

Financial Decisions among Undergraduate Students from Low- Income and Working-Class Backgrounds

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Social Class, Finances, & Higher Education

Students from low-income, working-class, and first-generation backgrounds face many obstacles in higher education

- Work longer hours
- Live off campus
- Have fewer financial resources
- Lower social capital in terms of higher education knowledge
- Much less likely to persist and graduate



The Gap in Research

The extant literature regarding financial decisions addresses

- Students' decisions about whether to enroll in higher education
- College selection

Yet, little research focuses on students' ongoing financial decisions or behaviors while enrolled.



Research Question

Are there differences in financial decisions between *current* undergraduate college students from different social class backgrounds?



Data Source

- Student Experience in the Research University (SERU) student survey
- In spring 2013, 13 large, public universities participated in the administration ($N = 273,794$)
- Average response rate: 27.6% ($n = 75,626$)
- SERU has 600+ items: major themes of academic engagement, campus climate, satisfaction, demographics, involvement, and financial behaviors



Sample

- Race/Ethnicity

- Hispanic 8.9%
- Native American 0.3%
- Asian 11.7%
- Black 4.2%
- Pacific Islander 0.1%
- Unknown 2.6%
- Multiracial 2.6%
- International 5.4%
- White 64.1%

- Social class

- Low-income 5.3%
- Working-class 17.8%
- Middle-class 44.2%
- Upper-professional 30.1%
- Wealthy 2.6%

Social Class Identification

- Class and parents' income: $r = .666$
- Class and independent students' income: $r = .345$
- Class and mothers' education: $r = .391$
- Class and fathers' education: $r = .463$
- Class and grandparents' education: $r = .372$

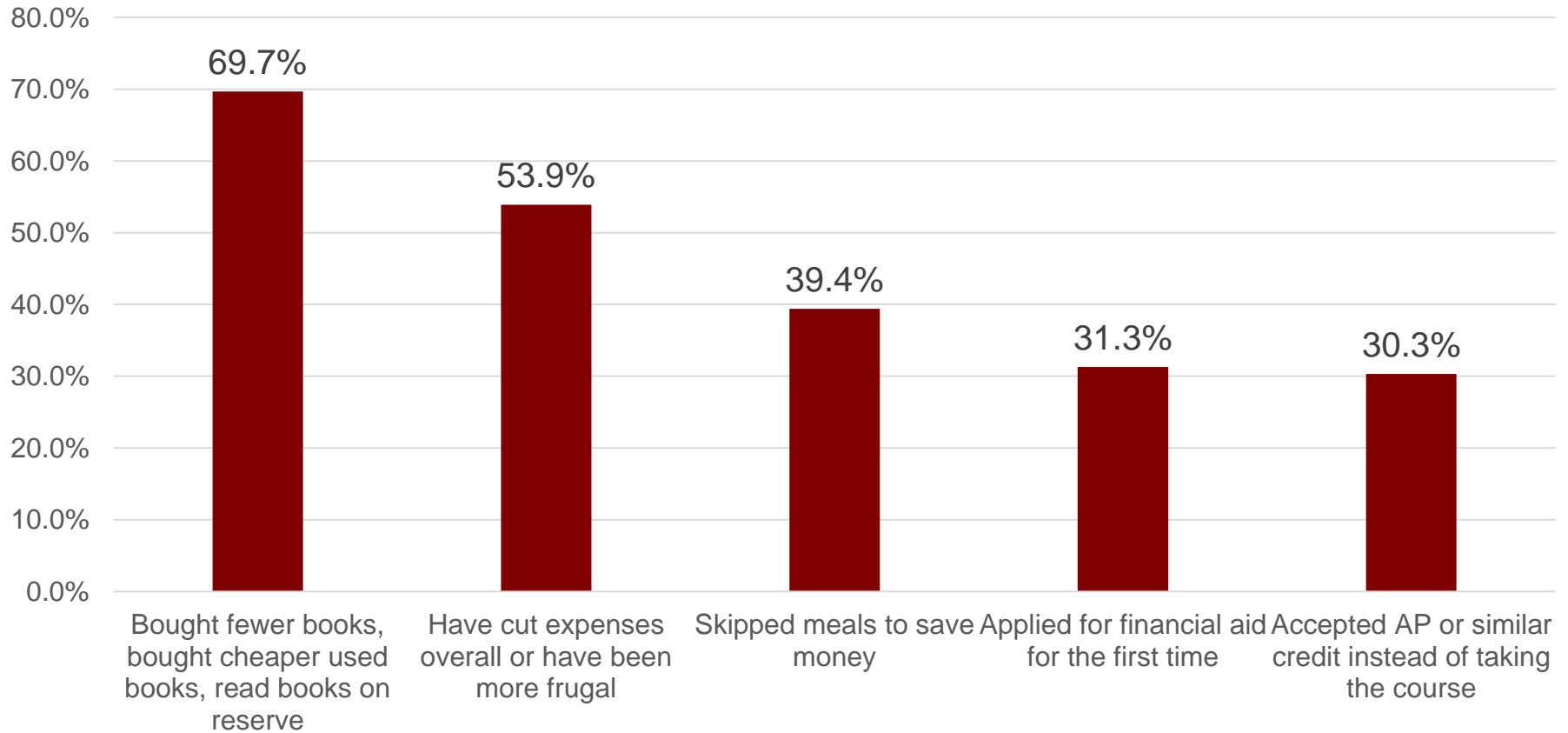


Financial Behaviors

- Which of the following have you done in the past year to meet college expenses?
 - Applied for financial aid for the first time
 - Asked financial aid office to reevaluate my application
 - Bought fewer books, bought cheaper used books, read books on reserve
 - Took a leave of absence or a quarter/semester off
 - Took more courses per term
 - Took action to graduate more quickly
 - Did not retake a class to improve grade
 - Accepted AP or similar credit instead of taking the course
 - Skipped meals
 - Decided against study abroad
 - Took a community college course because it was cheaper
 - Took a job for the first time at college
 - Worked before but increased the number of hours worked
 - Increased the debt I carry on my credit card
 - Increased my annual student loan amount
 - Have cut expenses overall or have been more frugal
 - None of the above. Cost hasn't been a problem



Financial Behaviors



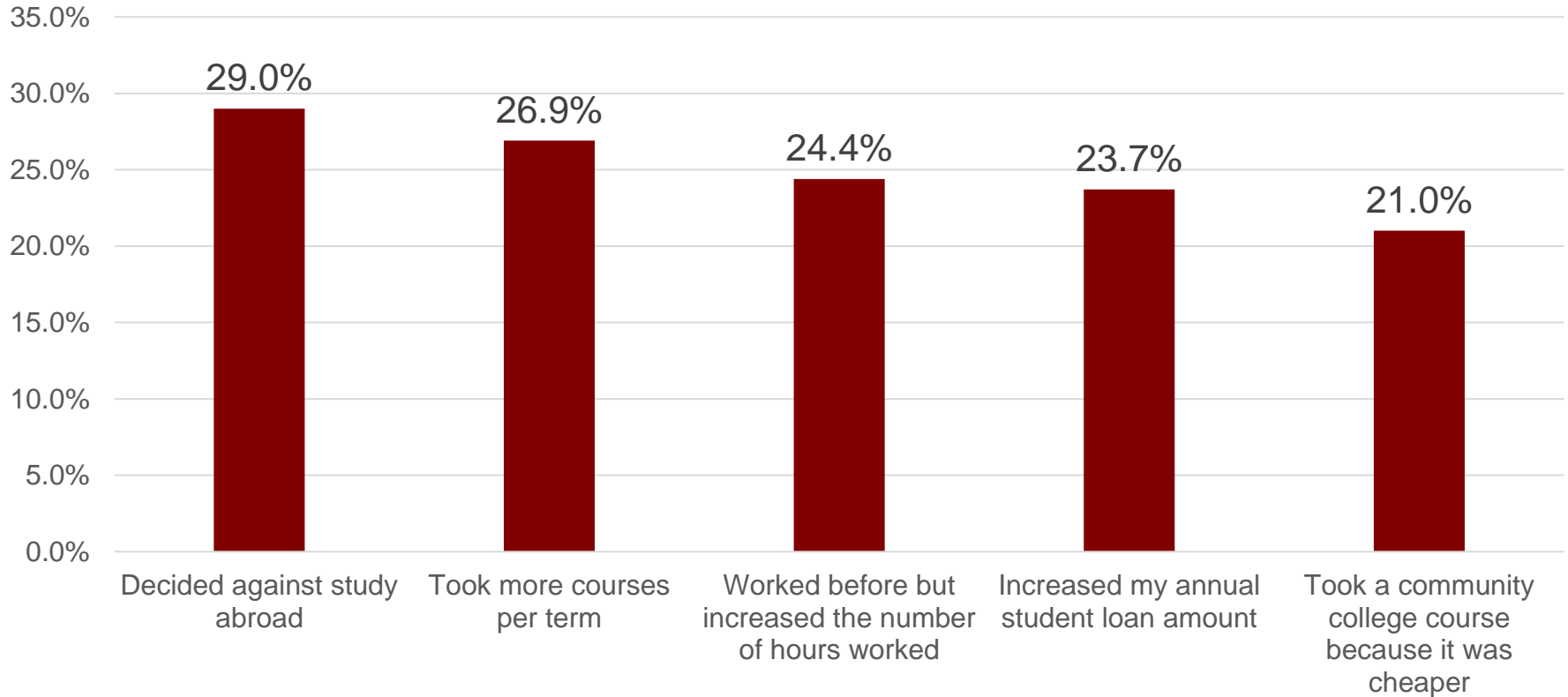
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Financial Behaviors



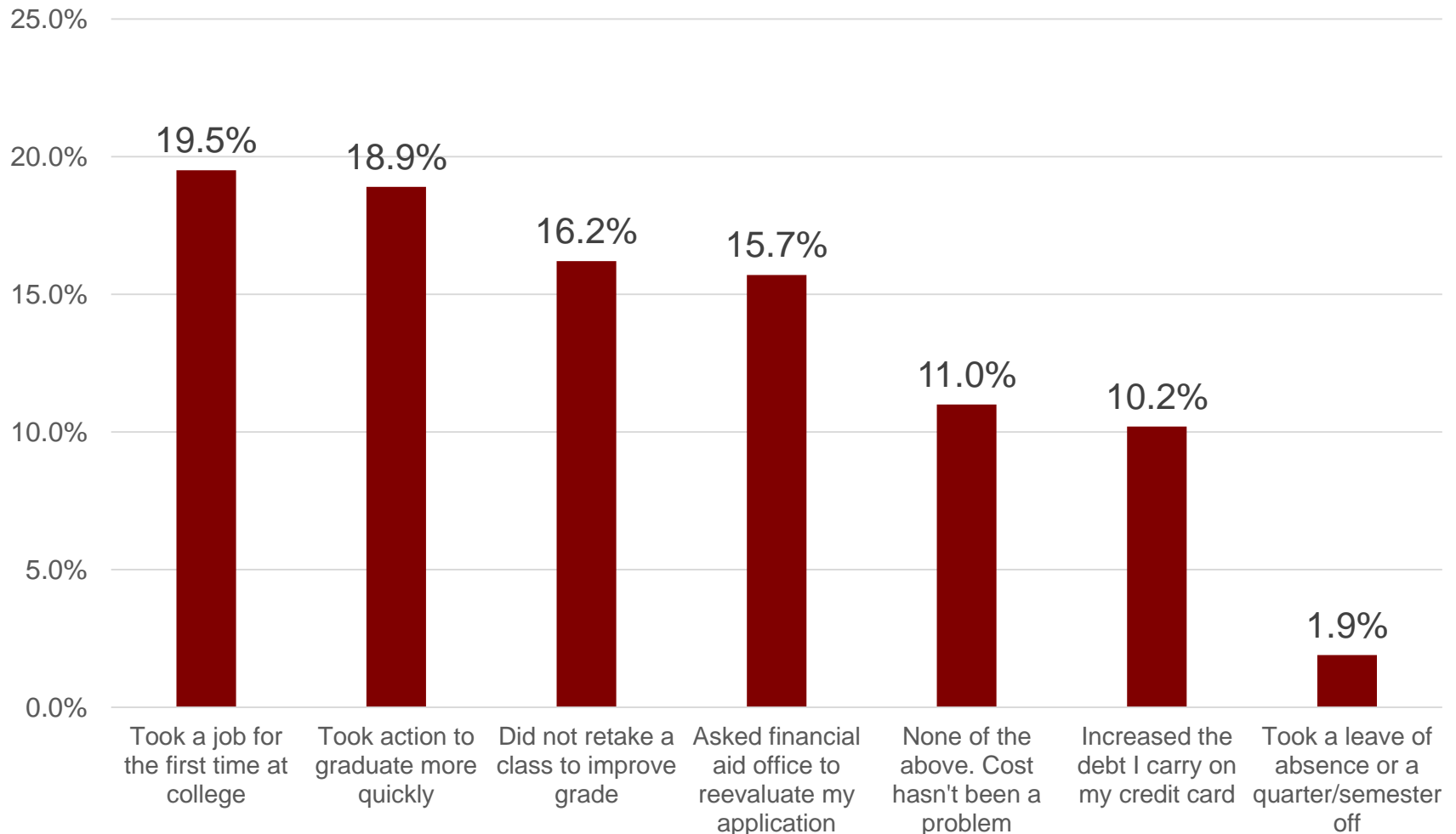
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Financial Behaviors



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Procedures

- Removed international students from the sample
- Logistic regressions predicting the financial decisions as events (1) or non-events (0)
- Controls:
 - Gender
 - Race/ethnicity
 - Age
 - ACT
 - Academic level
 - Transfer status



Results

- Social class was significant in all models save for enrollment in a community college course
 - Low-income and working-class students were more likely to
 - Increase credit card debt ($e^{\beta} = 3.36$ & 2.50)
 - Increase loan debt ($e^{\beta} = 3.11$ & 2.98)
 - Take a leave of absence ($e^{\beta} = 2.56$ & 1.81)
 - Skip meals ($e^{\beta} = 2.50$ & 2.01)
 - Work more hours ($e^{\beta} = 2.47$ & 2.26)
 - Middle/upper-class students were over 5x more likely to state that cost was not a problem ($e^{\beta} = 5.15$)

Potentially
the most
concerning

<i>Results</i>	<i>LI</i>	<i>WC</i>
Increased the debt I carry on my credit card	3.36	2.50
Increased my annual student loan amount	3.11	2.98
Took a leave of absence or a quarter/semester off	2.56	1.81
Skipped meals	2.50	2.01
Worked before but increased the number of hours worked	2.47	2.26
Bought fewer books, bought cheaper used books, read books on reserve	2.25	2.28
Asked financial aid office to reevaluate my application	2.13	2.11
Have cut expenses overall / have been more frugal	2.08	2.17
Decided against study abroad	1.98	1.91
Did not retake a class to improve grade	1.74	1.66
Applied for financial aid for the first time	1.62	1.62
Took more courses per term	1.49	1.52
Took action to graduate more quickly	1.36	1.37
Took a job for the first time at college	1.28	1.18
Took a community college course because it was cheaper	--	1.20
None of the above: cost hasn't been a problem	0.21	0.17

LI=Low Income, WC=Working Class. Values represented as (log) odds ratio, significant at $p < .001$



Recommendations

- Ongoing educational programs related to borrowing and financial literacy



Recommendations

LOOK FOR A JOB ON CAMPUS

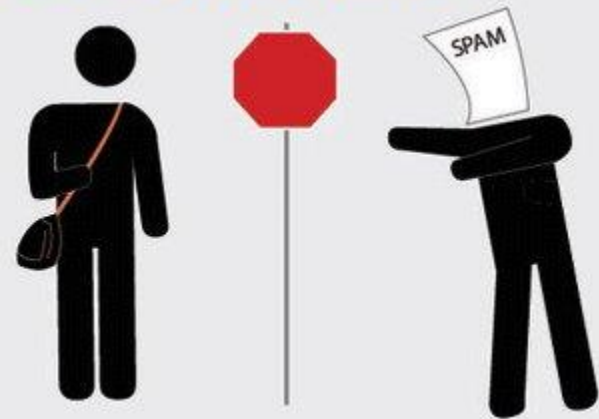
On-campus jobs have several advantages; you don't have to travel far and they may offer flexible hours that adapt to your schedule. If you can find a job that's related to your major, that's even better. Relevant work experience will look good on your résumé when you look for a permanent position after graduation.

Find more information at:
<http://onestop.umn.edu/livelikeastudent>

LIVE LIKE A STUDENT NOW
So YOU DON'T HAVE TO
DON'T LATER.

Recommendations

**PUT THE
SPAMMERS
ON HOLD**



Call **1-888-5OPTOUT** to **stop** credit card offers and other solicitations by mail. It will **save** you time, **reduce** waste and **lessen** your risk of identity theft.

Find more information at:
<http://onestop.umn.edu/livelikeyastudent>

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Recommendations

TEST THE WATERS FIRST

A good way to learn about using credit cards is to start with a **debit card** which is real money from your bank account. Then get one credit card for emergencies only to start building credit.



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Recommendations

- Focus on advertising financial literacy to students from lower social class backgrounds—meet students where they are at, understand their needs and concerns, and tailor programs to fit their experiences
- Connect students to scholarships, grants, or work-study opportunities related to their academic disciplines
- Offer resources related to food insecurity and share information about relationships between nutrition and academic success



Limitations

- Sample limited to one institutional type, limiting generalizability to students at other institutions (e.g., community colleges)
- Inability to independently verify student behaviors—or the extent of the behaviors (e.g., credit card debt increased \$500? \$1,000?)
- Large sample size may lead to challenging model fitting specifications and inflated statistical significance
- Limitations in the number control variables utilized in the models—this was an exploratory study and there is more work to be conducted to understand the factors associated with students' financial behaviors



Thank You!

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