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## The Effects of Credit Status on College Attainment and College Completion

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### Abstract:

College students now use various forms of unsecured credit such as private student loans and credit cards to finance college. Access to these credit lines and the interest rates charged on these loans can vary significantly across credit scores. In this paper, we analyze if credit status, as measured by self-reported characteristics of an individual's credit standing, affects college investment. Using data from the Survey of Consumer Finances, we study a sample of young high school graduates to estimate how three different measures of credit status affect college attainment and completion rates. After correcting for selection and endogeneity issues, we find that credit status is more important the longer the student stays in college. For example, having bad credit significantly lowers the probability of completing a four-year college degree, but has a smaller (but significant) impact on attaining some college. We find robust evidence that credit status affects the intensive margin of college investment, but is less important for the extensive margin. Our results suggest that bad credit status, which lowers the availability of unsecured credit to finance college and thereby makes college investment more expensive, significantly reduces college completion rates.

**Text:** See [Discussion Paper No. 6719](#)



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