

## The Effect of Student Loans on College Adjustment by Race: Differential Effects of Loan Source

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The purpose of this study is to examine the effect of current student loan policies by investigating the relationship between different types of student loans (federal aid, which is need-based, versus private/alternative) and college adjustment (college GPA scores and attitudes toward college education). This study focuses on exploring these differential effects by race. Using the latest Transition to Adulthood data from the Panel Study of Income Dynamics, collected in 2013, we found that white students who had only federal/state loans were likely to have lower GPAs than those with no loan, whereas African-Americans who had federal/state loans along with private/alternative loans showed higher GPAs as opposed to their African-American peers. African-American students who had only private/alternative loans were less optimistic about their college education, while no significant association was found between loan source and white students' value of college education. Interestingly, a negative effect of high school GPA was found, and further analysis has revealed that the effect was significant only for the ones from a high-income household. In addition, for white students, parents with a high income and no college degree seemed to expect their children to have a college degree. Financial aid programs that combine the characteristics of federal and private loans can be effective, especially for African-American students. This may reduce the time and effort required to apply for several different loans, as well. Students need guidance and information regarding the availability of financial aid as well as which type of aid is optimal for them. Additional implications for policymakers and future research are addressed.

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