



# Nothing to Fear but Debt Itself: Understanding the Dynamics of Indebtedness Among Law Students

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## More Than 40% of Student Borrowers Aren't Making Payments

New figure raises worries that millions of them may never repay more than \$200 billion owed

## What Happened When a Business School Made Tuition Free

Applications at Arizona State's b-school nearly triple as prospective students from as far away as Uganda, Uzbekistan express interest



## The Conversation about College Educational Debt

- High Variation in Debt (Baum & Johnson 2015; Looney & Yannelis 2015; Houle 2014; Avery & Turner 2012)
- Reproduction of Social Inequality (Addo et al. 2016; Houle 2013; Dwyer et al. 2011)
- Potential Negative Impact of Debt (Houle & Berger 2015; Nau et al. 2015; Addo 2014; Dwyer et al. 2012)



## The Context of Graduate Student Debt

- 63% of professional-practice doctoral students borrow over \$100,000 in student loans (Urban Institute 2015).
- Most graduate students are well-positioned to repay those loans (Brookings Institute).





## Law School Debt & Its Impact

- Growing Levels of Debt from Law School (ABA 2015; Sebert 2002)
- Concerns about Debt in Terms of...
  - Variability of Debt (Wilder 2007)
  - Ability to Repay Loans (Henderson & Zahorsky 2012; Campos 2012; Olivias 1999)
  - Choice of Practice Sector (Field 2009; ABA 2003; Kornhauser & Revesz 1995; Chambers 1992)



## Research Question

(1) Does providing tuition support have an impact on the amount of debt that law students have at graduation?



## UCI Law School: A Natural Experiment

- Founded in 2009
- First 3 Cohorts Offered Guaranteed Tuition Remission
  - Class of 2012: 100%
  - Class of 2013: 50%
  - Class of 2014: 33%
- Class of 2015 and Beyond: Merit-based and need-based grants and scholarships





## Data & Methods

- Quasi-Experiment: Tuition support at a new law school
- Panel Data: Classes of 2012-2015
- Online Survey
  - **1L Survey**: respondents report on the factors that lead to their decision to go to law school and to select UCI
  - **3L Survey**: respondents assess their experiences at UCI Law and their plans (both professional and personal) after graduation
- Response Rates: range from 64% to 96%
  - Generally higher than similar online surveys of students





## Demographics of Survey Respondents

- Comparing the cohort with full tuition support against all other cohorts, there were no statistical differences in demographic profiles along these dimensions:
  - Gender
  - Race
  - Marital status
  - Parent status
  - Average Law School GPA
  - Highest LSAT score





## Hypotheses

- Hypothesis 1: Declining guarantees of tuition remission will result in rising levels of loan debt among UCI Law students.
- Hypothesis 2: Students' fear about the impact that debt will have on their futures will affect the amount they borrow while at UCI Law.



## Variables

### *Dependent*

- Law school debt

### *Independent*

- Experimental: level of guaranteed tuition support; fear of debt
- Individual-level controls (background): gender, race, parent's education
- Law school achievements: law school GPA, summer job (2L)
- Behavioral persistence: goals for practice sector in 5 years



## Fear of Debt Variable

### *Concerns about the impact of debt on....*

- Professional choices
  - Practice sector
  - Job selection
  
- Personal choices
  - Home ownership
  - When to have children
  - Where to live



## Preliminary Findings

- Intervention with the greatest impact?
  - Full tuition waivers
    - Significant differences between the first cohort with a full tuition guarantee and all other cohorts (with or without a guaranteed tuition reduction).
- Relationship between fear of debt in 1L and level of indebtedness after 3L?
  - Inverse relationship, net of the tuition experiment.
    - Greater fear of debt predicts less student debt.



## Conclusion & Discussion

- Understanding Law School Debt in Context
  - Full tuition support predicts lower levels of debt compared with the partial or no tuition support guarantee cohorts.
  - Fear of debt predicts lower levels of debt.
  
- Policy Implications for Tuition Waivers
  - Full tuition support lowers debt loads.
  - Anything less than full tuition support has less impact on graduates' levels of debt.



## What's Next for the Project?

Research Question 2: Do higher debt loads discourage law school graduates from pursuing a career in public service?



# Thank You

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