

Does Salient Financial Information Affect Academic Performance and Borrowing Behavior Among College Students?

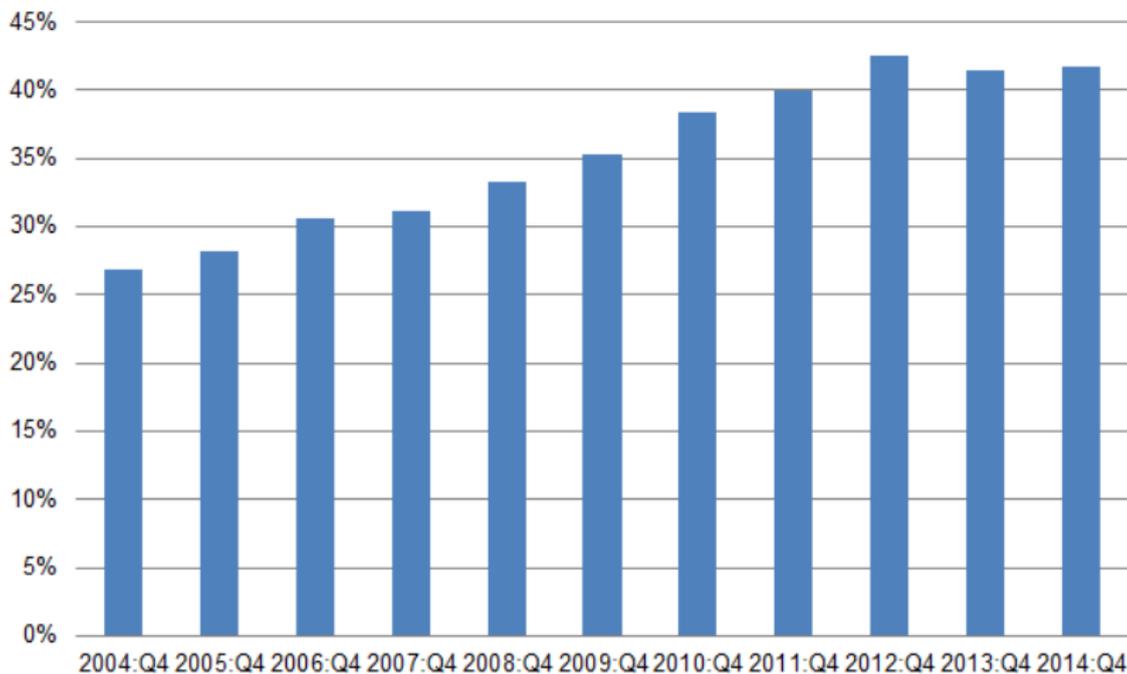
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¹The views expressed in this paper reflect those of the authors, and not necessarily those of the New York Fed or the Federal Reserve System.

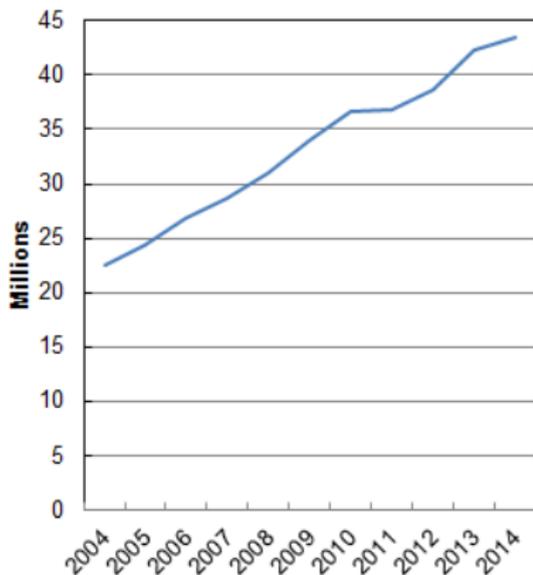
Motivation- Student borrowing increasingly prevalent

Share of 25 year olds with student debt

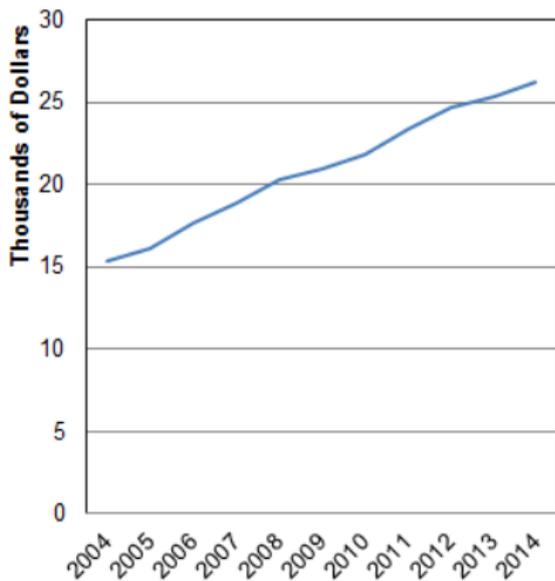


Motivation- Increase in Extensive and Intensive Margin

Number of Student Loan Borrowers



Average balance per borrower



What do we Know?

- Rigorous descriptive evidence on trends and correlations between SLs and outcomes (such as home ownership)
 - Hardly any causal evidence
- This paper presents findings from an intervention that targeted high student debt borrowers

Summary of Findings

- Huge impacts of the intervention in subsequent semester. ITT estimates:
 - change in SL borrowing: $-\$1,361$ (a drop of a third)
 - change in likelihood of declaring STEM major: 1.9pp
 - no negative impact on GPA or credits
 - less likely to make financial "mistakes"
- Significantly larger impacts on freshmen
 - a drop of $\$1,882$ in SL borrowing
 - an increase of 11pp in the likelihood of declaring STEM major (on a base of $\sim 40\%$)

Comments

1. Impacts are very large.
2. What exactly is the intervention.
3. Identification Strategy.

Impacts are Very Large

- Literature on information interventions usually finds small effects.
- SL borrowing declines by a third. Likelihood of declaring a STEM major increases by more than 20%
 - Treatment on the treated much larger
 - Most confounding factors are biasing estimates downwards.
- What is different about this intervention/context?

What exactly is the intervention?

How should one think about the intervention?

- New Information
- Salience
- Counseling

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Why would students switch major?

- the letter has nothing about returns by field.
- awareness/salience of debt makes them explore higher-paying fields?
- counselors discuss returns to different majors?

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Need more details on the intervention; content of the counseling sessions; aggregate counseling take-up rate.

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- Why did Missouri State initiate the intervention, but not University of Missouri?
 - show pre-trends
 - an event-study approach?
 - level of clustering
- Whether someone gets a letter is determined by a school-year specific debt threshold
 - ideal set-up for a Regression Discontinuity.
 - local treatment effect useful to see, even if not enough power.

Conclusion

- A very nice study that tries to understand the determinants of student borrowing.
- Would be useful to get at the mechanisms.
- Looking forward to seeing impact on the longer-term outcomes:
 - graduation rates
 - actual major at graduation
 - SL balances in the long-run, and other financial outcomes.