



Addressing Student Debt and Financial Hardship

Statement of the Problem

Federal and state financial aid funding have not kept pace with rising college tuition costs. As a result, the burden of paying for college has become a barrier to obtaining a college degree, particularly for students from underrepresented backgrounds. Institutions, especially state colleges, have a responsibility to address equity gaps by reducing these barriers to graduation and providing an equal opportunity for all students to succeed. The purpose of the mixed methods study highlighted in this brief was to a) determine how students are differentially affected by financial hardship; and b) explore how students experience financial hardship. This brief provides college administrators with practical recommendations for addressing student debt and reducing administrative barriers for underrepresented student groups.

Major Findings

In analyzing a 2013 freshmen cohort over six years, student debt owed to the university was identified as a key factor in students' decisions to continue enrollment.

- Over 40% of students who did not return after their first semester carried past due balances.
- The second semester showed the largest gap between enrolled and not enrolled students with a balance due, across all variables.

Students are differentially impacted by financial hardship.

- When student enrollment dropped drastically in the second semester, non-enrolled students with a balance due were mostly **students of color, female students, and Pell-eligible students**. This echoes the work of Chen and DesJardins (2010), who found that students of color were more likely than their White counterparts to drop out in the 1st year of higher education and that these decisions were influenced by family income and financial aid—specifically, changes in Pell Grants.
- Pell-eligible students were less likely to carry past due balances while enrolled, further confirming the significance of financial support on continued enrollment.

- **Female students who owed a balance were less likely to be enrolled than their male counterparts.** Male students were more likely to maintain enrollment term to term, despite owing a balance. One reason for these findings could be that perceived gender roles affected students' decision-making processes.

Document analyses of student tuition appeals over two academic years revealed the far-reaching and multi-faceted impacts of financial hardship.

Tuition Appeals at a Glance

30% of students mentioned **mental health** in some way, either as part of the reason for their debt, or as a challenge brought on by their financial difficulties.

35% of students cited **administrative barriers** such as being misinformed or unaware of university deadlines or policies.

Latinx students were more likely to cite administrative barriers or family commitments.

Mental Health Challenges - Students described experiencing **panic attacks, anxiety, depression, emotional trauma, lack of sleep, and stress**—struggles that formed a barrier to academic success. Students also described how financial hardships impacted their mental health, revealing that these issues intersected with family commitments and administrative barriers, such as miscommunications between departments about deadlines and unclear procedures for withdrawal.

Administrative Barriers - Students described various administrative barriers when they explained why they owed the disputed balance, **including miscommunicated policies and deadlines and the impact of financial hardship on their decision to leave the university.** Students repeatedly expressed that at the time of withdrawal they were unclear on or unaware of policies impacting their tuition balances, often receiving conflicting information from different offices. Some students decided to leave the university because of the associated financial obligation, such as tuition or supplies, or because they had to dedicate their finances to supporting family. Students explicitly stated that they left the university because they could not afford the tuition or did not

believe they could continue paying; other students implied that, though they weighed many factors, access to financial aid was the most important one.

Family Commitments - Students described family commitments and unpredictable family structures when describing financial hardship. Students expressed a deep desire and responsibility to continue their education for the benefit of their families. **Students mentioned family roles or commitments when they explained their hardship; more than half of students in these cases identified as Hispanic/Latino, and only one identified as White.** Many students described their hardship as the

result of a series of events; for example, a student could be placed on probation, then lose financial aid, misunderstand deadlines, and eventually—without financial support from family—incur a financial obligation to the university.

Concerns about Debt - Many students were prompted to appeal charges because of collection letters or emails from the university that threatened collection activity or negative credit impacts if balances were not paid. For many students, this was an additional stressor on top of their original reason for incurring a balance.

Self-Image and Self-Talk - Students often used a tone of exasperation when they discussed the measures they took to follow guidelines and avoid owing money to the

university. Students of color in particular expressed exhaustion, sadness, and frustration with themselves for allowing the debt to occur, making statements such as “I did everything in my power to

“Prior to filing for a catastrophic withdrawal, I did my due diligence by reaching out to my instructors to request for an incomplete grade for my classes...It saddens me. I am mentally and physically drained by my current illness and was unable to complete the task.”

avoid further charges like these.” Students accepted responsibility for allowing the balance to occur, sometimes to the extent that they spoke negatively about themselves for creating this situation that put their education at risk. Other students expressed a longing to “create a new beginning,” a goal that was heavily dependent on receiving a college degree. Students consistently used phrases to idealize their degree achievement, such as “pursue my dream career” and “my journey.”

“I have been spending the first four months of the year working continuously to pay off other dues and debts that I owe. I knew that once I couldn’t pay for school I would have no place in attending. Yet I had no idea it would create such immense charges against me. For the past few months, I have simply been working and trying to remain sane. I work, but only to help pay a car which my father bought for me so that I may stay with him and to remain hopefully independent.”

Recommendations for Practice

- **Debt forgiveness** - Schools may consider offering debt forgiveness during the 1st year of school rather than offering it as an incentive to graduate or return to school, as this study found that a significant percentage of students who did not return after their first semester carried past due balances. Institutions can also proactively bolster loan counseling and debt education. The findings of this study also support the importance of providing clearly communicated withdrawal deadlines and procedures, especially for actions that could result in incurred charges.

- **Cross functional teams and training** - Financial hardship often presents itself along with other challenging circumstances, such as mental health struggles, a lack of basic needs, and administrative barriers. Students may not discuss financial hardship with an administrative office handling student finance, but instead with a counselor, advisor, or mentor. For this reason, the development of cross-functional intervention teams can be critical for identifying student needs before debt occurs and subsequently providing the appropriate support. This can include providing basic needs services, mental health resources, emergency grant funding, low- or no-cost childcare, or affordable housing. Additionally, an institution’s ability to meet all its students’ needs can be improved with regular training for financial support staff on recognizing indicators of mental health and basic needs crises.
 - **Critical Review and evaluation** - Since the findings of this study revealed administrative barriers and general student frustration with the level of service, a climate study of administrative offices for financial aid or university business may be warranted to identify staff’s perceptions of their roles in supporting students as well as their interpretations of students’ experiences. Administrators can prioritize staff training and development in identifying bias as well as building knowledge networks across the institution and cultivating equitable work practices. Prioritizing equitable student support in job descriptions, performance goals, and recognition programs can not only reflect a commitment to closing equity gaps but also promote equity advocacy among staff.
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References

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