Predatory Student Lending in Southeastern United States
A Campus Specific Study

Overview

Research has proven that predatory lending by for-profit colleges puts students in substantial debt for low-value education that is much more expensive as compared to training programs offered by similar not-for-profit colleges. This project compares enrollment demographics at specific for-profit campus with the demographics of the surrounding area and other local not-for-profit colleges using network analysis and examines whether race and type of school (for-profit or other) can predict higher financial aid. The intention is to demonstrate that a disproportionate amount of racial minorities attend for-profit colleges and take on more loans, as a result of targeted predatory lending practices.

Methodology

First, data was obtained from the Integrated Postsecondary Educational Database System on all Virginia College campuses and selected not-for-profit institutions. Educational data was taken for the year 2014 and included campus locations, student enrollment, racial demographics of enrolled students, and average financial aid of enrolled students, among others. Roads and census data, such as race and income, were also collected from the American Community Survey 2014 dataset for the area surrounding Virginia College’s Augusta, GA campus.

To determine an appropriate area of examination surrounding the Virginia College Augusta campus, a network analysis was conducted to find the census block groups that are located within a 45-minute driving distance of the VC Augusta campus. This sets a boundary for populations that may potentially attend the Augusta campus and are therefore possibly targeted for predatory lending.

Then, in GeoDa, a regression was run incorporating all Virginia College campuses and 47 other, not-for-profit colleges to find the significance of different factors in explaining higher financial aid. The independent variables were “percent enrollment of black or African American” and a “dummy variable” representing for-profit or other type of college. The dependent variable was “average amount of federal aid.” The results of the regression show which factors are significantly correlated with amounts of student financial aid.

Results

The regression and results show that both variables, percent of black or African American students enrolled at a college and whether the college is for-profit or not, are significantly correlated with higher financial aid throughout these colleges in the southeastern US. Attending the for-profit college is associated with a more than $2,000 increase in average financial aid and for every percent increase in black or African American students enrolled there is an associated approximate $14 increase in average financial aid. The R Squared valued of 0.47 indicates that these variables are moderate-effective predictors of variability in average financial aid.

A comparison of percentages of black and African American students enrolled at colleges within the network analysis boundary shows that the Virginia College campus enrolls more black and African American students than any other college in the area.

Discussion

The demographics comparison and regression results indicate that Virginia College appears to be targeting black and African American communities through the region to enroll in their programs, consistent with the original hypothesis. Enrollment in Virginia College is also associated with higher financial aid by students, according to the regression results. However, it is important to observe that there may be other variables not accounted for in this study. For example, this project does not examine whether other colleges in the area are discriminating against racial minorities, leading more black and African American students to attend for-profit colleges. Further research on this topic would examine a greater number of colleges expand into other geographic regions, include other racial minorities, and incorporate public transportation data along with roads into the network analysis.

References:
2. United States Census Bureau American Community Survey. 2014
3. Integrated Postsecondary Education Data System. 2014.
4. ESRI Streets.
5. ESRI World Map.

Figure 1: Locus view around focus area of Virginia College campus

Figure 2: Locations of Virginia College Campuses and other not-for-profit colleges

Figure 3: Average Amount of Loan Aid Received by First Time Students

Figure 4: Percent Black or African American Students Enrolled

Table: Predictor Variables, Coefficients, Significance

<table>
<thead>
<tr>
<th>Predictor Variables</th>
<th>Coefficients</th>
<th>Significance</th>
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<tbody>
<tr>
<td>For-Profit Institution</td>
<td>22291.98</td>
<td>0.000**</td>
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<tr>
<td>Percent of Black or African American Enrollment</td>
<td>14.533</td>
<td>0.083*</td>
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R Squared: 0.472 Adj. R Squared: 0.457
Observations: 73 Note: * = p<.1 ** = p<.001

Margaret Brown
Tufts University
USP 294 Advanced GIS