



Test optional admissions and student debt

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Abstract

Standardized tests were initially sold as a meritocratic way to determine college admission (Grotsky et al. 2008). However, standardized tests have come under increasing scrutiny. First, these tests are poor predictors of student performance (Hoffman and Lowitzki, 2005; Nettles et al., 2003). Second, as shown in Figures 1 and 2, students from lower SES (Socioeconomic Status) households and minority students score lower on standardized tests (Blau, Moller, and Jones, 2004; Camara and Schmidt, 1999; Freedle, 2003). Therefore, to attract a more diverse student body, many four-year colleges have switched to test-optional admissions policies. Though these policies vary by institution, most test-optional admissions policies do not require students to submit their test scores when applying to college (FairTest: The National Center for Fair and Open Testing, 2019). If these institutions are successful at attracting more lower SES students without altering the prices of attendance, the test-optional student body may accumulate more debt. Alternatively, these low SES students may receive more scholarship or financial support.

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Test Optional Admissions and Student Debt

Alexia Bevers and Dr. Sean Mulholland

BACKGROUND

Standardized tests were initially sold as a meritocratic way to determine college admission (Grodsky et al. 2008). However, standardized tests have come under increasing scrutiny. First, these tests are poor predictors of student performance (Hoffman and Lowitzki, 2005; Nettles et al., 2003). Second, as shown in Figures 1 and 2, students from lower SES (Socioeconomic Status) households and minority students score lower on standardized tests (Blau, Moller, and Jones, 2004; Camara and Schmidt, 1999; Freedle, 2003). Therefore, to attract a more diverse student body, many four-year colleges have switched to test-optional admissions policies. Though these policies vary by institution, most test-optional admissions policies do not require students to submit their test scores when applying to college (FairTest: The National Center for Fair and Open Testing, 2019).

Figure 1

1998 SAT Scores by family income

less than \$10,000/year	427	446	873
\$10,000 - \$20,000/year	451	463	914
\$20,000 - \$30,000/year	477	482	959
\$30,000 - \$40,000/year	495	497	992
\$40,000 - \$50,000/year	506	509	1015
\$50,000 - \$60,000/year	514	518	1032
\$60,000 - \$70,000/year	521	525	1046
\$70,000 - \$80,000/year	527	532	1059
\$80,000 - \$100,000/year	539	546	1085
more than \$100,000/year	559	572	1131

source: "News from The College Board," September 1, 1998

If these institutions are successful at attracting more lower SES students without altering the prices of attendance, the test-optional student body may accumulate more debt. Alternatively, these low SES students may receive more scholarship or financial support.

Figure 2

1998 SAT Scores for College-Bound Seniors

Approximately 1.2 million test-takers, 54% female

	Verbal	Math	Total
American Indian or Alaskan Native	480	483	963
Asian, Asian Amer., or Pacific Is.	498	562	1060
Black or African American	434	426	860
Mexican American	453	460	913
Puerto Rican	452	447	899
Hispanic/Latino	461	466	927
White	526	528	1054
Other	511	514	1025

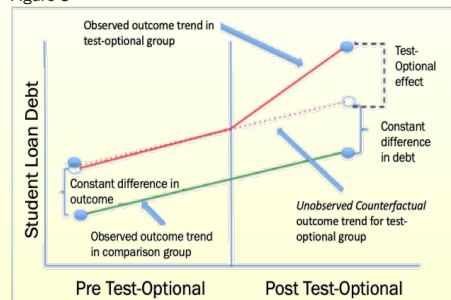
GOALS

- Test whether test-optional admissions policies alter student loan debt by using a difference-in-difference model.
- Determine if the correlation holds across various measures of student loan debt.
- Investigate whether the test-optional, student debt relationship is similar for public and private school students.

METHODS

We use a difference-in-difference (DID) method to investigate the relationship between test-optional policies on student loan debt. As shown in Figure 3, a difference-in-difference regression uses within-college (institution-level) variation in student-loan debt to empirically isolate the test-optional effect on student debt. We weight our results by enrollment so that schools with larger student bodies have higher weights than those with smaller student bodies. We lag the graduate debt measures so that our results give us the debt of graduates who were admitted under a test-optional admissions policy. Additionally, for some specifications, we include institution fixed effects, year fixed effects, and institution-specific time trends. We also control for the percent of full-time freshman who received any financial aid, the percent of students admitted to an institution, the average salary of full-time instructional faculty, and the total price for in-state students living on campus.

Figure 3



DATA

Data on student debt come from The Institute for College Access & Success. Information on when colleges switch to a test-optional admissions policy come from The National Center for Fair and Open Testing. Additional institutional characteristics come from the National Center for Education Statistics (NCES). Figure 4 shows the number of four-year institutions that switch to test optional admissions policies each year and the average debt of borrowers by graduating class for graduates of public and private schools.

Figure 4

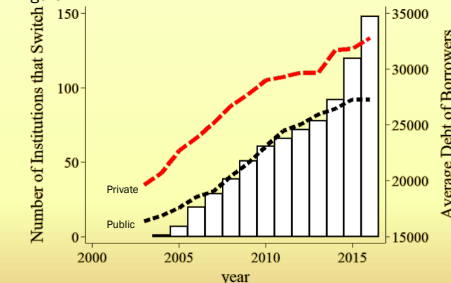


Figure 5

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
VARIABLES	Graduates with Debt (%)	Graduates Debt (\$)	Graduates with Debt (%)	Graduates Debt (\$)	Graduates with Debt (%)	Graduates Debt (\$)	Graduates with Debt (%)	Graduates Debt (\$)
Test Optional	-0.0298*** (0.0107)	1,316** (515.8)	-0.00463 (0.0134)	670.9 (881.8)	-0.0167 (0.0106)	1,113* (593.5)	-0.00604 (0.0127)	917.2 (701.0)
Observations	10,246	10,174	10,246	10,174	7,572	7,514	7,572	7,514
R-squared	0.805	0.784	0.883	0.867	0.835	0.815	0.906	0.894
Std. Errors Clustered By	Institution	Institution	Institution	Institution	Institution	Institution	Institution	Institution
Year FE	YES	YES	YES	YES	YES	YES	YES	YES
Institution FE	YES	YES	YES	YES	YES	YES	YES	YES
Overall Trend	YES	YES	YES	YES	YES	YES	YES	YES
Institution Specific Trends	NO	NO	YES	YES	NO	NO	YES	YES
Enrollment Weighted	YES	YES	YES	YES	YES	YES	YES	YES
Controls	NO	NO	NO	NO	YES	YES	YES	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

RESULTS

Our results, shown in Figure 5, reveal that when an institution switches to a test-optional admissions policy, the share of graduates with debt decreases by three percentage points (Column 2). However, graduate borrowers admitted under the test-optional policy owe \$1,316 (Column 3) more than those who were required to submit their test scores. When we include institution-specific trends, as in columns 4 and 5, we observe a similar relationship, but the results are no longer precisely estimated. Results are also less robust when institutional controls are included, although debt is still higher for test-optional admits.

To investigate whether our findings hold for public and private four-year institutions separately, we repeat the exercise above using public and private subsamples. Our results for public and private schools, not shown, reveal that public school students borrow more when an institution switches to a test-optional policy. For example, when including all controls, except institution-specific trends (as similar to column 7), public school graduates borrow \$2,100 more when admitted under a test-optional policy. As above, the results are not precisely estimated once institutional specific trends are included. We do not find statistically significant results when looking at private universities and colleges.

We find similar results for the average freshman loan debt and share of freshman loan debt. When an institution switches to a test-optional admissions policy, the share of freshman with debt decreases by three percentage points on average, but freshman admitted under the test-optional admissions policy owe \$243 more on average than those who were required to submit their test scores. This lower debt magnitude is to be expected because freshman only incur one year of debt, where graduates have accumulated up to six years of debt.

CONCLUSIONS

We find that students admitted under test-optional admissions policies graduate with more debt than students admitted under test-required admissions policies. However, we also find that a smaller fraction of graduates borrow under test-optional admissions. These effects are larger in absolute magnitude for public schools than for private schools. These results suggest that the variance in actual prices paid by students may increase when a school switches to a test-optional admissions program. Further research into the relationship between test-optional policies and need-blind admissions on student debt will shed light on potential explanations of increasing student debt.

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