

### Informed choices

There's a lot of concern in the policy world around student loan borrowing and the financial burden this places on low-income students after leaving school. While much of the work around this issue is aimed at ensuring student repayment to avoid loan defaults, University of Virginia researchers Andrew Barr, Kelli Bird, and Ben Castleman took a different approach. They started at the beginning of the process to help students make more informed loan choices.

Students often lack clear information about borrowing and have limited access to individual loan counseling. Some students borrow too much and others too little, in part based on whether loans are automatically included in financial aid packages or not. When borrowing, many students aren't sure how much their monthly payments will be after college and don't have easy access to guidance around loan questions.

### Text for assistance

At the Community College of Baltimore County in Maryland, the research team created a month-long texting campaign designed to facilitate personalized decisions around financial aid.

In a randomized controlled trial from November 2014 to September 2015, 2,800 CCBC student loan applicants were sent a series of eight text messages related to borrowing. The messages emphasized student choice around how much to borrow and the fact that monthly repayment costs can vary based on the borrowed amount. Each message also invited students to write back with questions for a CCBC financial aid counselor.

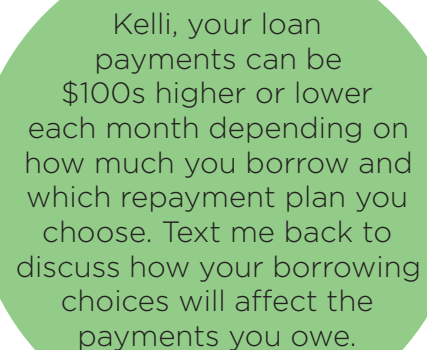
Students were hungry for this type of assistance. About 70% of students who received the texts responded to at least one.

### Tracking outcomes

Notably, the texting campaign led to declines in student borrowing. CCBC students who received the texts borrowed 9% less in total Stafford Loans (from \$2,401 to \$2,218)\* and 12% less in unsubsidized Stafford loans (from \$1,301 to \$1,156).\* Declines in borrowing were most significant—ranging from 10-27%—among the lowest income students, African-American students, new students, and those with low GPAs. African-American students who received the texts, for example, borrowed \$439 less than those who did not receive the texts (from \$2,928 down to \$2,489).\*

### Highlights

- ▶ Without clear information about borrowing, students often borrow either too much or too little
- ▶ Targeted assistance—such as text messages with information about borrowing—are heavily desired by students
- ▶ A texting campaign at CCBC offering this assistance led to an overall decline in student borrowing



Kelli, your loan payments can be \$100s higher or lower each month depending on how much you borrow and which repayment plan you choose. Text me back to discuss how your borrowing choices will affect the payments you owe.

**Example:** Text Message to Borrower

