

## **Loan Reduction and Graduate School Enrollment: The Impact of Pell and No-Loan Programs on Post-Baccalaureate Enrollment Choices of Low-Income Students**

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## **1. Statement of the Research Problem and National Information (750 Words):**

### ***Overview***

Higher education leaders and policymakers have expressed growing concern over the shift in the cost burden from institutions to students. This shift has led to an increase in students accessing loans to finance their postsecondary education. According to the Consumer Financial Protection Bureau, outstanding student loan debt owed by existing borrowers has reached roughly \$1.2 trillion (Chopra, 2013). In addition, low-income students face significant barriers to postsecondary access due to the expansion of the federal loan program, the decreasing purchasing power of the Pell grant, and shifting institutional and state priorities from supporting financial need to rewarding merit (Heller, 2002; McPherson & Shapiro, 1998). These initiatives, and others, represent a trend in student financial aid in which financial support is increasingly offered to students from wealthier backgrounds at the expense of the economically disadvantaged. While many low-income students qualify for federal grants, King (2002) found that tuition costs for low-income students represented as much as 61% of their average family income compared to only 11% of the average family income for middle- and upper-income students. Additionally, low-income students' unmet financial need is typically three times higher than that of middle- and upper-income students (King, 2002).

Several studies have found that undergraduate loans have a negative influence on graduate school decisions. Wilder and Baydar (1991) and Fox (1992) found that undergraduate loans were a deterrent for applying to graduate school. Millett (2003) reported that students with debt of \$5,000 or higher are less likely to apply to graduate school than their peers who did not have educational debt. Finally, Malcom and Dowd (2012) found that borrowing at typical debt levels had a negative effect on graduate school enrollment for students of every racial/ethnic group included in their study. Although extant higher education literature suggests a negative relationship between student loan debt and graduate school decisions, the student population most negatively affected by student debt—low-income students—has yet to be examined.