes I have to retake and at what level. So I have to payoff my balance at [the university] first for them to even send my transcripts over. I've gotten a job right now for the summer and I'm just trying to payoff that balance, so I can have that sent over to [the community college].

[My sister] is really determined to get me back to college, to make sure I go back. She's gone to the extent of [saying] 'you don't have to get a job, I'll just payoff the balance for you and that way you won't have to worry about it; you won't have get all stressed out about getting it paid off.' But personally I just didn't want her to do that. So she just helped me look for a job and that's the way she's been helping me trying to payoff this balance.

My mom keeps asking me if I'm still going to school and trying to make sure I go to school; so does my father. He just keeps giving me a speech about 'education is important in life' and things like that. They're encouraging me to go back to school.

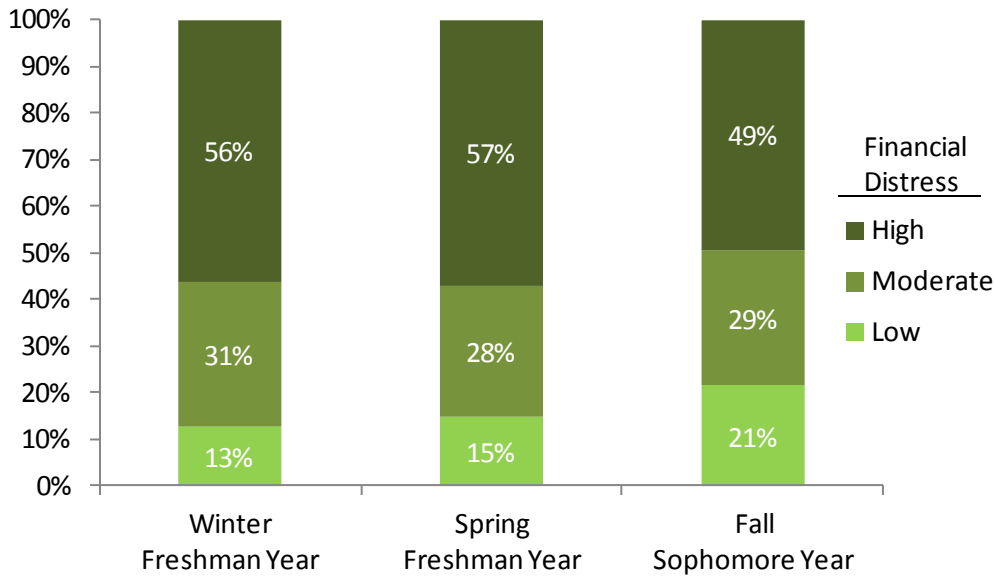
I think [universities] could explain people's financial aid a bit better and even if they are not getting financial aid explain how much money it would take for them out-of-pocket.

CHRONICITY OF FRESHMAN YEAR FINANCIAL DISTRESS

Students completed the financial distress items at each of the four survey time-points, which allow us to measure whether financial distress was a temporary or chronic experience. We find that there is both a substantial amount of stability and variability in the chronicity of financial distress. Figures 2 through 4 below show students' level of financial distress on Surveys 2, 3, and 4 based on their level of financial distress on Survey 1. These data are based on students who were enrolled full- or part-time at each survey data collection.

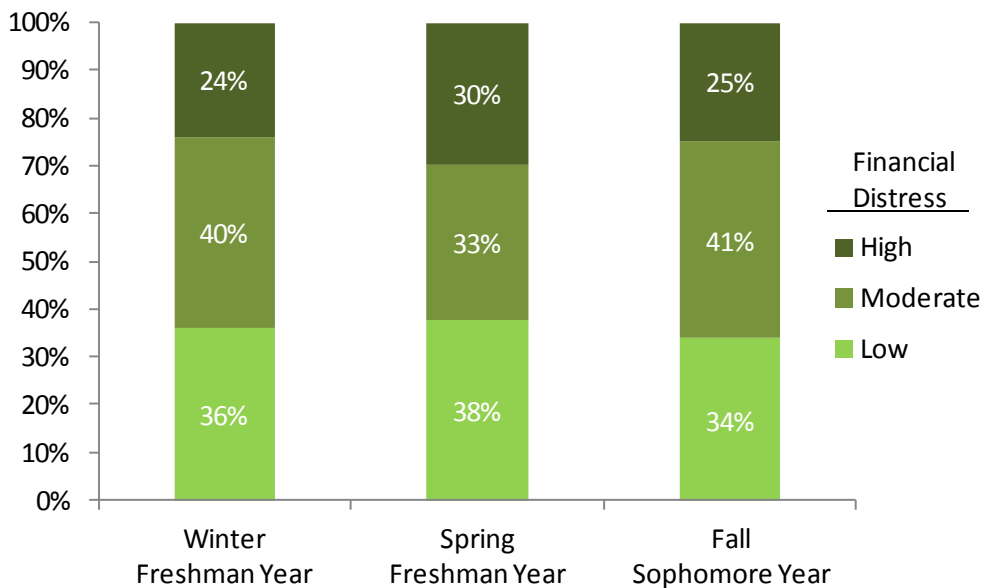
Students that start college with a high level of financial distress. Approximately half of Black and Latino students who start freshman year with a high level of financial distress continue through freshman year in this state of high distress. Furthermore, among those who return to college sophomore year, 49% are still in this chronic state of high financial distress.

Figure 2. Chronicity Of Financial Distress, Among Students Who Had A High Level Of Financial Distress At The Start Of College



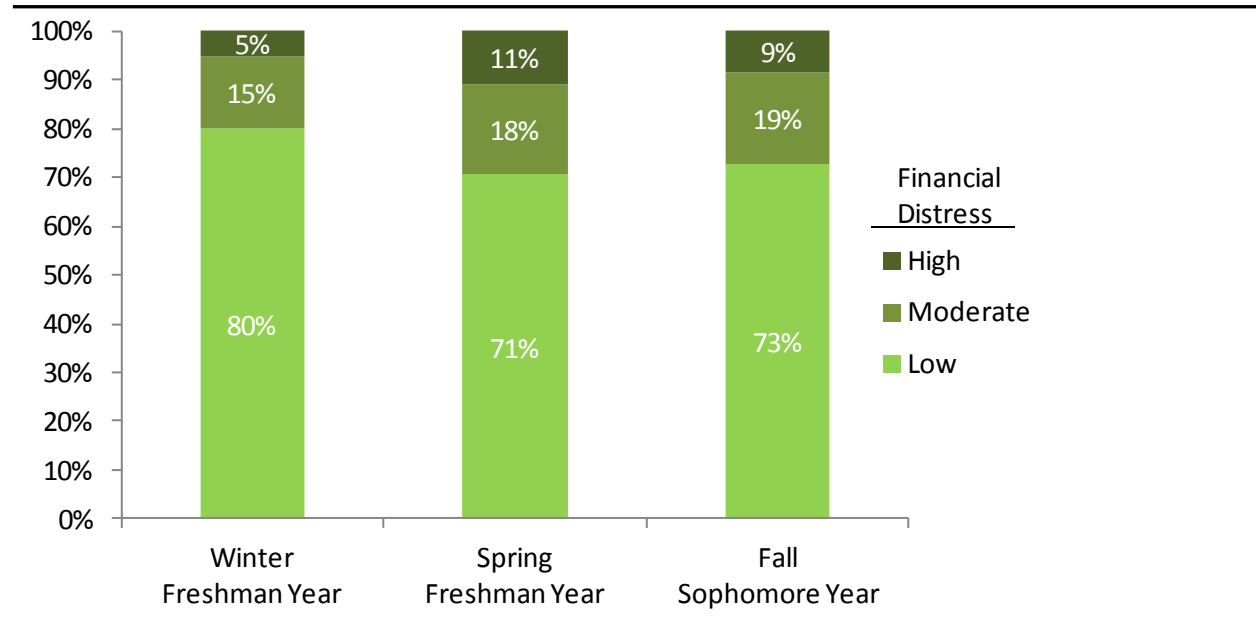
Students that start college with a moderate level of financial distress. Only about a third of students who start college with a moderate level of financial distress continue to be in that state through freshman year; approximately 40% move down to a low level of financial distress and about 30% move up to a high level of financial distress. Among those who return to college sophomore year, 25% return with a high level of financial distress.

Figure 3. Chronicity Of Financial Distress, Among Students Who Had A Moderate Level Of Financial Distress At The Start Of College



Students that start college with a low level of financial distress. A substantial minority of students who start freshman year unconcerned about finances quickly transition into a state of moderate or high financial distress; as soon as by winter of freshman year. Furthermore, 28% of those who return sophomore year return with a moderate or high level of financial distress

Figure 4. Chronicity Of Financial Distress, Among Students Who Had A Low Level Of Financial Distress At The Start Of College



Why do some students go from a low or moderate to a high level of financial distress? Consistent with existing research, the interviews revealed that many students are not fully aware of the amount of their financial aid, what amounts are grants versus loans, the interest rates, or the academic conditions of their financial aid.¹⁶ We find that lack of awareness regarding the academic conditions of grants, such as maintaining a particular grade point average or a particular level of course enrollment can have financially devastating effects. Students reported that they would have made different academic decisions if they had more information about the potential consequences of the many choices they were expected to make. Decisions such as combining elective and core courses or changing the grading of a course from a letter grade to a pass/fail. Though academically prepared, these students needed additional supports to bridge their knowledge and behavioral gap regarding how to be a successful college student. The case study below describing Abdul’s experiences illustrate the challenge of balancing the sudden increase in academic, social, and self-management demands, coupled with the narrow margin for error that students dependent on merit-based financial aid have.

A 90 Degree Learning Curve

Abdul graduated from a public college prep high school in Chicago with a 3.9 GPA and scored a 24 on the ACT. His father has a college degree and his mother completed some college. He enrolled as a chemical engineering major and took an inadvisably demanding set of courses that led to his freshman GPA dropping just below the level required to continue receiving merit-based aid. This shifted college from being barely affordable to completely unaffordable. At the time of the interview he had completed fall term of sophomore year and was at home for winter break trying to figure out how to continue paying for college.

At high school I was captain of debate, [played] varsity volleyball, basketball, and soccer. My school was very small, so I had a very personal connection to all of my teachers. Which I thought made achieving academically a bit easier. I wanted to graduate on top of my class so I could go into college as prepared as possible.

I didn't make too many friends first semester because I was trying to be very concentrated. But I had a few friends. I didn't go out much at all. I didn't drink much or anything, I was mostly in my dorm trying to read or trying to sleep. I don't go out, I don't, I have a lot of work to do.

I was taking second-level physics my first semester, which no one told me was a bad idea, I don't know why. I had a C- on that exam. And I was devastated. That was the first C in forever, physics was literally the only class I was having trouble with so after that final I started going to tutoring. And I still got a C the next semester for Physics 2. Other than that, first semester I ended up with B's in Chemistry, Chem Lab, and Calculus II, and I had an A in engineering Grand Challenges.

[Second semester was] even tougher cause I didn't take any Gen Ed [classes]. I took Calc III and Calculus lab. I took Chem II and Chem lab. I took Physics and I took Physics II again, and I took one more general engineering class. The workload was ridiculous, 18 credit hours that second semester. I shouldn't've, I shouldn't've done that to myself. I was overwhelmed and also more stressed than I should've been.

I'm also a dancer and I had a solo, but I had to practice three times a week, from seven to nine. It was mandatory. That took time away from my studying and my academics. It was a good outlet, but in my case I should've utilized that time for studying.

My dad didn't tell me that going to college would be such a financial burden for him. I got a scholarship for 75% of my tuition. But the rest were loans under his name, and he wasn't fit to take on those loans; which I don't know why he didn't tell me. A week into the beginning of second semester, he was laid off. So, things started piling up on him. One of the options was that I would withdraw from college [and] work in the city. I had an internship. It was gonna be the summer. But, I was going to ask if I could have any opportunity over there for that winter. It was \$1,200 a week. And I would've saved that money and give it to him, that would've been great for him. But things just got better and he found a job. He's not really in that great of a job. I was thinking I shouldn't've come to this expensive college, I should've went to community college. I would've had all my tuition paid. I felt like I set him up for failure, for bankruptcy or

something. [By the end of freshman year] I had five loans, with some really nasty interest rates.

It was a lot, which got very difficult and overwhelming. I needed a counselor second semester, because of all of those problems. [Before registering for classes fall of sophomore year] I had to go to the hospital on campus for them to see if my depression is actually gone because I can't re-enroll, if I'm still clinically depressed.

I got time to, to relax over the summer. I took a couple extra courses at the community college by the university.

I thought I'd continue my financial aid sophomore year, but, of course, I signed up for financial aid too late so I didn't get as much. I had savings [from my summer internship], but all the money in my savings was gone from the books and the apartment rent. I couldn't put it under a loan so me and my dad had to pay that cash.

And my [freshman year] GPA for my academic scholarships, wasn't as high as it [needed to be.] I had a 3.1 first semester. Second semester it dropped to a 2.9, so I lost those two [merit scholarships. I am paying for sophomore year with] Perkins, and state loans, some bank loans. I had one scholarship for \$5,000. The Illinois MAP and Pell [grant.] I received about \$8,000 [in grants] and I have to take out just about \$8,500 in loans [so far sophomore year]. There's a hold on my account [that I have to pay before returning for spring term].

[I currently owe] about \$16,000, after the next semester it'd probably be \$20,000. it's winter break, I'm just - just reading and trying to get my financial situation together. If my tuition payment is too much for us to handle, then I'll have to take time off. I'm waiting for FAFSA to come back as well. To see how much I get in my award letter. And if I don't get enough I'm not going to put any more loans under my dad's name, because, just wouldn't be a wise investment at all. It's not looking too good at this point.

I definitely regret not doing work-study. My dad didn't let me. I'm not really taking my dad's advice anymore. I feel like I didn't look for enough scholarships either. I'd fill out the financial aid form a lot earlier cause I know that is a leg up if you do. Do anything to avoid picking up loans.

COBBLING TOGETHER MULTIPLE SOURCES OF AID

Student's level of financial distress was reflected in the number and types of financial aid received. Approximately 70% received a federal student loan and most reported combining multiple sources of financial aid, as well as money from family and their own employment to pay for college. The percent of students receiving each source of aid and financing are shown in Table 2 below, separated by whether they were a first versus second or higher generation college student.

Table 2. Percent Of Students Receiving Each Source Of College Financing By First Generation College Student, Fall Freshman Year

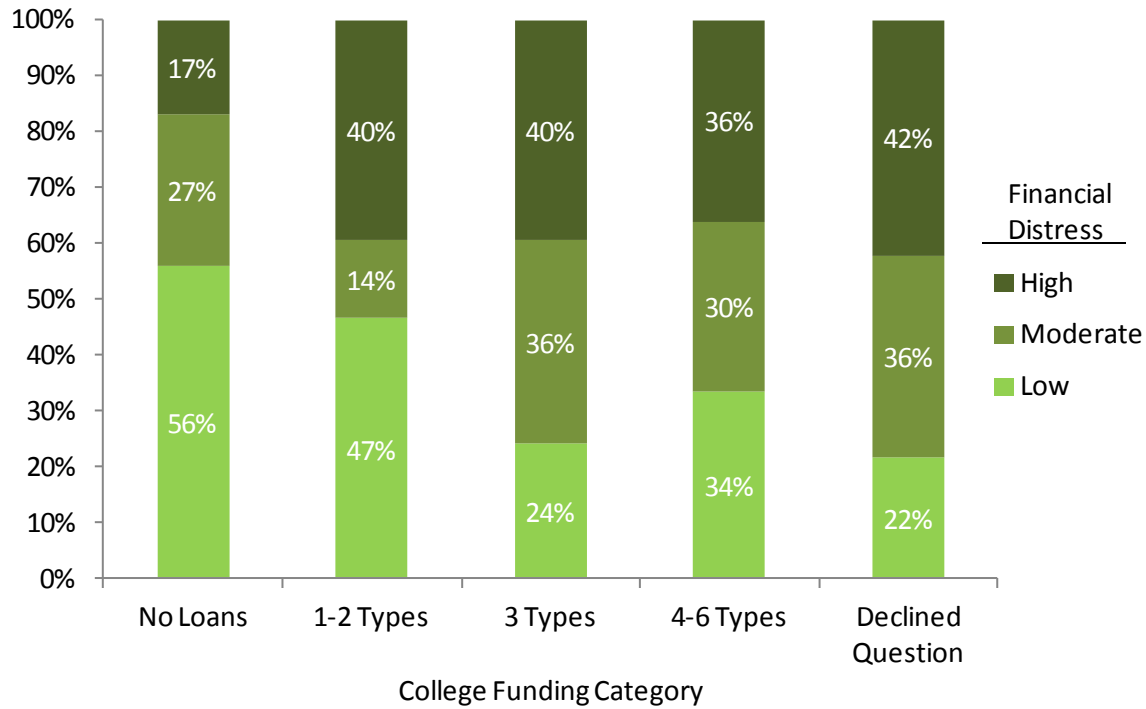
Financial Adjustment	Generational Student Status		Sig. Group Difference
	2nd+ Gen.	1st Gen.	
Loans			
Federal Student Loan	70%	70%	N
Federal Parent Loan	32%	25%	N
Private Bank Loan	19%	12%	Y
Grants/Scholarships			
Pell Grant	54%	76%	Y
From College	83%	90%	Y
Other	48%	44%	N
No Loans/Grants/Scholarships	27%	26%	N
Money From Family	71%	63%	Y
Money From Employment	40%	49%	Y

Note: Students were asked to check all that apply

Students were divided into four mutually exclusive groups based on their use of loan, grant, and scholarship funding: (1) 27% had no federal or private loans but may have had grants or scholarships, (2) 10% had one – two sources of aid including at least one type of loan, (3) 28% had three sources of aid including at least one type of loan, and (4) 35% had four or more sources of aid including at least one type of loan.

As Figure 5 below shows, students that had no federal or private loans and financed college solely with grants, scholarships, and/or money from family reported the lowest level of financial distress. Only 17% of students that held no loans reported a high level of financial distress in the fall of their freshman year, compared to about 40% of students that had at least one loan. We tested the effect of the presence or absence of each specific type of funding, and the psychological benefit appears to come from being able to finance college without loans. Approximately 15% declined to list their sources of aid and those students reported the highest level of financial distress.

Figure 5. Percent Of Students Reporting Each Level Of Financial Distress, By College Funding Category



FINANCIAL DISTRESS AND THE PERCEIVED BENEFITS OF COLLEGE

Existing research shows that financial distress can push those students at risk for not persisting to withdraw, and can reduce the strength of students beliefs in the utility of the education they are obtaining.^{12,15} Our findings show that this push to withdraw may be because financial distress adds to students’ uncertainty about whether college will payoff, thereby reducing their commitment to their educational goals. The resulting paradox is that students with high levels of financial distress at the start of college (those most reliant on education to enable upward mobility) are also the least likely to believe that obtaining their degree will get them a good paying job.

As Table 3 below shows, students reported a discouragingly low overall level of confidence in the idea that college will lead to a good paying job, and will not leave them saddled with a lifetime of debt. Students reported, on a scale of 0 to 100, their certainty that “college is worth the cost,” that “getting a college degree will get you a good paying job,” and that “you will be able to repay your student loans.”

Table 3. Average Confidence In The Financial Benefits Of College, By Level Of Financial Distress, Fall Freshman Year

Confidence That...	Financial Distress				Sig. Group Difference
	All	Low	Moderate	High	
College Is Worth The Cost	64	69	67	55	Y
College Degree Leads To Good Paying Job	71	75	75	64	Y
Will Be Able To Repay Student Loans	64	76	65	50	Y

Note: Students reported their agreement on a scale of 0 to 100

Students were also given the opportunity to list, in their own words, additional concerns that they had about going to college. Approximately 190 responded to this question. Approximately 30% stated that they had absolutely no concerns about college. Among the remaining students, their primary concerns fell into 6 categories. The top three were cost (36% of students), post-college employment (28% of students), and relevance of college to aspirations (20% of students). The bottom three were self-doubt (8% of students), other concerns (6% of students), and academic concerns (2% of students). As expected, students that were experiencing a moderate or high level of financial distress were much more likely to be concerned about the cost of college, and whether it would lead to a good paying job.

This representative set of excerpts from students that were primarily concerned about whether college is worth the cost provides some insight into the content of their concerns:

- ❖ *Here I am paying \$50,000 a year [with grants and loans] roughly for an education; I am concerned if the education I get at [this university] is better than one I would get at a less expensive university. [Majoring in business management.]*
- ❖ *It costs quite a bit to attend college, and if I am not quite sure what I am going to be doing in my life, college may do more harm than help. [Majoring in advertising and marketing.]*
- ❖ *The biggest issue with college is that it's so expensive. I currently work two jobs and my biggest fear is that while I'm bending over backwards to payoff my tuition, I won't be as successful as I plan to be in the future. [Plans to become a special education teacher.]*

Minority College Cohort Study

- ❖ *The amount of money I'm paying for school stresses me out therefore, I can't focus. [Majoring in biology and plans to become a veterinarian.]*
- ❖ *The cost of attendance is so high, and yet there are constant reportings that say there are little to no jobs available. [Majoring in political science and plans to become a lawyer.]*

This representative set of excerpts from students that were primarily concerned about their employment opportunities provides some insight into the content of their concerns:

- ❖ *Because of the massive influx of more and more college graduates into the workforce, the degradation of the monetary value of a college education is highly prevalent. [Majoring in physics.]*
- ❖ *I am afraid my degree will not be worth anything in the job market. [Majoring in political science & history with plans of becoming a lawyer.]*
- ❖ *I'm afraid that I will end up in a low paying job regardless of my major or graduate school. [Majoring in accounting and plans to become an attorney.]*
- ❖ *Sometimes I wonder if college is worth it because even with a degree, nothing is guaranteed in the current state of the economy. Sometimes I feel like maybe I am just wasting my time, especially when I could instead be learning a useful trade or skill that a college degree doesn't provide. [Majoring in economics and marketing.]*
- ❖ *The value of a college-level degree seems to be a lot less these days. It can be very tough to find a job in one's field and people may have to resort to lower-paying jobs. [Majoring in economics and accounting.]*

This list of concerns shows that even students who have demonstrated their commitment to obtaining a college degree by enrolling and incurring debt in service of that goal are plagued by substantial doubt. These doubts increase the psychological costs of college, making college even more challenging for already financially burdened students, and making college an even more risky undertaking because the doubts themselves can undermine their likelihood of success.⁴ Students' concerns are valid and can be minimized by increased transparency about graduation rates, occupational outcomes, and alumni loan debt and default.¹⁷ Providing increased transparency would aid students' enrollment decision making, and would allow enrolled students to pursue their degree without nagging doubt about whether their investment will pay off.

ASSOCIATIONS BETWEEN FINANCIAL DISTRESS & WELL-BEING

Students completed three measures of socioemotional and psychological well-being that measured depressive symptoms, stress, and anxiety. Students' levels of all three measures of well-being were highly correlated so only their depressive symptoms are

discussed in this report. As expected, the overwhelming majority of students (63%) reported a low level of depressive symptoms at the start of college; 26% reported a moderate and 11% reported a high level of symptoms. A similar rate of depressive symptoms was reported at the end of freshman year. However, there was a substantial amount of within-student change from fall to spring; 34% of students reported a higher or lower level of depressive symptoms in the spring compared to the fall of freshman year.

Financial distress was significantly associated with depressive symptoms. Because there was a significant amount of change in students' level of financial distress from fall to spring of freshman year, financial distress in the fall was only predictive of depressive symptoms in the fall, and financial distress in the spring was predictive of depressive symptoms in the spring. Figures 6 and 7 below show the share of students reporting each level of depressive symptoms based on their level of financial distress.

Figure 6. Percent Of Students Reporting Each Level Of Depressive Symptoms, Based On Level Of Financial Distress, Fall Freshman Year

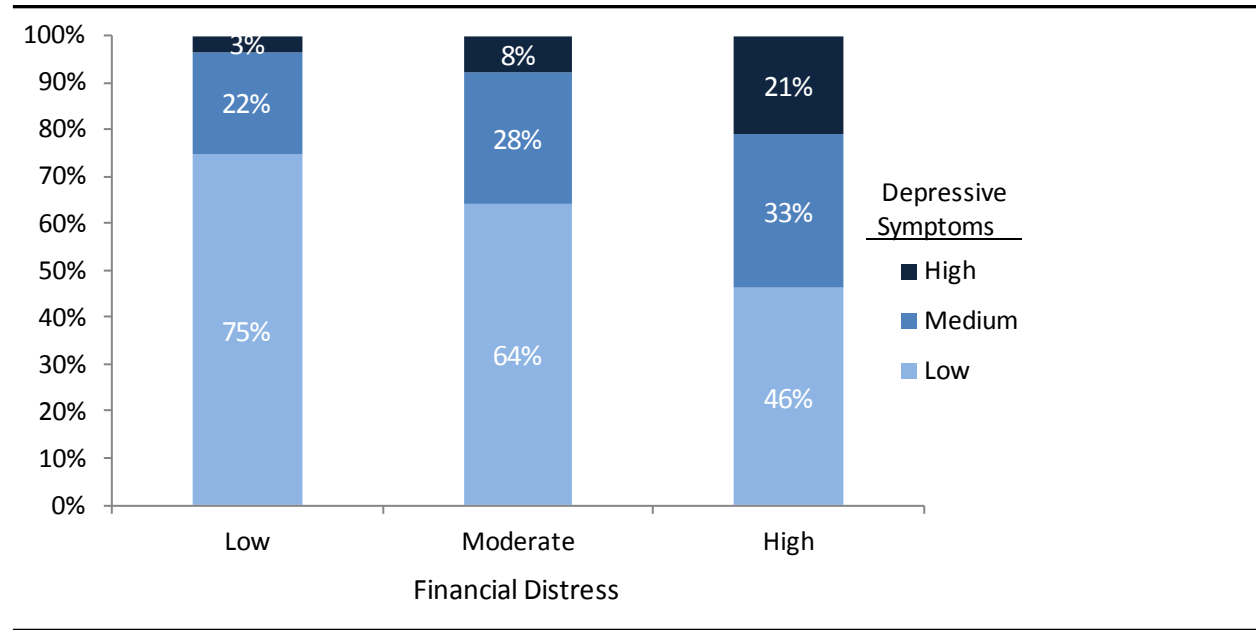
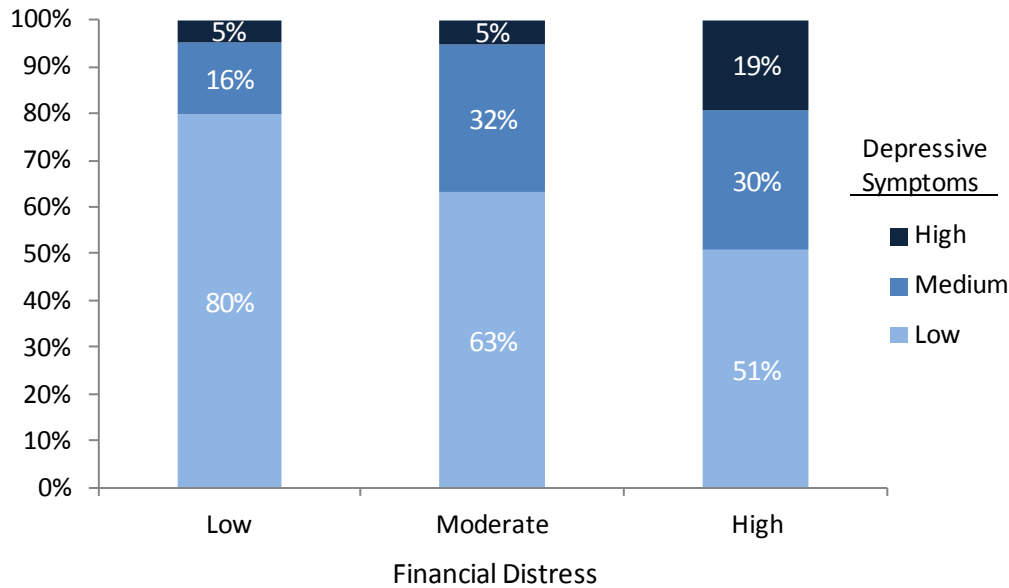


Figure 7. Percent Of Students Reporting Each Level Of Depressive Symptoms, Based On Level Of Financial Distress, Spring Freshman Year



ASSOCIATION BETWEEN FINANCIAL DISTRESS & GPA

As with our analyses of depressive symptoms, financial distress in the fall was predictive of fall term GPA, and financial distress in the spring was predictive of spring term GPA. As shown in Table 4 below, during each term, students with higher levels of financial distress had lower GPAs, on average.

Table 4. Average GPA Each Term, By Level Of Financial Distress

	All	Fall Term Financial Distress			Sig. Group Difference
		Low	Moderate	High	
Fall Term GPA	3.19	3.31	3.12	3.11	Y
<hr style="border-top: 1px dashed #000;"/>					
	All	SpringTerm Financial Distress			Sig. Group Difference
		Low	Moderate	High	
Spring Term GPA	3.09	3.17	3.11	2.97	Y

The pathway from financial distress, to lowered psychological and emotional well-being, to lowered likelihood of college success is complex.^{18,19} Path analysis was used to examine how financial distress was associated with both depressive symptoms and GPA. We find that financial distress was significantly associated with a higher level of depressive symptoms, and a higher level of depressive symptoms was significantly associated with lower GPA. Furthermore, depressive symptoms fully mediated the relationship between financial distress and GPA, such that the direct association between financial distress and GPA became statistically non-significant once the indirect pathway through depressive symptoms was accounted for. The complex relationships between these factors are illustrated in Victoria's experiences described in the final case study presented below.

Financial Distress → Depression → Inaction

Victoria was the first in her family to attend college. She graduated from a Chicago public school with a 3.6 GPA and scored a 20 on the ACT. She enrolled at a university within driving distance of her home, but moved into the dorm because of conflict at home. Her financial troubles began during her second week on campus and quickly led to intense feelings of depression, loss of motivation, and then missing classes. Obtaining a job reduced her financial distress but interfered with her ability to attend classes and complete assignments. In the end, she withdrew from all first semester courses and just stopped going to class halfway through second semester. Six months after leaving college, she enrolled in massage school with the hope that it will lead to a better paying job so she can save and return to college in the future.

I attended college broke, so I ended up taking out loans. I got a housing grant because of my GPA, and all the activities I did in high school. I ran into a wall, and I didn't have a job, I couldn't get any type of financial support from my family because they don't make much money anyways. So for weeks I didn't have all my books for classes. I went without books for a long while. And that just screws you over really bad. I even tried reaching out to family members I haven't even talked to in a while and they couldn't even give me money either. It almost got to a point where I felt desperate for money, right before I got a job in fast food in November.

Oh my god, I seriously thought I would have a good amount of money left for filing my FAFSA. And that was nothing at all. I think I got \$300. That was nothing. Nothing at all. I mean, I had over a \$1,000 worth of money to buy for books. Absolutely nothing. I didn't have nothing at all. When I walked inside my dorm and for a while, I slept on a really hard mattress with no sheet over it. Just one pillow. I didn't have anything really in my room, just the light that came with the room. I just barely had anything.

With all that, I lost all motivation, so at first I couldn't go through the classes. After a while I stopped attending and going to classes. I had a lot of personal issues going on, and that really affected me and I was really depressed. I was depressed for a long time anyways, I think everything kinda came out the second week of classes and I didn't know what to do. I started taking counseling towards the end of the semester.

I eventually stopped going to classes. I would try to go, but then I wouldn't go because I was really depressed. And it was really hard for me to even want to get out of the bed.

I didn't feel like having any one around me. I was just in a dorm by myself. I had a roommate, but she was going through the same thing too, so we both missed the majority of our classes and ended up failing all of them. I eventually got a job towards the middle of November, but it was kind of too late. By that time there was no way I was going to catch up with my classes.

[The job] was a lot of stress because it was in the fast food industry. And it was so very demanding, physically and mentally. Having to go through a lot of drama [sexual harassment] at work affected me too. I ended up choosing the job over going to school and studying at times.

I withdrew from the whole first semester. Second semester, I cut down my classes, and went to counseling, but then I kind of stopped going [to classes]. It was just really [a] slow progress and process trying to get over my depression, my own personal problems, and try to maintain a balance between school and work. At the end of the day, I barely had any type of motivation, especially with being depressed, so there was nothing I could do about it I figured the only thing I could do was quit college.

I was just a very private person. No one really knew about my situation except a counselor I would see here and there it was just too embarrassing, too shameful, you know. I came to school thinking I was going to do really good. I had high school counselors and high school teachers who had high expectations of me, [and] family and friends. And when you don't meet those things, you don't really talk to them about that. You kind of keep it to yourself and try to figure it out all by yourself.

[I owe] a lot of money! probably over \$10,000 plus the interests [plus] about \$7,000 [directly to the university because I withdrew from all my classes]. I'm probably going to have to get a private loan [for the \$7,000] because they told me there is no payment plan. I feel like I am in a black deep hole, especially if I don't get approved for a private loan, and I need to get approved for a private loan, too, because if I don't it will eventually go into collections and it will affect my credit score and whole living. Because it is a huge deep balance.

I really wished that my financial advisors would have stressed because they know when we first start off in college, we're not going to read every single thing. Everything itself is already super overwhelming. We're looking to you guys to explain the most relevant, most main ideas from the contracts that we sign regarding financial aid and all that stuff. And one thing I really, really wish that they would have stressed that if you do not [complete a certain] percentage of your classes [the grant from the university would convert to a bill] and you will owe a huge debt. Because even if I would have failed all of my classes, I would have [completed them] and would have saved me from all this debt.

Going back to college [is] really, really, really important. Like, my whole life happiness depends on it. I want to go back to [the same university]. I really love that school a lot, even though I had a really bad college experience I want to go back there. They have a really strong music program. I want to become a music teacher. I want to perform music [viola]. Now that I have gone through everything I went through. I know what to do and what not to do and maybe just get more supporters.

CONCLUSION

The high financial and psychological costs of college reduce the likelihood that academically prepared students will persist through to degree attainment. This has negative individual and societal consequences. As noted by the National Center for Educational Statistics, obtaining a college degree is increasingly important in determining the likelihood of earning middle-class wages.²⁰ Furthermore, meeting the nation's growing economic need for college-educated professionals requires increasing the number of degree recipients that come from minority, low-income, and first generation college students.²¹ Because Black and Latino students have the highest likelihood of being both low-income and first generation college students, financial aid is particularly important for facilitating their college attendance and socioeconomic mobility.²²

Financial aid was originally designed to level the playing field, thereby enabling individual merit rather than parents' resources to be the stronger determining factor in youth's occupational futures. However, Carnevale and Strohl show that even among high scoring SAT students (scores of 1,200 or higher), only 44% of those from families with incomes in the bottom quartile obtained a bachelor's degree by age 24, compared to 82% of those from families with incomes in the top quartile.²³ This does not bode well for the futures of a large swath of the Black and Latino American population; 49% of Black and 42% of Latino households are in the bottom income quartile, compared to 30% of White and 25% of Asian households.²⁴

The findings presented in this report show that universities need to better understand enrolled students' level of financial distress because it hinders academically prepared students' ability to succeed. Attending college with a low level of financial distress facilitates students' classroom performance, academic and social integration, and motivation to persist.¹⁵ Engaging in academically oriented co-curricular and social activities such as peer study groups, seeking tutorial assistance, and meeting with professors after class are often impossible if the student is worried about money or must work more than 20 hours a week to make ends meet.^{25,26}

While there has been substantial narrowing of racial and ethnic gaps in college enrollment, there has been no narrowing of the number that matters most—persistence through to degree attainment. Consequently, disproportionate numbers of Blacks and Latinos are entering adulthood *with* college debt but *without* a degree. To remedy this, postsecondary institutions must pay more attention to what happens after enrollment and identify the factors that contribute to differential persistence.²⁷ Increased institutional transparency is one concrete step that universities can take to narrow the large disconnect between the apparent wide availability of information about college prices, financial aid, and occupational outlooks and the lack of awareness and understanding of these issues among college bound minority, low-income, and first generation college students.²⁸

COMMENTARY by Sara Goldrick-Rab

In this new report, researchers with the Minority College Cohort Study provide new evidence that supports trends observed nationwide: rising financial distress among undergraduates is harming the college experience and inhibiting persistence and degree completion. At the Wisconsin HOPE Lab, which I founded and direct, we take these concerns very seriously and work to develop interventions to alleviate that distress by making college more affordable. It is therefore my pleasure to comment on the implications of this report.

Paying the price of college attendance is an extraordinarily difficult task in today's world of higher education. Even after discounting with financial aid, the price of a year of public higher education now often rises above \$8,000 a year for students from poor families. Students with financial need have to work long hours, forgo the purchase of books, computers and other supplies in order to make college possible, and even go without the basic requirements of food and shelter. A multitude of studies show that when finances get tough, many students have to leave school.

There are social, economic, and psychological consequences of financial distress for students and their families. **But fortunately, there is much that colleges and universities can do to help.**

Meeting the financial needs of economically disadvantaged students is a difficult task, and it often requires significant funds. But it is possible for colleges and universities to reduce financial stress among undergraduates *even when they cannot substantially increase the grant aid they provide via the financial aid office*. At the Wisconsin HOPE Lab, we study a variety of approaches used by colleges and universities, and based on our research I recommend the following actions:

1. Carefully examine institutional communication about affordability and economic challenges. Students often feel alienated from the institution when they are under financial distress, and working to help them reconnect is important.
 - Utilize proactive outreach to contact students, even those with their full financial need “met” to check in and ensure that they have the necessities in hand. Even electronic communications can be helpful here, and inexpensive.
 - Avoid using language that can make students feel as if they are being blamed for their financial challenges. Acknowledge their struggle and aim to meet them where they are.
2. Raise awareness of existing resources on campus so that financially distressed students can access them. The institution may already have an emergency loan or grant program that students do not know about. Or perhaps financial counseling is available. Many times, students in financial distress feel that they are alone—but help is available. They need to know.
 - Advertise these services around campus with flyers that acknowledge that “everyone needs help” sometime.
 - Do not restrict this outreach to the financial aid office—put it where students can find it in their daily activities.

3. Work with the financial aid office to develop strategies to improve students' financial situations. It is often possible for financial aid administrators to exercise "professional judgment" when students have expenses that are not part of the official Cost of Attendance, but students are unaware that they need to seek this help. Or, it might be that students are having difficulty qualifying for key supports such as food stamps because they do not meet the work requirements—the financial aid office can utilize the work-study program to assist.
 - Training for financial aid administrators on the rules associated with specific benefits programs can be helpful at ensuring that financial aid is utilized in a manner that complements rather than impedes access to those programs.
 - Acknowledge that students' financial distress is often directed at financial aid administrators and provide those professionals with support and coaching for how to respond and cope with the ire they may receive.
4. Provide on-campus resources for those who are food and/or housing insecure. We find that students who need food or housing often face stigma when entering community food pantries or shelters. A growing network of campus-based food pantries is developing in response. Some schools also provide emergency housing for students who find themselves without a safe place to live.
 - Check out the College and University Food Bank Alliance (www.cufba.org) for more information
 - Student affairs professionals may also find support through NASPA's "socioeconomic and class issues in higher education" Knowledge Community
5. Fundraise to begin a campus-based emergency grant aid program if one does not already exist. These grants are often made "just-in-time" as students need them and are more flexible than federal and state financial aid.
 - Institutions participating in Scholarship America's "Dreamkeepers" program can be an important resource
 - Anecdotal evidence indicates that colleges find this a particularly easy program to raise funds for

Of course, it is also important to advocate for improved state and federal policies that can make college more affordable. Here are some recommendations in that realm:

1. Congress should restore the power of the Pell Grant by doubling its effective amount and focusing it on the most needy students. Three actions should be taken immediately to accomplish this:
 - Allow the expected family contribution (EFC) to go negative when a student's family income falls below the subsistence level as reflected by the income protection allowance. The current minimum EFC of zero caps financial need and need-based student aid at the cost of attendance, rendering college less affordable for students who need grant aid for their college education in order to stand a chance of succeeding and rising out of poverty.
 - Offer states incentives to agree to maintenance-of-effort provisions that ensure the Pell Grant is supplemented not supplanted by state actions.
 - Experiment with giving higher education institutions with demonstrable success in moving Pell recipients towards degrees some incentives to devote more of their own resources to matching the federal investment in Pell. About \$5 billion in funding for the Pell program could be raised with the assistance of private

not-for-profit institutions that currently supplant rather than supplement the Pell Grant.

2. Encourage more Pell recipients to become academically and financially prepared for college by letting students and their families know early and often that the Pell awaits them. Too many 8th graders have no idea they are college-bound and therefore do not get ready. Their families are not getting any wealthier as they wait, and an early commitment of financial aid could make a big difference. Fund the demonstration early commitment Pell program for 8th graders receiving free and reduced price lunch that was authorized in the Higher Education Act, and rigorously evaluate it.

3. Bring more resources to the most talented Pell recipients who earn private scholarships by ending award displacement so that they can gain the full monetary value of that philanthropic investment. Award displacement occurs when receipt of an outside scholarship, leads to a reduction in other forms of financial aid, especially grants. The consequence is that a student who has worked hard to gain the scholarship experiences no net financial gain, and therefore improvement in his or her ability to pay for college.

4. Support students who work hard and keep their student debt low by expanding the income protection allowance and reducing the assessment rate on student earnings. Students work while attending school because they need the money; removing their financial aid based on those earnings creates perverse incentives and encourages them to take on more debt. This especially hurts single parents pursuing college degrees. Raising the income protection allowance by \$2,000 will help ensure that more of their earnings are used to prevent additional debt, and lowering the assessment rate from 50% to 40% will further promote that goal.

5. Further focus the Pell on college completion by reducing complexities and requirements that prevent the students who receive it from keeping it until they complete degrees. Eliminate the need to re-file the FAFSA for recipients who are continuously enrolled at the same institution. Require students to file only for a change in circumstances that increases their need, nudging them to maintain their financial aid and keeping their net price more stable from year to year.

Alleviating financial distress among students will help make higher education an engine of equality, promoting the well being of communities, families and individuals. We commend you for your interest in these efforts and for your work.

Appendix 1. Institution Characteristics

Institution Characteristics	DePaul University	Loyola University	Northern Illinois University	University of Illinois at Chicago	University of Illinois at Urbana-Champaign
Location	Urban	Urban	Far Suburban	Urban	Rural
# Full-Time Undergraduates	13,594	9,339	13,821	15,402	31,516
% Of Students Black	7%	3%	18%	8%	6%
% Of Students Latino	17%	13%	13%	25%	8%
% Of Students Asian	8%	11%	5%	23%	15%
% Of Students White	57%	62%	58%	37%	53%
% Of MCCS Sample	15%	9%	13%	35%	28%

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ABOUT THE AUTHORS

Micere Keels is an Associate Professor in Comparative Human Development at The University of Chicago. Her principal research interests are in understanding how race/ethnicity and poverty structure exposures to developmental inputs, and contextual challenges and supports.

Myles Durkee is a Postdoctoral Fellow in the Psychology Department at the University of Michigan. His primary research interests examine the social identity development of emerging adults and understanding how they internalize racial experiences in their everyday lives.

Elan Hope is an Assistant Professor of Psychology at North Carolina State University. In her research she investigates the effects of identity and discrimination on academic and civic outcomes for racially marginalized youth.

Sara Goldrick-Rab is a Professor of Educational Policy Studies and Sociology at University of Wisconsin-Madison. She is the founding director of the Wisconsin HOPE Lab, the nation's first translational research laboratory aimed at identifying new and effective ways to minimize barriers to college completion so that more students can reach their full potential.