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A STUDY OF THE AVAILABILITY AND ADMINISTRATIVE CHARACTERISTICS OF SHORT-TERM LOANS AT COLLEGES AND UNIVERSITIES IN MICHIGAN

By

Thomas A. Scarlett

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ABSTRACT

A STUDY OF THE AVAILABILITY AND ADMINISTRATIVE CHARACTERISTICS OF SHORT-TERM LOANS AT COLLEGES AND UNIVERSITIES IN MICHIGAN

By

Thomas A. Scarlett

Contacts and communications with financial aid administrators from various colleges and universities have indicated that many institutions have chosen to engage in short-term lending to students. For example, Michigan State University, during Fiscal Year 1973, awarded over $1.2 million to over 5,400 students in the form of short-term loans. Yet, very little is heard about short-term loan programs due, at least in part, to the understandably great concern by most college administrators with federal financial aid programs. Short-term loan programs do exist, however, and they do involve, at least in some instances, relatively large amounts of money. Unfortunately, there has been very little exchange of information concerning short-term loan programs, their administrative techniques, and the problems encountered in administering the programs.

The purpose of this study was to provide concrete data related to the size, scope, and administrative

characteristics of short-term loan programs in Michigan. This information will be useful to college administrators who are in the process of developing, evaluating, or modifying their own short-term loan programs. A related purpose of the study was to explore the various sources of funds used by the institutions in their short-term loan programs and to review and discuss perceived problems and trends in the area of short-term loan programs.

Since so little is known about short-term loan programs, the design of the study was exploratory in nature. A questionnaire was developed, pre-tested, revised, and administered to collect the information needed to meet the research objectives. Financial aid administrators at all public and private, non-profit colleges and universities in Michigan were invited to participate in the study. Of the eighty institutional representatives invited to participate, sixty-eight responded with sixty-seven (84 per cent) useable questionnaires.

The collected data were prepared and presented in table and text format, organized according to applicable research objective. When appropriate, frequency tables were used to report responses. For ease of understanding and clarity the data were usually reported in relation to institutional type and/or size of short-term loan program.

The final result of the study was a comprehensive collection of information, systematically presented, about short-term loan programs at Michigan colleges and universities. Forty-one of the institutions participating in the study were reported to have short-term loan programs. During Fiscal Year 1973 the typical institution in the study loaned less than $50,000 but gave average loans greater than $100. Although some of the programs dated back to the early 1900's, most commenced operation since 1966.

At a majority of the institutions the administrative responsibilities for the various parts of the short-term loan operation were divided so that operational policy was developed by a policy committee and carried out primarily by the institutional financial aid office. Disbursal and collection functions, however, were usually the responsibility of the institutional business office.

Loans were typically granted for school-related expenses. There were not many instances in which a student would be denied a loan if money were available unless he had established a poor payment record with previous loans. A variety of collection techniques were used by the institutions although less than half resorted to the use of collection agencies as a final attempt.

Lack of funds was one of the most frequently mentioned problems by the respondents, but very few reported any active involvement in attempting to generate additional funds from private donors who, incidently, were indicated as being the largest source of funding for the short-term loan programs.

ACKNOWLEDGMENTS

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CHAPTER I

THE PROBLEM

Need

During Fiscal Year 1973 (July 1, 1972, to June 30, 1973) Michigan State University issued approximately 5,470 student loans representing over $1.2 million.[1] There is nothing unusual about an institution the size of MSU awarding that number of student loans. What is worth noting, however, is that these 5,470 loans did not include any of MSU's federal loans. They were, rather, institutional short-term loans: loans that are normally repaid in less than a year from the time they are granted, usually while the student is still in attendance or during the term following his last term of attendance. It might also be noted that little is heard of MSU's short-term loan program outside of the campus, even though it's size is so great.

Formal and informal contacts with financial aid administrators from various colleges and universities indicate that many institutions have chosen to engage in

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[1] "Annual Report, 1972-1973," Office of Financial Aids, Michigan State University, July, 1973.

short-term lending to students while others appear to be eager to initiate short-term loan programs. Unfortunately, however, there appears to be little, if any, exchange of information between schools concerning administrative techniques and problems encountered in short-term loan programs. Institutions choosing to initiate short-term loan programs have no research data or other systematic information to turn to in developing such programs. A review of the literature in the area of financial aid administration at colleges and universities reveals that while there is some research and considerable writing in the area of federal financial aid, virtually nothing of significance has been written about the existence or function of short-term loan programs.

Purpose of the Study

It is the intent of the current study to attempt to begin to fill the void: to provide concrete data related to the size, scope, and administrative characteristics of short-term loan programs that will be useful to financial aid administrators in developing, evaluating, or modifying their own short-term loan programs. More specifically, the purpose of the study is to provide information regarding the availability of short-term loans at colleges and universities in Michigan, to investigate and compare the administrative characteristics of short-term loan programs at these various institutions, and to compile information regarding the various sources of funds for short-term loans.

Research Objectives

Due to the descriptive and exploratory nature of this study, research objectives rather than research hypotheses will give direction to the study.

> Objective 1: To report the number of colleges and universities in Michigan that do have short-term loan programs.

When this objective is met the extent of the existence of short-term loan programs in Michigan will be known. Since the study is exploratory, a survey of a state such as Michigan which has an ample supply of public and private two-year and four-year schools should provide sufficient data to be used as a basis for future, more comprehensive, and perhaps predictive studies.

> Objective 2: To report the size and scope of these programs in terms of number of dollars loaned annually, number of student borrowers, and other descriptive data.

Descriptive data gathered in relation to this second research objective will serve as a point of reference in the study and provide a basis for comparison for the reader.

> Objective 3: To report the administrative characteristics of the existing short-term loan programs. The administrative characteristics will include information

regarding the application process, the approval-denial process, the disbursal process, and the collection process.

To meet this objective, very interesting and diverse types of information must be gathered. The short-term loan system can be seen as consisting of four distinct but inter-related parts. These are the application process, the approval-denial process, the disbursal process, and the collection process. Since there is so little apparent communication between financial aid administrators and other professionals on the subject of short-term loans, one would expect to find that administrative characteristics will differ widely from institution to institution. "Administrative characteristics" in this context encompass all those rules, regulations, policies, and procedures that are necessary for a short-term loan system to function at the operational level.

Objective 4: To report the various sources tapped by colleges and universities for short-term loan funding.

Obviously, a short-term loan program cannot function without a source of funds. Here the question is "Where does the money come from?" This kind of information will be especially useful to financial aid administrators at institutions without short-term loan programs. They may find useable sources of funding, the first step in developing such programs.

Objective 5: To point out and discuss perceived problems in administering short-term loan programs;

similarities and differences in programs and institutions; and, in particular, to note trends that might lend themselves to future predictive research.

In many ways the statement of the fifth research objective is a restatement of the objective of the entire study. It is anticipated that the product of this exploratory research will be information, systematically organized, that will provide to the financial aid administrator the tool he needs to compare, evaluate, change, or develop his own short-term loan program. It becomes very important, then, in addition to presenting the data, to look at it, evaluate it, and analyze it. A necessary goal of the study must be to discover apparent problems and possible trends in the area of short-term loans, to recognize similarities and differences in programs.

Overview

As stated earlier, one of the primary problems related to short-term loan programs is that there is a glaring void in the literature of financial aid administration in this area. Consequently, in Chapter II the historical growth of financial aid programs at colleges and universities is explored. Emphasis is given to educational loan programs with the intent of providing a background against which short-term loan programs can be compared and contrasted.

In Chapter III the population under study is discussed, as are the development of the questionnaire and the data collection method. In addition, the design of the study and analysis techniques are presented.

An analysis of the data is provided in Chapter IV, while a summary and discussion of the conclusions and implications for financial aid administrators and for future research comprise Chapter V.

CHAPTER II

A REVIEW OF THE LITERATURE

Introduction

Since so little has been written that deals directly with short-term loans, it is necessary to review the literature in respect to the development of financial aid in general, with an emphasis on student loan programs.

There appears to be ample writing regarding the growth and development of financial aid in the United States. Institutional loan funds were given some attention during the period between the two World Wars, but then after World War II the focus turned to veterans' benefits and the use of institutional funds to meet institutional purposes rather than to fund needy students. Need became an important factor again by 1960, but by then all attention was aimed at massive federal involvement in financial aid to students. Institutional loan programs--whether long-term or short-term--were minor by comparison. However, it appears that these institutional loan programs still involve a great deal of money, and this study concerns the collection of information about those programs as they relate to short-term loans.

In this chapter the reader finds a sampling of the kinds of concerns that have been discussed over the years in the literature related to financial aid.

The Development of Student Financial Aid

Early Period

During the early periods in higher education in the United States, most assistance to students came from private benefactors, less from institutional sources. William D. Van Dusen and John J. O'Hearne pointed out that the original intent of student assistance was to help needy persons.[1]

Frederick Rudolph[2] divided the history of student aid into several eras. The first one, dating from the establishment of the first American college through the Civil War, was characterized by the manual-labor movement during the 1830's, professors who were paid poorly or not at all, "perpetual scholarships," and some private philanthropy. The manual-labor movement was a work-as-you-learn program that suffered from a lack of planning. Theoretically, the student could earn his way through

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[1]William D. Van Dusen and John J. O'Hearne, A Design for a Model College Financial Aid Office (New York: College Entrance Examination Board, 1968), pp. 2-5.

[2]Frederick Rudolph, "The Origins of Student Aid in the United States," in Student Financial Aid and National Purpose: A Colloquium on Financial Aid Held by the College Scholarship Service of the College Entrance Examination Board (New York: College Entrance Examination Board, 1962), pp. 2-5.

school while gaining experience and developing skills. Unfortunately, according to Rudolph, the students did not always work as they should, and at least in one instance when they did work, they flooded the market with unneeded merchandise.[3]

Continuous underpayment of professors, although enduring for a long period of time, was, for obvious reasons, destined to fail as a means for subsidizing higher education. On the other hand, perpetual scholarships held the promise of providing funding and students for colleges at a time when they needed both. The idea was, essentially, that a tuition-free place could be purchased at an institution that would be guaranteed to the purchaser for himself and his offspring forever. Once the funding was used, however, the appearance of a perpetual scholarship holder at the doorstep of an institution became a very unpopular sight, and steps were taken to invalidate these scholarships.[4]

The era beginning with the Civil War was characterized by the land-grant college with its emphasis on providing access to higher education to all, rich and poor. Van Dusen and O'Hearne point out that need was still the primary criterion used in the distribution of what little assistance was available. Fraternity funds were established

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[3] Ibid.

[4] Frederick Rudolph, The American College and University: A History (New York: Random House, 1962), pp. 191-92.

to help needy members while dining halls were operated specifically for the poor.[5]

1900 to 1958

Philanthropic foundations founded during the late 1800's and early 1900's directed their efforts toward the funding of higher education. Among the more important ones founded during this period were the Peabody Education Fund, 1867; the Carnegie Institute of Pittsburgh, 1896; and the Rockefeller General Education Board, 1903.[6] The foundations' insistence on the principle of matching gifts generated major endowment drives in the early 1900's. While not concerned primarily with funding individual students, the foundations did exert considerable influence on the operating policies of the institutions with which they were involved.

By 1900 scholarships, loans, and student jobs had become a reality. Rudolph maintains that the growth of financial aid was inevitable in a democracy:

> The whole fabric of student aid has developed in response to the challenges that inhere in being a democracy. . . . A democratic society . . . is completely at the mercy of the people--their wisdom and the wisdom of their leaders can be no better than that which opportunity has permitted. Student aid in the United States has been subsidy for wisdom, an investment in democracy.[7]

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[5]Van Dusen and O'Hearne, Model Office, p. 3.

[6]Rudolph, American College, p. 431.

[7]Rudolph, "Origins," p. 9.

During the 1930's several articles appeared that gave some insight into the kinds of student loan programs that were available at that time. H. E. Stone reported the results of a 1932 survey of seventy colleges and universities.[8] Although the survey was concerned primarily with long-term loans, it was noted that sixteen schools did have some funds available for an ". . . emergency small loan fund available for loans of from 30 days to 3 months. . . ."[9] Student loans were awarded based on scholarship, need, thrift, and industry. Co-signers were usually required, and interest of anywhere from 2 per cent to 10 per cent was charged. The loan maximum varied from $150 per year to $1,000.

In 1935 K. W. Onthank reported the results of a study in which questionnaires were sent to ten major Midwestern and Western universities. He indicates that the two major sources of student loans were (1) private foundations which administered their own monies and (2) funds at private colleges and universities that were provided by private donors and endowments. State colleges and universities were also found to have funds established as a result of a gift to the institution. Principal amounts available for lending ranged from over $7,000 at

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[8]H. E. Stone, "Analysis of Results of Survey of Loan Fund Administration in the United States," School and Society, XXXVI (October 22, 1932), 538-40.

[9]*Ibid*., p. 540.

one institution to over $300,000 at another, with the median falling at just under $60,000.[10]

Writing in 1936, Alexis R. Wiren urged that more scholarship funds be converted to loan funds so that the available dollars could potentially help more students.[11] Wiren appeared to be very concerned with "making loans safe." He listed four factors which would help to assure that student loans would be repaid: "(1) Selection of 'risks;' (2) arrangements for repayments; (3) guarantors, insurance; (4) efficient administrative procedures."[12]

Writing again in 1935, Onthank reported on the status of the University of Oregon loan fund which amounted to approximately $60,000. The fund was initiated in 1904, primarily from alumni gifts. Approximately $4,000 was set aside for emergency use for loans of small amounts. During the academic year 1934-35, 1,531 loans were granted, 1,202 of which were emergency loans. The average emergency loan was for $15.45.[13] To obtain a loan at the University of

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[10] K. W. Onthank, "Who Pays for Administration of Student Loan Funds?" School and Society, XLI (June 1, 1935), 733-35.

[11] Alexis R. Wiren, "Increase of Student Loans Can Increase College Income," School and Society, XLIII (February 1, 1936), 156-57.

[12] Ibid., p. 157.

[13] K. W. Onthank, "Loan Funds at the University of Oregon," School and Society, XLII (July 20, 1935), 97.

Oregon in 1935 a student had to submit an application to a committee consisting of the dean of men, dean of personnel, and the business officer.

> The application is investigated, the student's budget is thoroughly checked to make sure that he is using adequately present sources of income, including possible outside earnings, and that his plan for spending the proceeds of the loan is sound. Personal and scholarship requirements are such as to give assurance that the loan will be repaid without help from sureties and that the aid will be a good "social investment." Determined and intelligent effort to help oneself weighs heavily in the favor of the applicant. . . . Two property-owning co-signers are required. Interest at 6 per cent. (sic) is charged, but renewals made after leaving college are at 8 per cent.[14]

In 1939 two brief articles appeared in School and Society that reported the status of loan funds at two institutions. The first involved student loan funds at the University of Michigan for academic year 1938-1939. $163,227 were loaned to 1,410 students, with the average loan being $116. The report indicated that student loan funds were established at this school in 1897, and between that time and 1939, $1,652,054 were loaned. Up to 1939, less than 1 per cent had been lost or uncollectable. The source of these funds was primarily private donors and endowment funds.[15]

The other report concerned the University of Texas and revealed that in 1939 there were $350,000 available in

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[14] *Ibid.*

[15] "Student Loan Funds at the University of Michigan," *School and Society*, L (September 30, 1939), 433.

the "trouble shooting" fund. These dollars came primarily from alumni. Negligible loss was reported in the use of the fund, interest was charged, and most loans were due within five years of disbursal.[16]

After World War II the GI Bill was passed, an act which, according to Van Dusen and O'Hearne, had the effect of funneling large amounts of federal money into students' pockets with no regard for need. At the same time, however, since so many students were receiving veterans' benefits, a great deal of institutional money that would normally have been used for needy students was going unused. It was at this point that college administrators and governing boards decided that the excess money could be used to further institutional purpose. Money became a tool with which institutions could attract the best athletes, the best musicians, or any other type of individual who might be a desirable addition to the academic community.[17]

During the 1950's the effects of increased enrollment in colleges and universities were beginning to be felt. In 1957 Charles F. Phillips pointed to the need for additional resources for students and recommended the establishment of private corporations to guarantee loans so that

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[16]"Loan Funds at the University of Texas," School and Society, L (September 30, 1939), 434.

[17]Van Dusen and O'Hearne, Model Office, pp. 2-5.

banks could make loans to students.[18] Based on the premise that students would be getting good jobs when they finished school and would probably be able to easily handle the school debt, Phillips' idea seemed like a good one.

Shirley Radcliffe in 1958 reported the results of a study done by the Office of Education, United States Department of Health, Education, and Welfare. The purpose of the study was to determine the availability and use of student long-term loan programs at American colleges and universities. During the academic year 1955-1956, 767 institutions were reported to have student long-term loan programs. These institutions enrolled approximately 70 per cent of the full-time students in the study. The study showed that over $26 million was available for lending during the 1955-1956 school year; three times as much was available at private institutions as was at public ones; 65 per cent of all loans were under $150 while 4 per cent were over $550. However, only 6.5 per cent of the students represented in the study borrowed from their institutions and only slightly more than half the available money was borrowed during this time period.[19]

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[18]Charles F. Phillips, "Meeting the Cost of a College Education Without Federal Aid," Association of American Colleges Bulletin, XLIII (May, 1957), 339-48.

[19]Shirley Radcliffe, "College and University Student Loan Programs," Higher Education, XV (September, 1958), 1-6.

<u>1958 to the Present</u>

The year 1958 initiated the period of extensive federal involvement and control in the area of student financial aid. It was in this year that the National Defense Education Act was passed authorizing the establishment of the National Defense Student Loan program.[20] In spite of the fact, reported above, that only slightly over half of the $26 million in non-federal money available for loans in 1955-1956 was used, the National Defense Student Loan program, in the first year of its existence, involved loans totaling almost $60 million.[21]

The National Defense Student Loan program was established primarily to meet the perceived national needs for educating more scientists and teachers. As Congress and the country began to feel the pressure to demonstrate that there was equal access to higher education for all Americans, new programs came into being. The Economic Opportunity Act was passed in 1964 authorizing the establishment of the College Work-Study Program. Under the auspices of this program, money was granted to educational institutions to be used to pay 80 per cent of qualified students' salaries while the educational institutions provided the remaining 20 per cent. This program proved beneficial both to students and to colleges since,

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[20] Van Dusen and O'Hearne, <u>Model Office</u>, pp. 2-5.

[21] <u>Ibid</u>., p. 4.

on the one hand, it provided a needed source of income for students while, on the other hand, it provided inexpensive labor for the schools. College Work-Study awards were meant for needy students, primarily from low income families.[22]

The Educational Opportunity Grants program came into being as a result of the passage of the Higher Education Act of 1965. These grants involved a gift of money to a student not to exceed one-half of unmet need or $800, whichever was less.[23]

Originally, each of the federal programs was supposed to help students with superior academic ability as well as need. The programs evolved, however, to the point where need became the primary criterion and academic performance was negligible as long as the student made normal progress.[24]

Writing in 1962, James E. Allen, Jr. suggested that the concept of financial aid was a new one, while the concepts of scholarships and loans were old. He saw financial aid administration as being a coordinated function in which different types of assistance were inter-related with the goal of meeting a student's need. With this thought in mind he pointed out that loans, particularly

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[22]Ibid.

[23]Ibid., pp. 4-5.

[24]Ibid.

a kind of guaranteed bank loan, might be a means for a student to have unlimited choice in school selection. The three federal programs could serve to meet a student's basic needs while another, more extensive loan program could provide that student with flexibility and freedom of choice.[25]

Another part of the Higher Education Act of 1965 did, in fact, authorize such a Guaranteed Student Loan program.[26] The essential difference between the Guaranteed Student Loan program and the other federal aid programs was that the government would not be the primary source of funds in the Guaranteed Student Loan program. Rather, banks and other commercial lenders were encouraged to make loans to students. These loans were guaranteed against default by the government and, in most instances, the government paid the interest on the loan while the student was in attendance at a college or university.

Since 1958 the literature in the area of financial aid has been dominated with articles of concern about the major federal programs, an understandable situation since the federal government is the largest source of student

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[25]James E. Allen, Jr., "Diversity of Sources: Key to Flexibility in Student Aid," in Student Financial Aid and National Purpose (New York: College Entrance Examination Board, 1962), pp. 66-75.

[26]Richard H. Wedemeyer, "A Review of the Literature and Research: Guaranteed Student Loan Program," The Journal of Student Financial Aid, II, No. 3 (1972), 32.

aid.[27] Congresswoman Edith Green reported that during Fiscal Year 1970 approximately 500,000 students borrowed nearly $200 million in the National Defense Student Loan program while just under a million students borrowed over $800 million in the Guaranteed Student Loan program.[28]

All has not run smoothly, however. In March, 1973, for example, John H. Mathis, president of the United Student Aid Funds, Incorporated, a private, non-profit agency that guarantees student loans, presented a very pessimistic report of the status of repayment in the Guaranteed Student Loan program.[29] He indicated that while volume is growing, so are defaults. He felt that the entire program would be endangered if the default rate continued to grow at its present rate. At this writing, the current default rate was about 5 per cent at state and private guarantee agencies. Mathis has stated that the problem is a moral one as well as an educational one and that institutions of higher education must play a major role in impressing upon borrowers the importance of "social contracts."

As the cost of higher education has continued to rise, there has seemed to be an inclination to ask students

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[27]Van Dusen and O'Hearne, Model Office, p. 9.

[28]Edith Green, "Federal Student Aid: Past, Present and Future," The Journal of Student Financial Aid, I, No. 1 (1971), 18.

[29]John H. Mathis, "Defaults: Lowering Cloud Over the Guaranteed Loan Program," The Journal of Student Financial Aid, III, No. 1 (1973), 27-31.

to personally assume responsibility for more of the cost of that education. This trend was evident in the 1970 proposal of the Carnegie Commission on Higher Education, a proposal which espoused the establishment of a National Student Loan Bank.[30] The Bank would have been a private but non-profit corporation financed by the sale of securities guaranteed by the government. The Commission made this recommendation based on the premise that other aid--grants and work-study --would have been made available to all students from low income families, thus permitting them to attend low-cost institutions located near their homes. Loans then would have permitted mobility for those students who chose to attend more expensive institutions further from home. A loan from the National Bank would have born minimal interest, and repayment amounts would have been determined as a percentage of annual income. Collection would have been handled through the Internal Revenue Service, with repayment having taken up to twenty years.

The question arises, of course, as to who benefits from a college education, the student or society. George H. Hanford and James E. Nelson, both officers of the College Entrance Examination Board, questioned the desirability of the trend of expecting students to absorb larger and larger

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[30]Carnegie Commission on Higher Education, "National Student Loan Program," The Journal of Student Financial Aid, I, No. 1 (1971), 53-56.

portions of the cost of their education.[31] They pointed out that society must certainly benefit from having an educated population while no one benefits from having a large portion of that society in debt for many years to pay for its education. Hanford and Nelson summarized their beliefs:

> Loans should, we believe, be supplemental, designed to provide flexibility, to ease budgets, to meet emergencies, and to open opportunity. But no student who is willing to work a reasonable amount and to live modestly should have to go deeply into debt to secure an education. Heavy use of loans is an impediment to opportunity; it results in serious inequities between upper- and lower-income groups.[32]

On the other side of the argument, however, Robert W. Hartman, a research associate at the Brookings Institution, reacted very critically to Hanford and Nelson.[33] He maintained, essentially, that federal loans provided equality of opportunity and must be retained and expanded.

The idea of relating loan repayment to future income became a popular one. Bruce Johnstone, Daniel Wackman, and Scott Ward investigated student attitudes toward income contingent loans.[34] Their findings indicated

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[31] George H. Hanford and James E. Nelson, "Federal Student Loan Plans: The Dangers Are Real," College Board Review, No. 75 (Spring, 1970), 16.

[32] Ibid., p. 21.

[33] Robert W. Hartman, "What's Wrong With Federal Student Loans?" College Board Review, No. 77 (Fall, 1970), 22-23.

[34] D. Bruce Johnstone, Daniel B. Wackman, and Scott Ward, "Student Attitudes Toward Income Contingent Loans," The Journal of Student Financial Aid, II, No. 1 (March, 1972), 11-27.

that potential student borrowers would probably prefer income contingent loans as opposed to conventional loans. The authors saw two advantages to the income contingent loan: (1) the loan burden was equalized over the repayment period--per cent of income rather than fixed dollar amount, and (2) the burden of total repayment was somewhat redistributed, shifting more burden to high earners and removing some from low earners.

Unfortunately, while numerous articles have appeared on the topic of financial aid for students, very little definitive research has been done. Richard H. Wedemeyer, in a review of literature related to the Guaranteed Student Loan program, concluded that there was really very little research that had been done in the area of student borrowing, particularly in the area of Guaranteed Student Loans.[35] He pointed out that most writers were willing to present theories about how they thought the programs should be changed, but very little had been done related to the implications and effects of borrowing for students. Douglas R. Dickson, too, pointed to the tremendous void in the research concerning the implications of heavy indebtedness incurred while in college.[36]

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[35] Wedemeyer, "A Review," p. 37.

[36] Douglas R. Dickson, "Do You Believe Any of These Ten Myths about Financial Aid?" College Board Review, No. 73 (Fall, 1969), 17.

Summary

The development of financial aid in the United States has been outlined with emphasis placed in the area of student loans. It was noted that in the early periods of this country most assistance for needy students came from private benefactors, and that those benefactors continued to play a primary role in student assistance until after World War II. There were a few specific accounts of institutional loan programs in existence during the early part of the Twentieth Century, and these were reported in some detail.

It was after World War II that the federal government began to play a more important role in financial assistance to students. Veterans' benefits provided assistance for large numbers of students, thereby releasing sums of institutional aid for use, in turn by the institutions to attract and shape college populations. The concept of need, for the moment at least, was not an important one.

In the 1950's, as Americans were becoming increasingly concerned with the space age and the cold war, the National Defense Education Act was passed. This act initiated an era of massive federal involvement in student financial aid.

As the cost of education continued to rise and the belief in equal access to education continued to be an important one, many posed the question "Who should pay for higher education--the student or society?" This question has become particularly important as more and more students have found themselves borrowing large sums of money to finance their higher education.

While the expansion of federal involvement in financial aid to students has been tremendous in recent years, it can be assumed that institutional loan programs, particularly short-term loan programs, have continued to function. Thus, the purpose of the present study is to determine the size and scope of present short-term loan programs and to investigate how these programs are being used today. In Chapter III the design of the present study is outlined and described.

CHAPTER III

DESIGN OF THE STUDY

Introduction

In Chapter III the research objectives are restated and the population being examined is described and categorized. Since the study involved the development and use of a descriptive questionnaire, the development of that instrument is traced, and a description of the data collection techniques is presented. Finally, the analysis and reporting techniques used with the data are discussed.

Research Objectives

As stated earlier, since the study was descriptive it was more appropriate to use research objectives rather than research hypotheses:

> Objective 1: To report the number of colleges and universities in Michigan that have short-term loan programs.
>
> Objective 2: To report the size and scope of these programs in terms of number of dollars loaned annually, number of student borrowers, and other descriptive data.

Objective 3: To report the administrative characteristics of the existing short-term loan programs. The administrative characteristics will include information regarding the application process, the approval-denial process, the disbursal process, and the collection process.

Objective 4: To report the various sources tapped by colleges and universities for short-term loan funding.

Objective 5: To point out and discuss perceived problems in administering short-term loan programs; similarities and differences in programs and institutions; and, in particular, to note trends that might lend themselves to future predictive research.

The Population

The population involved in the study included public and private colleges and universities in Michigan. Institutions invited to participate in the study were those that have participated in the State of Michigan Competitive Scholarship and/or Tuition Grant[1] programs, thus including virtually all public and private non-profit colleges and universities in Michigan. Excluded from the original invitation to participate were law schools, branch campuses, and four institutions with student populations of less than 100.

Sixty-seven (67) institutions participated in the study. In Table 3.1 these institutions are categorized

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[1]Michigan Department of Education, Student Financial Assistance Services, College Estimate of Student Expenses: Scholarship and Tuition Grant Programs, 1973-74.

TABLE 3.1.--Pertinent Demographic Data: Participating Institutions.

Type of Institution	Number of Full-Time Students	Per Cent of Full-Time Students Receiving Financial Aid,* FY 73			
		< 24%	25%-59%	> 60%	Total
Public, 4-Year	< 1,000	-	-	-	0
	1,000-4,999	-	3	-	3
	5,000-14,999	-	4	1	5
	> 15,000	-	3	-	3
Public, 2-Year	< 1,000	2	8	1	11
	1,000-4,999	6	5	1	12
	5,000-14,999	3	-	-	3
	> 15,000	-	-	-	0
Private, Non-Profit, 2-Year and 4-Year	< 1,000	4	7	6	17
	1,000-4,999	1	7	5	13
	5,000-14,999	-	-	-	0
	> 15,000	-	-	-	0

*Unduplicated per cent of full-time students receiving federal aid, state scholarships and grants, Guaranteed Student Loans, and institutional aid.

by institutional type, and other pertinent demographic data are summarized.

Operational Measures

Development of the Questionnaire

The questionnaire was developed to provide the information necessary to meet the research objectives. A copy of the questionnaire can be found in Appendix A. It may be noted that most questions were put in closed form to permit greater ease in quantifying responses. Item 1 was included so that follow-up could be done if needed.

Information pertinent to the first research objective was requested in item 5, which dealt with the existence of a short-term loan program at the particular institution.

Items 7 through 15 related to descriptive data about the size and scope of the programs. These items pertained specifically to the second research objective.

Items 16 through 37 concerned administrative characteristics of the short-term loan programs in question. This series of questions related to the third research objective as follows: items 16 and 17 dealt with the application process; items 18 through 30 related to the approval-denial process; items 31 and 32 reflected the disbursal process; and items 33 through 37 concerned the collection process.

Information related to the fourth research objective, which concerns sources of funding for short-term loan programs, was obtained through items 38 through 40.

Items 2, 3, and 4 were included to facilitate the description of the population. And, in combination with items 6 and 41, they provide the information to meet the last research objective.

The questionnaire was developed over a period of weeks, during which time questions were reviewed with financial aid administrators as well as with persons in loan collections activities. By late October, 1973, the questionnaire was in final draft form and ready for pre-testing.

In early November, 1973, the questionnaire was pre-tested with four financial aid administrators representing both four-year and two-year institutions. Each administrator was asked to complete the questionnaire. Following this, each administrator was interviewed and reactions to and problems with the form were noted. As a result of the pre-test, several items were changed or omitted. Time reference was added to several questions. The section dealing with collections was expanded and clarified.

The questions of validity and reliability are not of primary importance in the use of an instrument such as the one developed for the present study since the data being collected is factual. The results of the pre-test have confirmed that the instrument has "face validity"; it appears logical that the instrument measures what it is intended to measure. Traditional measures of reliability are inappropriate since it is assumed that factual survey data will be the same in a given situation each time it is requested.

Data Collection

On November 30, 1973, the revised questionnaire was mailed, along with a cover letter requesting response by December 14, 1973, to the directors of financial aid at eighty (80) colleges and universities in Michigan. A copy of the cover letter is found in Appendix B.

Approximately 50 per cent of the completed questionnaires had been returned by December 14, 1973. The decision was made to delay a follow-up letter or contact until after January 1, 1974, since responses were still returning with regularity even though the December 14 deadline had passed. The decision was a wise one since by January 7, 1974, a full 84 per cent of the questionnaires had been returned. With such a significant response the assumption was made that the remaining 16 per cent of the institutional representatives had chosen not to participate in the study. Table 3.2 provides a specific itemization of questionnaires mailed and useable responses received.

TABLE 3.2.--Response to the Descriptive Questionnaire.

Type of Institution	Number in Population	Number Responding	Useable Responses	Per Cent Useable Responses
Public, 4-year	13	11	11	85%
Public, 2-year	29	26	26	90%
Private, Non-profit, 2-year and 4-year	38	31	30	79%
Total	80	68	67	84%

Analysis

Data Presentation Format

The data were prepared in table and text format, organized according to applicable research objective. When appropriate, frequency tables were used to report responses. For ease of understanding and clarity the data were usually reported in relation to institutional type and/or size of short-term loan program. This reporting technique was used to allow the data to be presented in logical categories and should not be construed to imply causal relationships existing between variables. Due to the exploratory, non-experimental nature of the study, these relationships can only be discussed in terms of apparent trends.

Products of the Research

The final result of the study is a comprehensive collection of information, systematically presented, about short-term loan programs at Michigan colleges and universities. A composite short-term loan program is presented that should be helpful, in combination with the other information presented, to financial aid administrators who are planning to change or initiate short-term loan programs at their institutions. The data presented show some trends that should be useful in future research as a basis for predictive studies.

Summary

In Chapter III the research objectives have been restated and the population, consisting of two-year and four-year public and private non-profit colleges and universities in Michigan, was described. The directors of financial aid at eighty institutions were invited to participate in the study, and sixty-eight responded with sixty-seven useable questionnaires.

The development of the questionnaire was traced in detail, as was the pre-testing of that instrument and the consequent revisions. The questions were developed in close relation to the five research objectives, with each question being directly related to at least one objective. Data collection took place in December, 1973, and January, 1974. The steps followed in that process were outlined in Chapter III.

Finally, the analysis technique and anticipated products of the present research were discussed. Specifically, it is intended that the information collected and systematically presented will provide a basis for financial aid administrators to adopt, evaluate, change, and compare short-term loan programs. With that goal in mind, the data are presented and discussed in Chapter IV.

CHAPTER IV

ANALYSIS OF THE DATA

Introduction

Chapter IV is organized according to the research objectives of the study. Each section of the chapter includes restatement and brief discussion of the objective and then the presentation and discussion of the data which correspond to that objective.

Availability, Size, and Scope

The first two research objectives focus upon the availability of short-term loans at colleges and universities in Michigan and the size and scope of the programs that are available.

> Objective 1: To report the number of colleges and universities in Michigan that do have short-term loan programs.

> Objective 2: To report the size and scope of these programs in terms of number of dollars loaned annually, number of student borrowers, and other descriptive data.

As was reported in Chapter III, questionnaires were sent to financial aid directors at eighty colleges and universities in Michigan; sixty-eight responded with sixty-seven (84 per cent) useable completed questionnaires. Of the sixty-seven questionnaires, one was not totally useable.

Availability

The data in Table 4.1 indicate the number of schools in Michigan with short-term loan programs. The schools are categorized by the three main institutional types: public, four-year; public, two-year; and private, non-profit, two-year and four-year. It should be noted again that the data are categorized by institutional type and/or size of short-term loan program because it is a convenient and logical manner of presentation. This manner of presentation should not lead the reader to conclude that a causal relationship necessarily exists between the categorization and the variable reported.

TABLE 4.1.--Number of Colleges and Universities with Short-Term Loan Programs, Categorized by Institutional Type.

Institutional Type	Short-Term Loan Program			
	Yes		No	
	#	%	#	%
Public, 4-year	10	91	1	9
Public, 2-year	17	65	9	35
Private, non-profit, 2-year and 4-year	14	47	16	53
Total	41	61	26	39

It can be noted in Table 4.1 that while nearly two-thirds of the total responding institutions had short-term loan programs and a clear majority of both the two-year and four-year public institutions had such programs, less than half of the private institutions engaged in short-term lending.

Two other interesting ways of looking at the distribution of the schools that did and did not have short-term loan programs are demonstrated in Tables 4.2 and 4.3. The institutions that did and did not have short-term loan programs are categorized in Table 4.2 by the number of full-time students enrolled at the various institutions. There is a very clear demarcation between schools with less than 1,000 students and all of those with more than 1,000.

TABLE 4.2.--Number of Colleges and Universities with Short-Term Loan Programs, Categorized by Number of Full-Time Students.

Number of Full-Time Students	Short-Term Loan Program			
	Yes		No	
	#	%	#	%
< 1,000	10	36	18	64
1,000 - 4,999	22	79	6	21
5,000 - 14,999	6	75	2	25
> 15,000	3	100	0	0
Total Population	41	61	26	39

While Table 4.2 shows a definite pattern related to number of full-time students, Table 4.3, in which availability of short-term loan program is categorized by per cent of students receiving other financial aid, does not reflect an obvious pattern. It is interesting to note, however, that the schools with the smallest percentage of students receiving aid seemed to be most likely to have short-term loan programs.

TABLE 4.3.-- Number of Colleges and Universities with Short-Term Loan Programs, Categorized by Per Cent of Students Receiving Financial Aid.[a]

Per Cent Receiving Aid	Short-Term Loan Program			
	Yes		No	
	#	%	#	%
< 24%	11	69	5	31
25% - 59%	23	62	14	38
> 60%	7	50	7	50
Total	41	61	26	39

[a]Unduplicated per cent of full-time students receiving federal aid, state scholarships and grants, guaranteed student loans, and institutional aid.

Size, Scope, and Other Descriptive Data

Each institutional representative was asked to report the amount of money loaned under his short-term loan program and the number of loans granted during Fiscal Year

1973. Schools with the greatest number of full-time students tended to have the largest short-term loan programs, but among the schools with less than 5,000 full-time students the size of program ranged from quite large to very small. In Table 4.4 the number of dollars loaned is categorized by type of institution.

TABLE 4.4.--Number of Dollars Loaned in Short-Term Loan Programs in Fiscal Year 1973, Categorized by Type of Institution.

Type of Institution	Dollars Loaned				
	<$1,000	$1,000-9,999	$10,000-49,999	$50,000-99,999	>$100,000
Public, 4-year	-	-	2	1	7
Public, 2-year	4	5	5	2	1
Private, non-profit, 2-year and 4-year	5	7	1	-	-
Total	9	12	8	3	8
	(23%)	(30%)	(20%)	(7%)	(20%)

It should be noted here that the private schools had the smallest short-term loan programs; only one private school loaned more than $10,000 in Fiscal Year 1973. There were eight institutions that loaned more than $100,000 during this time period. The range in this category was from $115,000 to $1,200,000 with a mean of $370,000.

The number of short-term loans granted during Fiscal Year 1973 is represented in Table 4.5. Data from this and the previous table indicate that the size of short-term loan programs at the public, two-year colleges ranges from very small to very large. Also, there are seven institutions that granted more than 1,000 loans during the period in question. These seven loan programs ranged in size from 1,100 loans to 5,470 loans, with a mean of 2,970 loans.

TABLE 4.5.--Number of Short-Term Loans Granted in Fiscal Year 1973, Categorized by Type of Institution.

Type of Institution	Number of Loans				
	<50	50-99	100-499	500-999	>1000
Public, 4-year	-	-	2	2	6
Public, 2-year	4	3	7	2	1
Private, non-profit, 2-year and 4-year	11	2	-	-	-
Total	15	5	9	4	7
	(38%)	(13%)	(22%)	(10%)	(17%)

For the remainder of this report, when data are presented in reference to size of short-term loan program, the sizes will be characterized as small, medium, or large. A small loan program will be one in which less than 100 loans were granted in Fiscal Year 1973; a medium loan program will be one in which between 100 and 999 loans were granted during that period; a large program will be one in which more than 1,000 loans were granted during that twelve-month span.

The amount of money available for lending at the various institutions prior to fall, 1973, registration is reported in Table 4.6. Institutions with less than $10,000 available for lending at that time comprised 52 per cent of the population of those schools with short-term loan programs. Five institutions had more than $100,000 available. The range in this category was from $113,000 to $750,000 with a mean of $360,000.

TABLE 4.6.--Approximate Amount of Money Available for Lending Prior to Fall, 1973, Registration at the Various Institutions Classified by Size of Short-Term Loan Program.

Size of Short-Term Loan Program[a]	Approximate Amount of Money Available				
	<$1,000	$1,000-9,999	$10,000-49,999	$50,000-99,999	>$100,000
Small	8	9	3	-	-
Medium	-	4	7	2	-
Large	-	-	1	1	5
Total	8	13	11	3	5
	(20%)	(32%)	(28%)	(7%)	(13%)

[a]Small = less than 100 loans in Fiscal Year 1973; medium = 100-999 loans in Fiscal Year 1973; large = more than 1000 loans in Fiscal Year 1973.

To judge the potential impact of a short-term loan on a particular student, it would be helpful to know whether the average loan involves a very minimal amount or if the average loan is of such a size that it might make a significant difference in the student's financial situation. The average loan amounts given at the various institutions during Fiscal Year 1973 are reported in Table 4.7. Those short-term loan programs with average loans greater than $100 comprised 53 per cent of the loan program population. On the other hand, 30 per cent of the programs issued average loans of less than $50.

TABLE 4.7.--Average Loan Amount at the Various Institutions During Fiscal Year 1973, Classified by Size of Short-Term Loan Program.

Size of Short-Term Loan Program	Average Loan Amount			
	<$50	$50-99	$100-199	$200-399
Small	9	4	3	4
Medium	2	3	6	2
Large	1	-	4	2
Total	12	7	13	8
	(30%)	(17%)	(33%)	(20%)

A factor that is very closely related to average loan as an indicator of impact on individual students is the maximum loan that may be granted. Reported in Table 4.8 are the loan maximums permitted under the various loan programs. It is interesting to note that 65 per cent of the programs do permit loans of more than $100. There were five programs that permitted maximum loans of over $500. All five were quite flexible, permitting loans from up to $1,000 to no limit.

TABLE 4.8.--Amount of Maximum Loan at the Various Institutions, Classified by Size of Short-Term Loan Program.

Size of Short-Term Loan Program	Amount of Maximum Loan			
	<$100	$100-249	$250-499	>$500
Small	10	6	3	1
Medium	3	5	3	2
Large	1	1	3	2
Total	14	12	9	5
	(35%)	(30%)	(22%)	(13%)

Other descriptive data collected about the various short-term loan programs included information about the number of separate loan accounts, information about when short-term loan activity began at the various institutions, and information about what office at each institution had administrative responsibility for the short-term loan program.

It was found that the smaller programs tended to have fewer separate short-term loan accounts while the larger programs tended to have numerous separate short-term loan accounts. One institution had 200 separate accounts. It would appear that administrative complexity increases with the number of accounts since, in most instances, the criteria for granting short-term loans varied somewhat from account to account.

The smaller short-term loan programs, in general, seem to parallel the development of federal aid programs in relation to the date that lending activity began. The approximate dates that the institutions began to engage in short-term lending are shown in Table 4.9. Most of the larger programs are also the older programs. At the institutions whose short-term loan programs began prior to 1960, initiation dates ranged back to 1912. It appears that short-term lending is a fairly recent phenomenon since 56 per cent of the institutions did not begin it until 1966 or later.

The financial aid offices at 82 per cent of the institutions had primary responsibility for administering short-term loan programs. Two programs were administered by student groups and six were administered primarily by the institutions' business offices.

Administrative Characteristics

The third research objective of this study is concerned specifically with the administrative characteristics of the short-term loan programs that are functioning at colleges and universities in Michigan.

TABLE 4.9.--Approximate Date that Short-Term Loan Activity Was Initiated at the Various Institutions, Classified by Size of Short-Term Loan Program.

Size of Short-Term Loan Program	Approximate Initiation Date			
	Before 1960	1960-1965	1966-1970	Since 1970
Small	2	3	7	7
Medium	2	4	6	1
Large	5	1	1	-
Total[a]	9	8	14	8
	(23%)	(21%)	(35%)	(21%)

[a]One institutional representative did not know when that institution began to issue short-term loans.

<u>Objective 3</u>: <u>To report the administrative characteristics of the existing short-term loan programs. The administrative characteristics will include information regarding the application process, the approval-denial process, the disbursal process, and the collection process</u>.

Reporting in this part of the study will be subdivided into four specific areas: the application process, the approval-denial process, the disbursal process, and the collection process.

The Application Process

The application process refers to the actions that a student must take to indicate to the institution involved that he desires to be considered for a short-term loan. At

78 per cent of the institutions reporting, a student had to complete a formal application for a short-term loan. Nine institutions reported that an application was not needed; three of these represented small programs, five represented medium size programs, and one represented a large program.

An interview with a staff member was required in 88 per cent of the programs involved. The distribution of those schools not requiring an interview was evenly split between small, medium, and large programs. In all but one instance, when an interview was required, it was required with an administrative/professional staff member, rather than with a clerical/secretarial staff member.

The Approval-Denial Process

This process encompasses all of those functions and factors that are pertinent to the decision whether or not to grant a loan. Included in this section will be a report of the criteria used by the various institutions to determine who gets a loan and who does not. Also reported in this section are some of the more important conditions of the loans that are granted.

The first factor to be reviewed is the question of what person or persons determine operational policy in the short-term loan area at the various institutions. The responses in this area are reported in Table 4.10. It can be seen that there was an equal split between the financial aid director as sole policy-maker and a policy committee.

TABLE 4.10.--Short-Term Loan Program Policy-Makers at the Various Institutions, Categorized by Size of Short-Term Loan Program.

Size of Short-Term Loan Program	Policy Makers					
	Director, Financial Aid	Chief Fiscal Officer	Governing Board	President	A Policy Committee	Other
Small	9	-	1	1	8	1
Medium	4	4	-	-	5	-
Large	3	-	-	-	4	-
Total	16	4	1	1	17	1
	(40%)	(10%)	(2.5%)	(2.5%)	(42.5%)	(2.5%)

This division was apparent in all three size programs although the chief fiscal officer did appear as policy-maker in approximately a third of the medium size programs. One policy committee reported was made up entirely of students, while the rest were generally combinations of representatives of two or more of the following groups: the financial aid office, the business office, students, faculty, and the admissions office.

Since, as reported above, an interview with an administrative/professional staff member was required to apply for a short-term loan in 88 per cent of the programs, it is logical to assume that an administrative/professional staff person would also make the final decision as to whether a loan would be granted. This, in fact, was the case. In one instance, however, the decision was made by a three-member committee.

The time it takes to actually receive a loan varied from institution to institution. Reported in Table 4.11 is the amount of time typically required between student application for a short-term loan and the student's receipt of the loan, at the various institutions. Waiting periods of nine or more hours were typical in 55 per cent of the programs. Representatives of four institutions reported periods greater than forty-eight hours, ranging up to as much as ten days.

TABLE 4.11.--Amount of Time That It Typically Takes for a Student to Actually Receive His Loan after Requesting It at the Various Institutions, Classified by Size of Short-Term Loan Program.

Size of Short-Term Loan Program	Typical Time Required			
	<1 Hour	1-8 Hours	9-48 Hours	>48 Hours
Small	6	4	8	2
Medium	4	3	5	1
Large	1	-	5	1
Total	11	7	18	4
	(28%)	(17%)	(45%)	(10%)

The next area of concern in the approval-denial process involves the criteria used in determining whether a loan was granted and the purposes for which loans were granted. The purposes for which loans were granted are reported in Table 4.12 and are ranked from most popular to least popular. It should be noted, however, that there were differences in the popularity of a particular purpose between programs of differing sizes. Also, although abortion is a legal medical expense in Michigan, it was presented to the respondents as a separate purpose category due to its probably controversial nature. And, it is apparent that abortion is still categorized as something other than a "normal" medical expense by many since short-term loans were granted for medical expenses in 73 per cent of the programs while loans were granted for abortions in only 25 per cent of the programs. In response to the question about purposes for which loans may be granted, one institutional respondent indicated that in his program the purpose for which the loan was requested was of no concern to him.

TABLE 4.12.--Purposes for Which Short-Term Loans Were Granted at the Various Institutions, Classified by Size of Short-Term Loan Program.

Purposes	Size of Short-Term Loan Program							
	Small		Medium		Large		Total	
	#	%	#	%	#	%	#	%
Books	20	100	12	92	7	100	39	98
Registration	14	70	13	100	7	100	34	85
Personal expenses	16	80	11	85	6	86	33	83
Room and board	13	65	11	85	7	100	31	78
Medical	12	60	11	85	6	86	29	73
Car expenses	11	55	10	77	6	86	27	68
Clothing	11	55	9	69	5	71	25	63
Educational travel	12	60	7	54	5	71	24	60
Legal fees	9	45	6	46	3	43	18	45
Entertainment	5	25	5	39	2	29	12	30
Abortion	2	10	4	31	4	57	10	25
Recreational travel	2	10	4	31	2	29	8	20

Certain situations reduced a student's chances of being granted a short-term loan. These situations are reported in Table 4.13. In this table, as in the last one, the situations are ranked from most to least popular. By far the most frequently noted factor that reduced a student's chances of being granted a loan was a poor payment record on previous loans. In general it seems that there were few situations that prevented a student from being granted a loan, provided, of course, that the purpose for which he wanted it was an acceptable one. It is particularly interesting to note that marital status and car ownership had no negative effect on a student's chances of getting a loan.

TABLE 4.13.--Situations That Reduced a Student's Chances of Being Granted a Short-Term Loan, Classified by Size of Short-Term Loan Program.

Situations	Size of Short-Term Loan Program							
	Small		Medium		Large		Total	
	#	%	#	%	#	%	#	%
Poor payment record on previous loan	17	85	10	77	6	86	33	82
Current debt outstanding	12	60	8	61	5	71	25	62
Less than full-time enrollment	10	50	3	23	5	71	18	45
Low GPA	6	30	3	23	3	43	12	30
Lack of job	2	10	4	31	2	29	8	20
Other[a]	2	10	1	8	2	29	5	12
Lack of collateral	1	5	-	-	-	-	1	2
Residency	1	5	-	-	-	-	1	2
Car ownership	-	-	-	-	-	-	-	-
Marital status	-	-	-	-	-	-	-	-

[a]See text.

While in 82 per cent of the programs a poor payment record on previous loans reduced a student's chances of being granted a loan, only 70 per cent of the institutional representatives reported that they required a check of the student's credit before issuing a short-term loan. The number of institutions that required a credit check and the extent of the check are reported in Table 4.14. Of those institutions requiring a credit check, approximately half were conducted by the financial aid office and half by the business office.

Of the forty institutions that were reported to have short-term loan programs, thirty-seven indicated that they had foreign students in attendance. The question was raised as to whether foreign students were subjected to different short-term loan regulations than other students. In Table 4.15 are reported the number of short-term loan programs that do discriminate against the foreign student either by being more restrictive or by prohibiting lending to foreign students altogether.

The last area of concern in the approval-denial process is the conditions attached to loans that were granted. The maximum duration of a short-term loan at the various institutions is reported in Table 4.16. Nearly half of the institutions issued loans of ninety days or more duration. Within that category the period ranged from six months to a year.

TABLE 4.14.--Number of Institutions That Required That a Student's Credit Be Checked Before Issuing a Short-Term Loan, Categorized by Type of Credit-Checkddd and Size of Short-Term Loan Program.

Size of Short-Term Loan Program	Type of Credit-Check Conducted			
	None	Short-Term Loan History Only	Institution-Wide Payment History	Complete Credit History - On And Off Campus
Small	6	3	11	-
Medium	5	3	4	1
Large	1	3	3	-
Total	12	9	18	1
	(30%)	(23%)	(45%)	(2%)

TABLE 4.15.--Short-Term Loan Regulations as They Related to Foreign Students at the Various Institutions, Classified by Size of Short-Term Loan Program.

Size of Short-Term Loan Program	Short-Term Loan Regulations for Foreign Students			
	No Difference	More Restrictive	Less Restrictive	Foreign Students Not Given Loans
Small	10	1	-	8
Medium	8	4	-	-
Large	3	3	-	-
Total	21	8	0	8
	(56%)	(22%)		(22%)

TABLE 4.16.--Maximum Duration of a Short-Term Loan at the Various Institutions, Classified by Size of Short-Term Loan Program.

Size of Short-Term Loan Program	Maximum Duration			
	<30 Days	30-59 Days	60-89 Days	90 Days or More
Small	5	4	1	10
Medium	-	6	2	5
Large	-	1	2	4
Total	5	11	5	19
	(13%)	(27%)	(13%)	(47%)

Another condition of a short-term loan is the amount of interest and/or service charge assessed for it. As reported in Table 4.17, more than half of the programs required no interest or service charge. On the other hand, 14 per cent of the programs exacted service charges that ranged from $.50 to $5.00.

Requiring a co-signer on a short-term loan can be a nuisance or a convenience. As Table 4.18 indicates, 75 per cent of the short-term loan programs did not have a co-signer requirement. However, over 70 per cent of the large programs did have a co-signer requirement in some circumstances. One institution required co-signers on all loans. (In this table the percentages are greater than 100 since some programs require a co-signer in more than one instance.)

TABLE 4.17.--Amount of Interest and/or Service Charge Assessed for Each Loan at the Various Institutions, Classified by Size of Short-Term Loan Program.

Size of Short-Term Loan Program	Amount of Interest and/or Service Charge			
	None	1%-3% Annual Interest	4%-6% Annual Interest	Service/ Handling Charge
Small	12	4	2	2[a]
Medium	8	3	2	3[b]
Large	3	1	3	1[c]
Total	23	8	7	6
	(52%)	(18%)	(16%)	(14%)

[a]$.50 and $2.00.

[b]Variable, $3.00, $5.00.

[c]$1.00.

In 80 per cent of the programs a student could extend the due date of his loan. In 50 per cent of these cases the extension was made simply at the student's request while in the rest some unforeseen circumstances had to have arisen before an extension was granted. The number of times a student could extend his loan due date is reported in Table 4.19. The large programs were totally consistent on this item.

TABLE 4.18.--Number of Institutions That Required a Co-Signer on a Short-Term Loan, Categorized by Size of Short-Term Loan Program and Instance(s) When Co-Signer Was Required.

Size of Short-Term Loan Program	Instance(s) When Co-Signer Was Required			
	Never	Demonstrated Poor Risks	Borrowers Under An Age Limit	Other
Small	19	-	-	1[a]
Medium	9	1	1[b]	2[c]
Large	2	2	3[b]	2[d]
Total	30	3	4	5
	(75%)	(7%)	(10%)	(13%)

[a]1st term students.

[b]Under age 18.

[c]>$50, all.

[d]Renewals (1).

TABLE 4.19.--Number of Times a Student Could Extend the Due Date of His Loan at the Various Institutions, Classified by Size of Short-Term Loan Program.

Size of Short-Term Loan Program	Number of Extensions Permitted			
	None	Once	Not More Than Twice	Other
Small	7	6	1	6
Medium	1	5	3	4
Large	-	7	-	-
Total	8	18	4	10
	(20%)	(45%)	(10%)	(25%)

The Disbursal Process

Although much less complex than the previous process, the disbursal process is distinguished from the other processes and should receive separate treatment. In all but two of the short-term loan programs the loan money was disbursed directly to the recipient in the form of cash and/or check. In the two unusual cases the money was credited directly to the student's account.

The division of responsibility between the financial aid office and the business office at most institutions becomes apparent when it is noted that, as indicated earlier, in over 80 per cent of the institutions with short-term loan programs, the financial aid office had administrative responsibility for the program, while, again, in nearly 80 per cent of the institutions, the business office had the administrative responsibility for disbursing the actual loan monies.

The Collection Process

The collection process is the final process in the short-term loan system; it is the one that closes the system. A loan system cannot work if its collection process is ineffective. Of the short-term loan programs surveyed in this study, 73 per cent had the collection process administered by the institutional business office. In six of the small programs and one each of the medium and large programs, the collections function was handled by the financial aid office. Eight institutions required installment payments from students while the rest accepted payment either in installments or in a lump sum.

The collection procedures used in the various programs are reported in Table 4.20. Over 80 per cent of the institutions used several means of notifying students of loan obligations and collecting the money. Referral to a collection agency--a more costly, and perhaps, more drastic means--was turned to in only 45 per cent of the programs. The other collection procedures mentioned included intimidation by peers, termination of all financial aid, follow-up with a co-signer, and involvement with the Prosecuting Attorney's office.

In those instances where a collection agency was used, accounts were usually retained by the institution until they became ninety or more days delinquent. At that point most accounts were given to a collection agency. The number of loans that were referred to collection agencies during Fiscal Year 1973 by the institutions that did use collection agencies are reported in Table 4.21.

Sources of Funds

The fourth research objective deals with sources of funding for short-term loan programs as well as what activity, if any, institutions were involved in to generate funds for short-term loans.

Objective 4: To report the various sources tapped by colleges and universities for short-term loan funding.

TABLE 4.20.--Collection Procedures Used by the Various Institutions, Categorized by Size of Short-Term Loan Program.

Size of Short-Term Loan Program	Collection Procedures											
	Payment Due Notices		Past Due Notices		Withholding Future Registration		Withholding Transcripts & Diploma		Collection Agency		Other	
	#	%	#	%	#	%	#	%	#	%	#	%
Small	15	75	13	65	15	75	18	90	5	25	1[a]	5
Medium	12	93	13	100	12	93	11	85	9	69	3[b]	23
Large	6	86	7	100	7	100	6	86	4	57	1[c]	14
Total	33	83	33	83	34	85	35	88	18	45	5	13

[a]Intimidation by peers.

[b]No financial aid, Michigan Department of Treasury, contact co-signer.

[c]Attorney General.

TABLE 4.21.--Number of Loans Referred to Collection Agencies During Fiscal Year 1973, Categorized by Size of Short-Term Loan Program.

Size of Short-Term Loan Program	Number of Loans Referred to Collection			
	None	1-10	11-50	>50
Small	4	1	-	-
Medium	-	2	6	1
Large	-	-	2	2
Total[a]	4	3	8	3

[a]Only the 18 that use a collection agency are reported here.

As Table 4.22 demonstrates, 65 per cent of the institutions with short-term loan programs considered private donors to be a major source of program funding. At the same time, however, 78 per cent of the respondents reported that their institutions did not actively engage in fund raising for short-term loans. Fifteen of the forty institutions with short-term loan programs did not have an office designated as a development office for the purpose of generating funds for the institution. At the twenty-five institutions that do have development offices, the respondents reported without exception that their involvement with that office for the purpose of fund-raising for short-term loans was minimal.

TABLE 4.22.--Major Sources of Funds for Short-Term Loans at the Various Institutions, Categorized by Size of Short-Term Loan Program.

Size of Short-Term Loan Program	Major Sources		
	Private Donors	Institutional Funds	Other
Small	12	8	1[a]
Medium	9	5	1[b]
Large	5	3	1[c]
Total[d]	26	16	3
	(65%)	(40%)	(8%)

[a]Student Council fees.

[b]Book store profits.

[c]Traffic fines.

[d]Percentages total more than 100 per cent since some schools consider more than one source to be major.

Problems, Similarities, and Differences

In many ways the fifth research objective is a restatement of the overall objective of the study.

> Objective 5: To point out and discuss perceived problems in administering short-term loan programs; similarities and differences in programs and institutions; and, in particular, to note trends that might lend themselves to future predictive research.

Administrative problems encountered in administering short-term loan programs will be presented and discussed in the first part of this section, followed by the presentation and description of a composite short-term loan program that will serve to outline the important findings of the study. Although the fifth research objective also calls for a discussion of implications for future research, tradition dictates that this discussion can more appropriately be found in the summary chapter of a thesis, and therefore discussion of research implications will be deferred to Chapter V.

Problems

Institutional representatives were asked to indicate those areas which gave them particular problems in administering short-term loan programs. The responses to this question are reported, in part, in Table 4.23. While 72 per cent of the institutions indicated some problem area, no one specific problem area was chosen by a majority of the respondents.

The respondents were invited to make additional comments about the kinds of problems they were encountering. Those who chose to do this made comments that evidenced a great deal of concern on the part of the individual making the comments. Paraphrased, typical comments were:

"Poor internal procedures"

"Institution unwilling to support a useful short-term loan program"

"Collections are neglected."

"Due to our delinquency rate we are considering eliminating our program."

"Due to our delinquency rate we are making our program guidelines considerably less flexible than they have been."

"Lack of cooperation with our business office."

TABLE 4.23.--Problem Areas in Administering Short-Term Loan Programs as Perceived by the Respondents in the Study, Classified by Size of Short-Term Loan Program.

Size of Short-Term Loan Program	Perceived Problems			
	Lack of Funds	Large Delinquency/ Default Rate	Inflexible Guidelines	None
Small	11	4	1	5
Medium	3	9	4	3
Large	-	2	1	3
Total	14	15	6	11
	(35%)	(38%)	(15%)	(28%)

Similarities and Differences: A Composite Program

Part of the fifth objective, as stated earlier, is to point out and discuss similarities and differences in programs and institutions in the area of short-term loans. This part of the objective has been met throughout Chapter IV as various characteristics of the programs have been presented and discussed. It is helpful at this point, however, to pull together those characteristics, policies, and functions into one composite picture, thereby providing a compilation of the parts into a hypothetical whole. Thus, a "typical" short-term loan program at a college or university in Michigan might have the following characteristics:

I. Descriptive Data
   A. Between $1,000 and $50,000 are loaned annually.
   B. Less than 500 loans are granted annually.
   C. Average loan is more than $100.
   D. Maximum loan is less than $500.
   E. Program has been operational since 1966.
   F. Administrative responsibility for the program lies with the financial aid office.

II. Administrative Characteristics
   A. Application Process
      1. Application is required.
      2. Interview with professional staff member is required.
   B. Approval-Denial Process
      1. Policy is established by a committee.
      2. At least a nine-hour delay is required before money is granted.
      3. Loans typically are given for books, fees, personal expenses, room and board.
      4. Loans typically are not given for abortions.
      5. Loans typically are denied to students with poor repayment records, debt outstanding.
      6. An institution-wide credit-check is conducted before the loan is granted.
      7. Foreign students have the same privileges as other students.
      8. Loans may be kept for more than sixty days.
      9. No interest or service charge is assessed.
      10. A co-signer is not required.
      11. Extensions of the due date are permitted.

C. Disbursal Process
   1. Money is disbursed in cash or check.
   2. Money is disbursed by the business office.

D. Collection Process
   1. Money is collected by the business office.
   2. Collection techniques include the use of payment due notices, past due notices, withholding of registration, transcripts, and diplomas.

E. Sources of Funds
   1. Private donors are the greatest source of funds.
   2. Efforts are not made to generate additional funds for short-term lending.

F. Problems
   1. Large delinquency/default rate.
   2. Lack of funds.

Summary

In Chapter IV the data were compiled and presented in an organizational manner reflecting the five research objectives. Each research objective was stated, and then the data pertinent to that objective were presented and discussed.

The availability, size, and scope of short-term loan programs were presented first. Forty-one of the institutions participating in the study were reported to have short-term loan programs. This represented 61 per cent of the respondents. During Fiscal Year 1973 most of these institutions loaned less than $50,000. The average loan was more than $100. Most of the short-term loan programs in Michigan were reported to be less than ten years old although some dated back to the early 1900's. In most instances the administrative responsibility for the programs belonged to the financial aid administrator at the institution in question.

Similarities and differences in the administrative characteristics of the various programs were reported and discussed. It was shown that, typically, short-term loan policy was formulated by a policy committee rather than by one particular individual. While loans were normally given for such things as books, fees, room, and board, most institutions evidenced some reluctance to grant short-term loans for abortions. There were not many instances in which a student would be denied a loan if money were available. However, one very prevalent reason for denial of a loan was a poor repayment record on previous loans. Generally, the loans were found to bear little if any interest and did not require a co-signer. Collection was usually a function of the business office at the various institutions, and these offices used a variety of techniques in attempting to make successful collections. Less than half of the institutions with short-term loan programs were reported to employ collection agencies to assist them with the more difficult delinquency problems.

Private donors were reported to be the greatest source of funds for short-term loan programs, but very few of the respondents reported any active involvement in attempting to generate additional funds for their programs. On the other hand, one of the most frequently mentioned problems of short-term loan programs was a lack of adequate funding.

The last part of the fifth research objective was directed at noting trends that might lend themselves to future predictive research. These trends along with a discussion and interpretation of the data will comprise Chapter V.

CHAPTER V

SUMMARY AND CONCLUSIONS

Summary

Contacts and communications with financial aid administrators from various colleges and universities have indicated that many institutions have chosen to engage in short-term lending to students. In Michigan, over $5,000,000 were loaned on a short-term basis during Fiscal Year 1973. Yet, very little is heard about short-term loan programs due, at least in part, to the understandably great concern by most college administrators with federal financial aid programs. Short-term loan programs do exist, however, and they do involve, at least in some instances, relatively large amounts of money. Unfortunately, there has been very little exchange of information concerning short-term loan programs, their administrative techniques, and the problems encountered in administering the programs.

The purpose of this study was to provide concrete data related to the size, scope, and administrative characteristics of short-term loan programs in Michigan. This information will be useful to college administrators who are in the process of developing, evaluating, or modifying their own short-term loan programs. A related purpose of the study was to explore the various sources of funds used by the institutions in their short-term loan programs and to review and discuss perceived problems and trends in the area of short-term loan programs.

Since so little is known about short-term loan programs, the design of the study was exploratory in nature. A questionnaire was developed, pre-tested, revised, and administered to collect the information needed to meet the research objectives. Financial aid administrators at all public and private, non-profit colleges and universities in Michigan were invited to participate in the study. Of the eighty institutional representatives invited to participate, sixty-eight responded with sixty-seven (84 per cent) useable questionnaires.

The collected data were prepared and presented in table and text format, organized according to applicable research objective. When appropriate, frequency tables were used to report responses. For ease of understanding and clarity the data were usually reported in relation to institutional type and/or size of short-term loan program.

Conclusions and Findings

The final result of the study was a comprehensive collection of information, systematically presented, about short-term loan programs at Michigan colleges and universities. Forty-one of the institutions participating in the study were reported to have short-term loan programs. During Fiscal Year 1973 the typical institution in the study loaned less than $50,000 but gave average loans greater than $100. Although some of the programs dated back to the early 1900's, most commenced operation since 1966.

At a majority of the institutions the administrative responsibilities for the various parts of the short-term loan operation were divided so that operational policy was developed by a policy committee and carried out primarily by the institutional financial aid office. Disbursal and collection functions, however, were usually the responsibility of the institutional business office.

Loans were typically granted for school-related expenses, and there were not many instances in which a student would be denied a loan if money were available unless he had established a poor payment record with previous loans. A variety of collection techniques were used by the institutions although less than half resorted to the use of collection agencies as a final attempt.

Lack of funds was one of the most frequently mentioned problems by the respondents, but very few reported any active involvement in attempting to generate additional funds from private donors who, incidently, were indicated as being the largest source of funding for the short-term loan programs.

Discussion

Many of the findings of the study are self-evident and need no further interpretation, while others lend themselves to further thought and speculation. In this section, emphasis will be given to implications of the findings for parents and students, potential donors, and financial aid administrators.

Implications for Parents and Students

The short-term loan is a phenomenon that exists at more than 50 per cent of the colleges and universities in Michigan and of which parents and students should be aware. Many parents find themselves able, or almost able, to finance the cost of a child's education. However, there can arise, occasionally, a situation in which school-related bills are due but ready cash is not available at the same time. It is in this kind of situation--a situation in which timing is the primary problem--that short-term loans can be invaluable. Also, students who are working their way through school or receiving the G.I. Bill often encounter timing problems that are solved in the financial aid office with a short-term loan.

Short-term loan programs, no doubt, serve an educational purpose in that they can help students learn to budget money and learn how to use credit effectively. On the other hand, the student who fails to repay his loan when it is due will learn the painful consequences of such a delinquency since most schools appear to deny borrowing privileges to students who do not keep good faith in a loan contract.

Implications for Donors

Both donors and potential donors to short-term loan programs want to know just what is being done with their money. Furthermore, the data collected in this study indicate that there is a great need for additional short-term loan monies. The concept of a loan, particularly a short-term loan, should be an attractive one to sell to prospective donors. Since, as indicated in this study, most short-term loans are repaid within ninety days, there is great potential for continuous, multiple use of each dollar--and each time it is re-loaned it can be identified again with that donor's name or organization.

Donors should be concerned with the findings of this study that indicated that collections were a relatively important problem in many short-term loan programs. The importance of loan collection cannot be overemphasized; if collection fails, the short-term loan program ceases to exist and the donor may feel he has made a poor social investment.

Implications for Financial Aid Administrators

The data presented in the study can be a valuable tool for financial aid administrators. The study, however, cannot be viewed as the final statement on short-term loan programs in Michigan. Rather, it represents just a beginning. It provides to the financial aid administrator systematic information concerning <u>how</u> short-term loans are being administered; it does not tell why.

For the administrator who is considering getting into the short-term loan business, the data presented can serve as a guide for development of his program, showing him what other schools are and are not doing. If this administrator is having difficulty "selling" the short-term loan idea to his superiors, the information presented here may help him to demonstrate the extent of involvement by other schools in the state. If he is developing a short-term loan program, the financial aid administrator should be warned that others have found that lack of adequate funding and difficult collections seem to be the biggest headaches in programs of this type. With this knowledge he can plan in advance just what steps he will take to develop a continuing program of active recruitment of funds. He should be quite careful in establishing collection procedures and visit several institutions with short-term loan programs of a similar size to determine in great detail what steps are taken in the collection process and what techniques have proved helpful.

At institutions with established short-term loan programs, periodic evaluation and program review is doubtlessly done. Here, the data from this study can prove invaluable as a basis for comparison. Here, too, the financial aid administrator may gain insight into alternative ways of administering his program. The data presented may provide the impetus and substantiation necessary to initiate modifications in existing programs.

Most of the short-term loan programs at Michigan colleges and universities have begun operation since 1966. This fact seems to indicate that the idea of institutions granting short-term loans is one that is becoming more and more popular. Based on the findings of this study there appear to be three goals that must be met by financial aid administrators if these short-term loan programs are to survive and be effective. First, students and their parents must be informed of the availability, size, and scope of institutional short-term loans. Emphasis must be placed upon their availability, their potential use for filling timing gaps when bills fall due before cash is available, and their potential instructional benefits in terms of helping students learn to manage credit.

Second, financial aid administrators must begin to work with their institutional development officers or take it upon themselves to sell potential donors on the short-term loan idea. Emphasis here should be placed on the fact that, since most short-term loans are repaid in less than ninety days, the potential use of the donor's money is fantastic.

Third, loan collection is a problem according to the respondents in this study. Consequently, efforts must be made to employ and test new and innovative collection techniques. It often seems that financial aid administrators are so involved with giving money that they tend to neglect the other side of the coin: collections. The current study indicates that in most schools in Michigan the collection function is administered through the institutional business office while the awarding of loans is a function of the financial aid office. While there are certain obvious advantages to this type of arrangement, it seems that it provides an excellent opportunity for the financial aid administrator to shut his eyes to the collection problem. Perhaps a more personalized follow-up by the original financial aid administrator who granted the loan would prod some tardy borrowers into making repayment.

Implications for Future Research

The Data Collection Techniques

On the whole, the questionnaire seemed to be well received. It produced the kinds of data that were needed to meet the research objectives, and it apparently did so in an inoffensive manner. Several respondents returned their questionnaires with favorable comments, wishes for success in the study, and requests for the restults of the study. One respondent did not complete the questionnaire in its entirety and attached a note saying that to compile all of the data necessary to answer all of the questions would be too time-consuming.

The questionnaire itself had certain weak areas that should be improved when this study is replicated or expanded. One major area that was neglected at the outset was a more detailed investigation of the institutions that did not engage in short-term loan activity. While it was reported that most institutions in this category were both small and private, it would have contributed to a better understanding if the respondents from those institutions had been asked to indicate specifically why it was that their institutions did not have short-term loan programs and if there were plans in the foreseeable future for the development of such programs.

In both items 30 and 38 in the questionnaire (see Appendix A) the respondents were asked to rank their responses rather than give a simple "yes" or "no" answer. It was found that many of the respondents either did not understand that they were to rank their responses or did not want to bother with that extra step.

Related Studies

Using this study as a starting point there are numerous directions that future research can take. As pointed out earlier, while this study gives insight into how short-term loan programs are being administered, it does not deal with the question of why programs are administered as they are. A study seeking to determine the reasons for administering short-term loan programs as they are administered would be a valuable companion to the current study.

One major problem area indicated in the study was that of loan collections and delinquencies. A study in this area testing the effect on delinquency rates of such variables as use of a co-signer, pre-loan counseling, and different types of collection techniques would be quite useful.

Another major problem area was that of lack of funds. A great deal of research can be done in the area of fund raising for short-term loans and ways in which a financial aid administrator can work more closely and effectively with the fund raising unit on his campus.

Using the questionnaire developed for this study, predictive studies can be conducted to test the influence of such variables as type and size of institution and size of short-term loan program on administrative characteristics of such programs.

The cost of administering short-term loan programs is another fertile area for exploration. It would certainly be useful for planning and budgeting purposes to know the true administrative cost of a given program. Although the current study did not go into this area, it could be speculated that most financial aid administrators do not know the administrative cost involved in their respective short-term loan programs.

Finally, a topic area touched tangentially throughout the present study but never approached directly is that of the student. A great deal of research can be done to determine just what are the needs of students in relation to short-term loans. Perhaps it will be discovered that while short-term loans are a convenience, they are not, in most instances, really needed. On the other hand, it may be found that students express a great need for the assistance provided by an active short-term loan program and may even have suggestions for changing and improving the program.

The area of short-term loans is, as is all of financial aids, a timely and significant area of study. There is a great deal of research needed, and what is contained here has only scratched the surface.

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APPENDICES

APPENDIX A

SHORT-TERM LOAN ADMINISTRATIVE CHARACTERISTICS QUESTIONNAIRE

SHORT-TERM LOAN
ADMINISTRATIVE CHARACTERISTICS
QUESTIONNAIRE

For purposes of this study, a short-term loan should be viewed as one that is repaid less than a year from the time it is granted, normally while the student is still in attendance or during the term following his last term of attendance.

When a question may be answered differently for different loan funds, please answer in terms of your most commonly used fund(s).

Thank you again for your assistance in this endeavor!

1. Please indicate below the name of your institution. (For data collection purposes only; institutions will not be identified in the report of this study.)

____

2. Please indicate what type of institution yours is.

_____4-year public college/university
_____4-year private college/university
_____2-year public college

3. Please indicate the number of full-time students (as defined by your institution) in attendance at your institution.

_____Less than 1,000 _____5,000 to 14,999 _____25,000 or more
_____1,000 to 4,999 _____15,000 to 24,999

4. Between July 1, 1972, and June 30, 1973, what per cent (unduplicated) of your full-time students received some form of financial aid including federal programs, state scholarships and grants, guaranteed student loans, and institutional aid?

_____Less than 10% _____25% to 39% _____60% or more
_____10% to 24% _____40% to 59% (Please specify: ________%)

5. Does your institution grant short-term loans to students?

_____Yes _____No

If your answer is "YES" the questionnaire should be completed by the individual at your institution who has administrative responsibility for your short-term loan program and returned in the enclosed pre-paid envelope.

If your answer is "NO" please return the questionnaire in the enclosed pre-paid envelope. Please be sure you have completed items 1-5 above.

6. Please indicate the title of the person completing this questionnaire.

____

7. What office or group at your institution has the primary responsibility for administering your short-term loan program?

_____Financial Aid Office _____A Student Group (specify: ____________)
_____Business Office _____Other (specify: ____________________).

(OVER)

8. Between July 1, 1972, and June 30, 1973, approximately how many dollars were loaned in your short-term loan program?

_____Less than $1,000 _____$10,000 to $49,999 _____$100,000 or more
_____$1,000 to $9,999 _____$50,000 to $99,999 (specify: $_______)

9. What is the maximum amount that can be loaned to a student in your short-term loan program?

_____Less than $100 _____$250 to $499
_____$100 to $249 _____$500 or more (specify: $_______)

10. Between July 1, 1972, and June 30, 1973, approximately how many short-term loans were granted?

_____Less than 50 _____100 to 499 _____1,000 or more
_____50 to 99 _____500 to 999 (specify: ________)

11. During that same period, what was the approximate average amount loaned to each individual student?

_____Less than $50 _____$100 to $199 _____$400 or more
_____$50 to $99 _____$200 to $399 (specify: $________)

12. When did your institution begin to engage in short-term lending to students?

_____Since 1970 _____Between 1960 and 1965
_____Between 1966 and 1970 _____Before 1960 (specify: ________)

13. During the month prior to Fall 1973 Registration, what was the approximate amount of money available for short-term lending?

_____Less than $1,000 _____$10,000 to $49,999 _____$100,000 or more
_____$1,000 to $9,999 _____$50,000 to $99,999 (specify: $_________)

14. Please indicate the approximate number of separate short-term loan accounts at your institution.

_____1 general account _____11 to 50 accounts
_____2 to 10 accounts _____More than 50 accounts (specify: ________)

15. If your institution has more than one short-term loan account, do the criteria for granting short-term loans vary from account to account?

_____Yes _____No

16. Is there a formal application form that a student must complete in order to apply for a short-term loan at your institution?

_____Yes _____No

17. Is an interview with a staff member required before a loan is granted?

_____Yes _____No

If Yes, with whom?

_____Administrative/Professional staff _____Other (specify: __________
_____Clerical/Secretarial staff _________________________)

18. To what extent is a student's credit checked before a short-term loan is granted?

_____Not at all
_____Short-term loan history only
_____Payment history institution-wide
_____Complete credit history, on campus and off

19. If a credit-check is required, who conducts it?

_____Financial Aid Office
_____Business Office
_____Other (specify: ____________________ ____________________)

20. For a typical short-term loan, how long does it take for a student to receive a loan after he has indicated to your office that he wants one?

_____Less than 1 hour
_____1 to 8 hours
_____9 to 48 hours
_____More than 48 hours (specify: ________)

21. Who makes the final decision to grant a loan?

_____Administrative/Professional staff member
_____Clerical/Secretarial staff member
_____Other (specify: ____________________)

22. What is the maximum duration of a typical short-term loan at your institution?

_____Less than 30 days
_____30 to 59 days
_____60 to 89 days
_____90 days or more (specify: __________)

23. What is the amount of service charge or interest assessed for each loan? (Check <u>all</u> that apply.)

_____None
_____1% to 3%
_____4% to 6%
_____Service/Handling charge (specify amount: $_______)
_____Other (specify: ____________________)

24. When is a co-signer required for a loan at your institution? (Check <u>all</u> that apply.)

_____Never
_____First time borrowers
_____Borrowers who have demonstrated that they are poor credit risks
_____Borrowers under a certain age limit (specify age: ________)
_____Other (specify: ____________________)

25. How many times can a student extend the due date of his original loan?

_____Not at all
_____Only once
_____No more than twice
_____Other (specify: ____________________)

26. If a student is allowed to extend the due date of his original loan, under what circumstances are extensions granted?

_____At student request
_____Only in cases of extreme, unforeseen circumstance
_____Only when partial payment has been made
_____Other (specify: ____________________ ____________________)

(OVER)

27. Do you have foreign students enrolled at your institution?

_____Yes _____No

If yes, how do short-term loan regulations for them differ from those for American students?

_____No difference _____Less restrictive
_____More restrictive _____Foreign students are not given short-term loans.

28. Check all items listed below that may reduce a student's chances of being granted a short-term loan at your institution.

_____Low grade point _____Out of district/state residency
_____Car ownership _____Less than full-time enrollment
_____Lack of collateral _____Poor payment record on previous loans
_____Lack of job _____Current debt outstanding
_____Being married _____Other (specify: ______________________
_____Not being married ______________________________________)

29. Who establishes short-term loan operational policy at your institution?

_____Director, Financial Aids _____A financial aid policy committee
_____Chief Fiscal Officer (specify composition of group by
_____Governing Board titles: ______________________
_____President ______________________________________
______________________________________)

_____Other (specify: ______________________________________)

30. Listed below are many of the things for which students frequently need cash. Please indicate in the blank next to the item, by number, whether your institution grants short-term loans for this purpose (1) usually, (2) sometimes, or (3) never.

_____Books _____Room and board _____Registration fees
_____Medical _____Legal fees _____Personal expenses
_____Abortion _____Car expenses _____Recreational travel
_____Clothing _____Entertainment _____Education-related travel

31. From what office at your institution is short-term loan money actually disbursed?

_____Financial Aids Office _____Other (specify: ______________________
_____Business Office ______________________________)

32. In what form is the student's loan disbursed to him?

_____Cash/check _____Either way
_____Credit to his account _____Other (specify: ______________________)

33. What office at your institution is responsible for collecting short-term loans?

_____Financial Aids Office _____Other (specify: ______________________
_____Business Office ______________________________)

34. What collection procedures do you use when necessary? (Check all that apply.)

_____Payment due notices _____Withholding of future registration
_____Past due notices _____Withholding of transcripts/diplomas
_____Collection agency _____Other (specify: ____________________)

35. If you do make use of a collection agency for past due loans, at what point do you refer a past due account to the agency?

_____Never _____60 to 90 days past due
_____1 to 30 days past due _____More than 90 days past due
_____30 to 60 days past due _____Other (specify: ________________)

36. Between July 1, 1972, and June 30, 1973, how many short-term loans from your institution were referred to a collection agency?

_____None _____11 to 50
_____1 to 10 _____More than 50 (specify: ____________)

37. How are students required to repay?

_____Installment payments _____Other (specify: ____________________)
_____One lump sum

38. What are the sources of funds for the short-term loan program at your institution? Please rate the following as (A) a major source, (B) a limited source, or (C) not a source.

_____Private donors _____Other (specify: ____________________
_____Institutional funds ____________________)

39. Does your institution participate in active fund raising for short-term loan moneys?

_____Yes _____No

40. To what extent, if any, does the office that administers your short-term loan program work with your institutional development/fund raising office for short-term loan purposes?

_____Often _____Very little
_____Sometimes _____Do not have a development office

41. What do you perceive to be the greatest problem(s) in administering your short-term loan program? (Check all that apply.)

_____None _____Large delinquency/default rate
_____Lack of funds _____Guidelines too inflexible
_____Other (specify: ____)

Please elaborate, if you wish, on the kinds of problems you are experiencing in your short-term loan program and possible solutions you have tried or would suggest:

____

____

(Use other side, if necessary)

APPENDIX B

COVER LETTER

MICHIGAN STATE UNIVERSITY

OFFICE OF FINANCIAL AIDS EAST LANSING · MICHIGAN · 48824

November 30, 1973

As an Assistant Director in the Office of Financial Aids and a doctoral candidate at Michigan State University, I am conducting a study of the availability and administrative characteristics of short-term loans at colleges and universities in Michigan.

The purpose of the study is to compile and analyze comprehensive data regarding short-term loan programs that will be useful to financial aid administrators involved with short-term loans, to those who are in the process of re-evaluating their short-term loan programs, and to those who are currently establishing or planning to establish such programs.

I have enclosed a brief questionnaire for your use. Your prompt attention to this project and the return of the questionnaire by December 14, 1973, will be greatly appreciated. Enclosed is a stamped, self-addressed envelope for this purpose.

Thank you for your co-operation.

Sincerely,

Thomas A. Scarlett
Assistant Director

Enclosure

TAS/dls