Trellis Strategies

SPOTLIGHT REPORT BRIEF
TRELLIS STRATEGIES | DECEMBER 2025

# The Hidden Cost of Transferring: Debt Challenges Facing Transfer Students

Morgan Beckham
December 2025

Beckham, M. (2025). The Hidden Cost of Transferring: Debt Challenges Facing Transfer Students. Trellis Strategies.

## Introduction

Nearly 40 percent of modern learners transfer between postsecondary institutions at least once during their studies, following a range of non-linear pathways.[1] Current state policies focused on improving student mobility centers mostly around linear transfer pathways, often not considering the 43 percent of students who transfer multiple times.[2] Among students who enrolled for the first time in 2012-13, about one in five transfer students attended three or more institutions through 2016-17.[3] As modern learners increasingly engage with multiple institutions throughout their academic journey, the need to support greater mobility across the higher education system continues to grow. Students often face barriers during the transfer process, including credit loss and less institutional aid, which can result in extended time to degree and overall potential increased debt from additional tuition costs and other expenses. These delays may also push students closer to their Title IV lifetime eligibility limits, including the Pell Grant Lifetime Eligibility Used (LEU) cap of 12 terms of full-time enrollment and federal loan borrowing limits, further impacting their ability to finance and complete their degree. Traditional credit transfer systems do not fully support the many pathways today's learners take during their educational journey, with transfer students losing over 40 percent of their accumulated credits on average.[4] Rising college costs and higher living expenses also highlight the importance of understanding how transferring affects affordability and debt. Data from the National Student Clearinghouse Research Center indicate that two-to-four-year transfers account for the largest share of transfer enrollment, comprising 42 percent of transfer students in Fall 2024.[5] Given the prevalence of two-to-four-year transfer students, this brief examines the financial implications of debt among transfer students at four-year institutions, using data from the 2024 implementation of Trellis Strategies' Student Financial Wellness Survey (SFWS).[6]

## Trends in Transfer Enrollment

Results from the 2024 SFWS indicated that 32 percent of students at four-year institutions transferred from another institution, compared to 22 percent at two-year colleges. This suggests that transfer activity is more prevalent among students currently enrolled in four-year programs, possibly reflecting upward mobility from two-year community colleges or lateral movement between four-year institutions. Transfer enrollment at four-year institutions varies by gender and race. Female survey respondents reported a slightly higher transfer rate (27 percent) than male respondents (25 percent), while a small percentage of male students (2 percent) were unsure of their transfer status. Black students had the highest reported transfer rate at 29 percent, followed by white students at 27 percent, and Hispanic students at 23 percent.

Among students 25 years and older, a striking 40 percent had transferred, compared to 21 percent of their peers under age 25.

Age was one of the most significant factors. Among students 25 years and older, a striking 40 percent had transferred, compared to 21 percent of their peers under age 25. This aligns with broader patterns of modern learners navigating complex educational pathways, often balancing work, family, and school.[7,8] Enrollment status further shaped transfer outcomes, as part-time students were more likely to have transferred (30 percent) than full-time students (24 percent), underscoring the fluidity of academic trajectories among students with non-traditional schedules or competing responsibilities. These transfer enrollment trends have important implications for students' financial experiences, particularly around debt and repayment.

The 2024 SFWS also revealed differences in how students perceive their roles related to work and school. Thirty-seven percent of transfer students considered themselves "workers who go to school," compared to 20 percent of non-transfer students. While 80 percent of non-transfer students identified as "students who work," 63 percent of transfer students did so. This prioritization of identities may reflect the increased competing demands of employment and education among transfer students, reflecting potential implications for academic engagement, financial aid usage, and support service needs.

## Financial Implications of Transfer

Students who have transferred between institutions can experience long term financial challenges due to reasons that may often be overlooked, including credit loss, changes in

cost of attendance, potential loss of scholarships, and adjustments to financial aid packages. When students transfer between institutions, the amount of financial aid that they qualify for may change based on the new school's cost of attendance, financial aid program participation, and other factors.[9]

In addition, schools often do not offer the same amount of institutional aid to transfer students compared to first-time, non-transfer students. Data from the National Postsecondary Student Aid Study (NPSAS:20) shows that students who attended two institutions during the 2019-20 academic year were 34.6 percent less likely to receive institutional aid compared to students who stayed at one institution.[10] This disparity in aid can potentially contribute to transfer students taking out more loans and increased cumulative debt, which may be compounded by gaps in financial knowledge or advising during the transfer process.

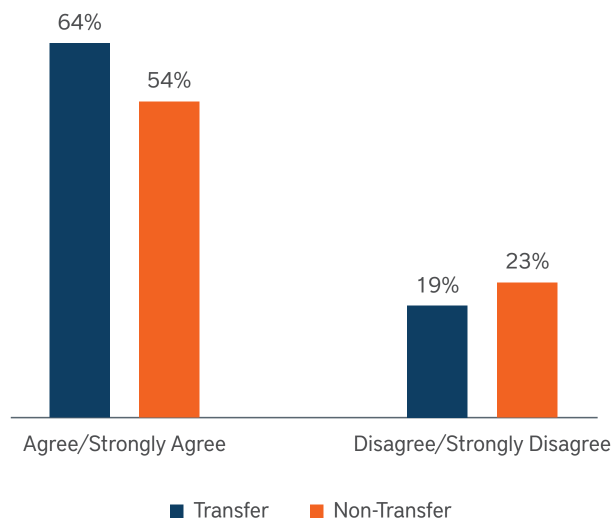
According to the 2024 SFWS, 15 percent of transfer students at four-year institutions did not complete the FAFSA (Free Application for Federal Student Aid) in the past year (from October to November of 2024). Among transfer students who decided not to complete the FAFSA, over half (52 percent) believed they were ineligible for financial aid. Financial aid packages do not automatically carry on when students transfer, making it essential to update the FAFSA to establish eligibility at their new institution.

When transfer students skip or miss this step, they risk missing out on federal grants and loans, resources that are especially critical during this transition. These findings highlight the importance of proactive and informed financial advising for transfer students. Ensuring students understand their aid options before and after transferring is key to minimizing unnecessary debt and improving financial outcomes.

## Debt and Repayment Expectations

Among students at four-year institutions in the 2024 SFWS, 64 percent of those who transferred reported having more debt than expected, compared to 54 percent of non-transfer students. This could suggest that the transfer process often contributes to more unexpected financial burdens. Additional research highlights the hidden financial costs transfer students face while enrolled. Credit loss during transfer is a major contributor to increased costs, with transfer students losing an average of 9 to 10.6 credits, and some analyses showing losses as high as 25 credits.[11,12] These lost credits translate into additional tuition, fees, and living expenses. For example, students transferring to public four-year institutions may incur up to $13,081 in extra costs, while those transferring to private four-years may face up to $26,396. Even after accounting for financial aid, transfer students may need to borrow an additional $2,747 to $5,543, pushing them closer to federal borrowing limits and exhausting Pell Grant eligibility.[13]

**Q65: I have more student loan debt than I expected to have at this point.* (of those who indicated having a student loan they took out for themselves)**

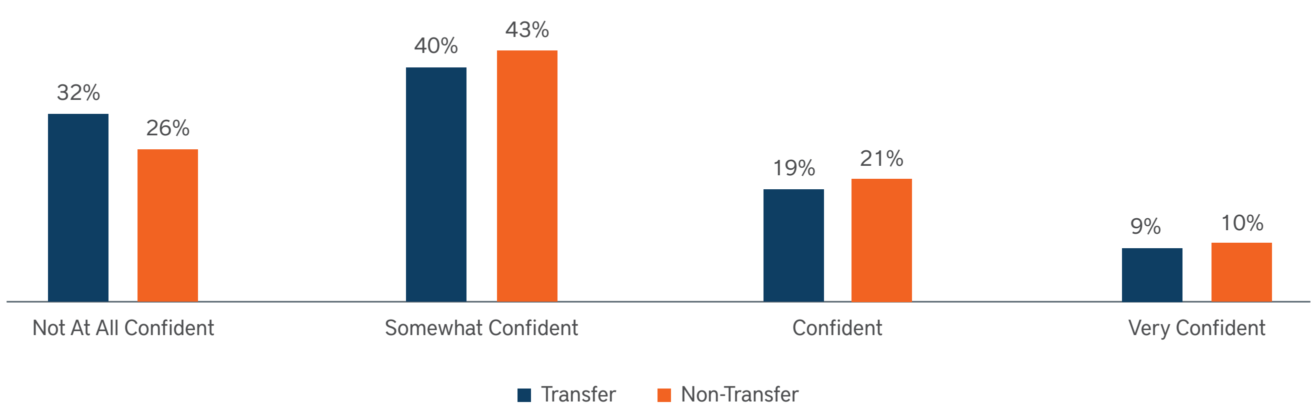


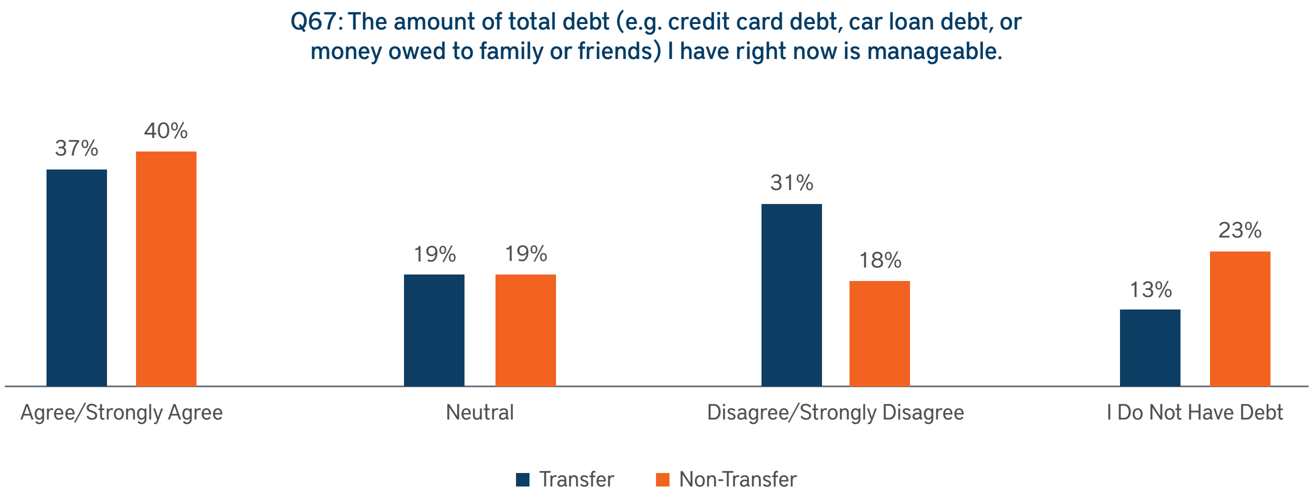

**Thirty-one percent of transfer students did not find their debt to be manageable, approximately 1.7 times the rate of non-transfer students (18 percent).**

When asked about their confidence in repaying student loan debt, 32 percent of transfer students said they were not at all confident, compared to 26 percent of non-transfer students. These findings point to heightened financial anxiety among transfer students, which may be compounded by disrupted academic trajectories.

Transfer students frequently expressed greater difficulty managing their total debt, including debt from credit cards, car loans, and money borrowed from their social network. Thirty-one percent of transfer students did not find their debt to be manageable, approximately 1.7 times the rate of non-transfer students (18 percent). Transfer students were also less likely than non-transfer students to report having no debt (13 percent vs. 23 percent), suggesting a broader financial strain that extends beyond student loans.

**Q66: How confident are you that you will be able to pay off the debt acquired while you were a student? (of those who indicated having a student loan they took out for themselves)**






In addition to increased debt concerns, the majority of transfer students were working full-time or part-time while enrolled. According to the 2024 SFWS results, 74 percent of transfer students were working for pay at the time of the survey. Notably, 51 percent of transfer students indicated that the main reason they work during school is to pay for their education, underscoring the financial pressure many may face.

## Conclusion

With transfer students comprising a substantial share of college enrollment, data from the 2024 SFWS highlights the added financial complexity that often accompanies their academic journeys. From unexpected debt and reduced access to financial aid, to needing to work while enrolled, transfer students face distinct challenges that can hinder both educational progress and financial stability. These barriers frequently lead to delayed graduation and increased overall costs. Addressing these issues requires intentional, systemic strategies that go beyond individual academic and financial advising. Institutions must prioritize reforms that streamline credit transfer processes, broaden access to institutional aid, and respond to the unique needs of transfer students. By doing so, we can help ensure that mobility within higher education enhances opportunity without compromising affordability or student well-being.

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