Determinants of Average Student Debt

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Determinants of Average Student Debt

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Abstract
We explored the contributing factors of debt for the average college student. Our analysis examined how various institution, financial, and demographic variables played a role in the amount of debt a student accumulated over their undergraduate career. Our findings showed that students attending non-profit private institutions have on average less student loans than students who attend public institutions. Additionally, our results showed that African American students have a positive relationship with student debt and were the only demographic variable in our model that was significant.

Introduction
In 2018, two in three college seniors graduated from either public or private universities with student loan debt (The Institute for College Access in Success, 2018). The average amount owed by college graduates increased by 2% since 2017 and these numbers are expected to steadily increase in the years to come. Nevertheless, student debt is a growing issue, and many are beginning to question whether students pursuing college educations are carrying too much financial burden.

Methodology & Model
The data was obtained from the National Center for Education Statistics IPEDS database which contained information on over 2,700 institutions across the nation for the 2016-17 academic year. The log-linear model in our study is estimated using OLS methodology. We studied several institutional, financial, and demographic variables as well as controlled for whether an institution was public, non-profit, or for-profit.

Variables
• **Institutional** (total price of attendance on-campus in-state, student-to-faculty ratio, admittance percentage, median SAT score for incoming freshman, percent of exclusively online students)
• **Financial** (percent of students receiving Pell grants, percent of students awarded federal, state, local or institutional aid)
• **Demographic** (percent of female students, percent of African American students, percent of Hispanic students)

Control Variables:
• Additional controls were placed for whether an institution was public, non-profit, or for-profit

Summary
• After controlling for financial, demographic, and institutional variables, non-profit private institutions have students with lower average debt amounts compared to public institutions even though their total price of attendance is higher.
• Although a positive correlation exists between the total cost of an institution and the average amount of student loans, the effect is not as substantial as initially expected.
• African American students have a positive relationship with the average amount of student loans and were the only demographic variable that was significant in our model.
• Exclusively online students have no significance in our model, therefore, have no statistical impact on the amount of debt a student acquires.