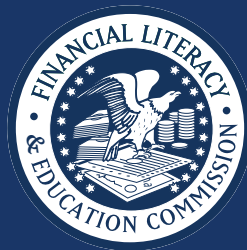


# Opportunities to Improve the Financial Capability and Financial Well-Being of Postsecondary Students

Submitted by

The U.S. Financial Literacy and Education Commission

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## INTRODUCTION

Postsecondary education is essential to the economic health of our nation and to the economic opportunity of many Americans. Despite the importance of attaining postsecondary education, the cost of higher education may prevent some students and families—especially those from low- and middle-income households—from obtaining it. Students and families make important financial decisions regarding higher education, including whether to go to college, where and what types of institutions they should apply to, what college to attend, and how to pay for their education. The choices they face are complex, and, for millions of students, financing higher education involves taking on debt, especially federal student loans. In addition to making choices about college<sup>1</sup> and how to pay for it, young adults make a number of other important financial decisions during college—from opening a bank account to using credit cards to making a variety of spending decisions—often for the first time, making college an important opportunity to address the financial capability of students and their families. The number and complexity of these decisions underscores the need and provides an important “teachable moment” to increase the financial capability of young people by equipping them with the information, resources and tools they need to make sound financial decisions before, during, and after college. Building financial capability is an important strategy for promoting not only college access and completion, but also life-long financial health. Non-traditional students, including working adults, face many similar challenges and opportunities in navigating higher education decisions, as well as additional challenges in managing their more complex financial lives.

The link between education and economic mobility is clear. Children born in bottom quartile of the income distribution have a four times greater likelihood of moving into the top quintile if they have a college degree (Haskins et al. 2009). Yet the cost of college and the amount of student loan debt have risen substantially in recent years. As of the end of March 2015, outstanding federal student loan debt stood at over \$1.1 trillion and there were more than 41 million federal student loan borrowers (U.S. Department of Education 2015). In addition, while the vast majority of outstanding student loan debt is for federal loans, many borrowers also have a significant amount of private student loan debt. According to a November 2014 report, nearly 70 percent of graduating seniors from public and private nonprofit colleges in 2013 had federal student loan debt that averaged \$28,400. Evidence also suggests that bachelor’s degree recipients from for-profit colleges are even more likely to have loans and higher debt balances on average (The Project on Student Debt 2014).

High levels of student debt can hamper recent graduates as they start their adult lives and careers, influence their choice of job, location, or the decision to pursue further education (Asher 2009). At the same time, student loans are a vital source of financing for students looking to pursue higher education and, if managed appropriately, student loan debt is generally a worthwhile investment that enables individuals to receive the skills and training they need to be competitive in a dynamic global economy.

In addition to decisions about paying for higher education, students face other financial choices while in college, such as deciding whether to take on consumer debt as well as selecting and managing transaction account products. As students leave college and transition to the workplace, they are faced with a series of

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<sup>1</sup> In this report, we use the terms college, higher education, and postsecondary education interchangeably, and are intended to include a range of postsecondary educational institutions, including all programs eligible to accept and distribute Title IV or Federal Student Aid, including less-than-two-, two- and four-year programs.

important financial decisions on everything from budgeting to securing health insurance to saving for retirement. Possessing the skills, information, and tools necessary to make effective financial decisions will help to ensure that young people are able to make the right decisions before and after college so that they can begin to build their financial futures.

To address these needs, this report has been prepared by the Financial Literacy and Education Commission according to Section 1042 of the Higher Education Opportunity Act of 2008 and describes the state of financial education among students at covered educational institutions. The report describes current efforts to enhance financial education in a number of institutions with respect to student understanding of financial aid, along with other financial education topics at two critical junctures:

- Choosing Where to Go and How to Finance Postsecondary Education; and
- Making Sound Financial Decisions When Enrolled and Beyond.

The body of the report describes issues in those two areas and policies and resources to address them. Further, in developing this report, we sought to identify programs that promote or enhance financial literacy for students, including those that involve partnerships between nonprofit organizations. Appendix A details a number of financial education programs and resources that hold promise for effectiveness and notes instances where programs have been evaluated and can demonstrate measurable results.

Young people should be equipped with the skills and information they need to make sound financial choices. This report focuses on opportunities to improve financial readiness through postsecondary education. This report documents existing strategies and tools employed by the federal government to improve

student understanding of student debt. This includes understanding financial aid and their obligations and rights as student loan borrowers, as well as other financial decisions made by students. Additionally, the report describes the activities of a number of higher education institutions and certain other entities, with a particular focus on the direct efforts of colleges and universities to provide financial education and counseling to currently enrolled students (Section II and Appendix A). The report concludes with a series of recommendations for how institutions of higher education can better equip students to make critical financial decisions. The Commission hopes and anticipates that higher education institutions and other organizations will expand and enhance the delivery of financial education and financial decision-making tools and resources that will help students throughout their postsecondary education and into a more financially secure future.

## SECTION I.

# CHOOSING WHERE TO GO AND HOW TO FINANCE POSTSECONDARY EDUCATION

When deciding to pursue a postsecondary education, students and their families will make a number of financial decisions that will have lasting impacts on both educational attainment and long-term financial well-being. These decisions include when and where to attend college, how much to spend, and how much to borrow for their higher education. The latter decisions require being able to successfully navigate the financial aid process. Many students whose parents are not prepared to guide them successfully in these decisions must face financial aid and other choices with little support and may have difficulty completing the process without one-on-one counseling. For instance, students whose parents do not speak English or who live in households without Internet access may struggle to navigate the financial aid process (Burdman 2005) and would benefit from additional guidance. Understanding the cost of college and available aid also makes a significant difference in choosing a college. For many students, the annual sticker price of attending an institution appears much higher than the net price, which is the amount a student pays for an academic year after accounting for aid that a student does not need to pay back (which includes grants and scholarships). Studies show that many families overestimate college costs and are therefore less likely to send a child to college. This may be especially true for low-income students, who are already more likely than their upper-income peers to be pessimistic about their ability to pay for college (Avery and Kane 2004; Dynarski and Scott-Clayton 2008). For those attending college, recent research also suggests that most full-time, first-year, undergraduate students inaccurately estimate how much student debt they have, with approximately half of students substantially underestimating and roughly a quarter of students overestimating their student debt (Akers and Chingos, 2014).

### **Policies and Resources to Help Students Make Decisions on College Choice and Financing**

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Given the implications of postsecondary education financing for individual financial well-being in the short- and long-term, providing families with timely and accurate information, along with tools and guidance for navigating the financial aid process, is critical. Detailed below are a number of federal tools available to students and families. Many of these tools have been developed and enhanced in the last several years. They are designed to create more transparency in the higher education marketplace and to help students find programs and financing that best meet their needs, and better understand both their rights and their obligations as student loan borrowers.

### **Tools for Navigating the College Search and Decision-Making Process**

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*College Scorecard.* In 2015, the U.S. Department of Education released a redesigned College Scorecard, built with direct input from students, families, and their advisers. It provides clear, accessible, and reliable national data to help them make informed decisions about where to enroll in higher education. The College Scorecard provides key indicators about college costs, graduation, and post-college earnings of institutions across the country to help students select a college that is priced affordably and is consistent with their educational and career goals. The College Scorecard also enables individuals to choose among a number of options based on their own needs—including location, size, and degree and programs offered. Moreover,



the Scorecard includes critical information about college outcomes including: graduation rate, student loan repayment rate, average amount borrowed by graduating students, and share of former students earning more than the average high school graduate.

Additionally, the 2015 College Scorecard release included new, comprehensive and updated data on higher education institutions, made available to the public for the first time. Because these data were published through an open application programming interface (API), researchers, policymakers, and members of the public can customize their own analysis of college performance more quickly and easily. Already, many organizations have stepped forward to pull the Scorecard data into their own customized tools for students.

**Paying for College Compare Financial Aid Offers.** In 2012, the Consumer Financial Protection Bureau (CFPB) launched the Paying for College Compare Financial Aid Offers tool to help families decipher how much a college degree will actually cost and estimate how much a student will owe in student loans post-college. The cost comparison worksheet allows users to input their financial aid offers, pulls in data from the College Scorecard and compares up to three institutions at a time.

**Financial Aid Shopping Sheet.** In 2012, the U.S. Department of Education released the “Financial Aid Shopping Sheet,” which is a template for institutions to use to inform students of their financial aid packages. After students have been accepted into an institution, the Shopping Sheet provides them with a clear and comparable indication of the costs and the types of grants and financial aid for which the students are eligible. Since its implementation, approximately 3,000 institutions—representing more than two-thirds of the total undergraduate population—have voluntarily adopted the forms.

**Net Price Calculator.** The Higher Education Opportunity Act of 2008 requires that all colleges

participating in federal student aid programs must post a net price calculator on their websites to allow students to estimate the cost of attending their institution (U.S. Department of Education 2011). The calculator combines institutional data with data provided by the prospective student on his or her individual circumstances in order to provide a bottom-line cost on what a student and his or her family will have to pay in work, savings, and loans (that is, the full cost of attendance minus any grants or scholarships). Links to the Net Price Calculator as well as the Financial Aid Shopping Sheet, The College Scorecard and other key comparative resources for students and families can be found online on the College Affordability and Transparency Center web portal at [www.collegecost.ed.gov](http://www.collegecost.ed.gov)

### **Tools for Navigating Postsecondary Education Financing and Repayment**

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**StudentAid.gov.** In 2012, the U.S. Department of Education’s Office of Federal Student Aid announced a new, streamlined website and several social media tools that make it easier for students and families to navigate the financial aid process and make informed decisions about paying for college. StudentAid.gov is the initial step in a multi-phase project to offer a “one-stop shop” where consumers can access federal student aid information, apply for federal aid, manage student loans and understand their rights and responsibilities as borrowers, as well as navigate the college decision-making process. Available in English and Spanish and fully accessible on smartphones and tablets, the website combines content and interactive tools from several websites and features instructional videos and infographics to help answer frequent questions about financial aid. Additionally, the Department revamped its federal student aid-related social media sites, including Facebook (<http://www.facebook.com/FederalStudentAid>), Twitter (<http://twitter.com/FAFSA>), and YouTube (<http://www.youtube.com/federalstudentaid>), to provide more options for students to

learn about student aid. Among the resources available on *StudentAid.gov* are:

**FAFSA Completion Tool.** This tool was created to help financial aid professionals, secondary school administrators, and other practitioners track and increase FAFSA completions. The tool provides every high school in the US whose students have completed five or more FAFSAs with the number of submitted and completed applications in the current year, as well as comparison information from previous years as available. By posting FAFSA submission and completion totals weekly, counselors and administrators will have access to current data to more accurately gauge the impact of outreach efforts and identify successful local strategies. Data for the high school graduating class of 2015 is now available on *StudentAid.gov*.

**Repayment Estimator.** The Department of Education's Repayment Estimator provides borrowers with a comparison of estimated monthly payment amounts for all federal student loan repayment plans, including plans where borrowers' monthly payments are based on their income. Federal student loan borrowers can choose to login to the Repayment Estimator to receive personalized estimates of their monthly federal student loan payments, projected loan forgiveness, total interest and amounts paid, the length of the repayment period under various repayment plans. Borrowers can also enter estimated data without signing in to the Repayment Estimator to compare the various repayment plans.

**Simplified Financial Aid Application.** The Free Application for Federal Student Aid (FAFSA), the application that all students applying for federal aid must complete, has been simplified in response to criticism that it was overly complex and lengthy. These changes, which apply to the online application used by almost all applicants, were put into place in 2009 and early 2010. They included the following: instant estimates of Pell Grant and federal student loan eligibility, fewer and less onerous

questions, and allowing students to download their tax data from the Internal Revenue Service (IRS) into the form directly (U.S. Department of Education 2009).

Past research has found that the complexity of the FAFSA rivaled that of the federal tax form (Dynarski and Scott-Clayton 2008). Data from the U.S. Department of Education indicates that, following the recent changes, the FAFSA now takes only an average of 20 minutes to complete. As a result, the number of students who successfully completed the FAFSA form has increased by more than 30 percent since 2009. (U.S. Department of Education 2013). Applicants can now also receive an online estimate of the size of their aid package (Marini, 2015).

### Other resources include:

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**Financial Awareness Counseling Tool (FACT).** A new online, interactive loan counseling tool, FACT (<https://studentloans.gov/myDirectLoan/financialAwareness-Counseling.action>) aims to help students and families to better manage their finances and understand their obligations and rights as borrowers. By featuring personalized information about students' debt, budgetary and financial templates, and information on all aspects of the loan process, FACT has been designed to be educational yet engaging.

**Financial Aid Toolkit.** The U.S. Department of Education's Office of Federal Student Aid launched (December 2013) an online "one-stop shop" toolkit aimed at guidance counselors and other advisers, such as mentors or volunteers at community-based organizations, who assist students through the process of selecting and financing their higher education. The Financial Aid Toolkit available at *FinancialAidToolkit.ed.gov* consolidates financial aid resources into a searchable online database, making it easy for individuals to quickly access the information they need to support their students. The searchable library provides information covering the



entire financial aid lifecycle from applying for financial aid to repaying loans and includes items such as financial aid night presentations, brochures, videos, and sample tweets and Facebook posts. It also offers training opportunities and resources for self-instruction. The toolkit is an easy-to-use resource that was developed in response to requests from the financial aid and college counselor community. By equipping counselors and mentors with financial aid information in an easy-to-use format, the U.S. Department of Education can help to ensure current and potential students are getting the assistance they need to successfully navigate the process of planning and paying for a postsecondary education.

### **Other Federal Policies and Resources**

**CFPB's Private Student Loan Ombudsman.** The Dodd-Frank Wall Street Reform and Consumer Protection Act established a private student loan ombudsman within the Consumer Financial Protection Bureau (CFPB). Pursuant to the Act, the ombudsman prepares annual reports, which may include recommendations to the Secretary of the Treasury, the Director of the CFPB, the Secretary of Education, and Congress. The CFPB entered into a memorandum of understanding with the U.S. Department of Education to coordinate on student loan complaints, began accepting student loan complaints at *ConsumerFinance.gov* in March 2012, and has released a number of consumer education tools to assist borrowers. These tools provide borrowers with information on how to identify payment plans, determine what loans they have, and get out of default.

**U.S. Department of Education's Student Loan Ombudsman.** The Federal Student Aid (FSA) Student Loan Ombudsman was established by 1997 amendments to the Higher Education Act to help resolve complaints on all federal student loan programs, including Direct Loans, Federal Family Education Loans, and Perkins loans. The FSA Ombudsman assists with

informal resolution of student loan issues ranging from selecting an affordable repayment plan, explaining account balance calculations, and getting a loan out of default. Through a memorandum of understanding, the FSA Ombudsman supports federal student loan customers with private loans by transmitting complaints from private loan customers to the CFPB. The FSA Ombudsman issues a report annually on its activities as part of the annual report submitted to Congress by the Chief Operating Officer of Federal Student Aid.

**Data and Smart Disclosure.** In 2011, President Obama unveiled the Federal Task Force on Smart Disclosure. Its mission was to make potentially useful government data available to the public in a way that would help consumers make smarter financial decisions. Better data availability should spur the development of tools and applications that can help consumers and will also help financial institutions and other businesses better understand the needs of their customers. For example, one entrepreneur has created an aggregator of college's net price calculators to help students compare value across colleges without having to go to every website to access the calculator.

## SECTION II.

# MAKING SOUND FINANCIAL DECISIONS WHILE ENROLLED IN COLLEGE AND BEYOND

Once enrolled, college students face many financial decisions with lasting consequences, yet many may not be equipped with the knowledge and skills they need to make these decisions effectively. One survey found that students at both four- and two-year institutions felt less prepared to manage their money than to keep up with coursework, stay organized, manage time, or, in many cases, find the help and resources to succeed (Money Matters on Campus 2015). The financial capability and well-being of college students matter, for the likelihood both of earning a degree and of achieving financial security after graduation. Higher education institutions and their partners have the ability to substantially impact students by helping them make more informed financial choices while in college and by better preparing students for post-college decisions such as employment, managing debt and expenses, and starting to plan, save, and invest for the future.

**Financial Capability and Student Success.** Research indicates that financial capability and positive academic outcomes are often correlated. College students who exhibit positive financial behaviors perform better academically (Xiao, Tang and Shim 2009). Shim, Xiao, and colleagues (2009) surveyed 781 college students and found that student debt is related to academic performance. Moreover, a number of studies have found that college students' financial well-being is positively correlated with academic progress, mental and physical well-being, and the ability to find employment after graduation (Adams and Moore 2007; Bodvarsson and Walker 2004; Cude et al. 2006; Lyons 2003, 2004; Shim, Xiao, et al. 2009). For example, one in three students reports his/her financial situation is "likely" or "somewhat likely" to affect their ability to complete a

college degree (Lyons 2003). In addition, large amounts of debt accumulated in college may contribute to academic failure (Parks-Yancy, DiTomaso and Post 2007) as well as future financial hardship (Roberts and Jones 2001). Higher rates of financial literacy can also lower college dropout rates (Lyons 2003) and promote timely payment and management of tuition.

**Supporting Lifelong Financial Capability.** Colleges and universities have incentives to produce alumni who are successful in their careers, reflect well on their universities, and repay student loans (which helps to lower an institution's cohort default rate and maintain its eligibility for federal financial aid). Improving the financial capability of students while they are enrolled can help students achieve success both during and after graduation. While in college, students should develop sound financial practices that will set them up for effective personal financial management when they leave college. Institutions of higher education can encourage this development by offering financial education and counseling resources, especially education that focuses on such relevant topics as budgeting and managing student debt. Examples include entrance and exit counseling for student loans, offering classes in personal financial management, and promoting a culture on campus that values responsible financial decision-making and discourages excessive spending in order to fit in. Students may be particularly interested in programs that help students navigate the financial aid process and programs that focus on improving the short- and long-term costs associated with education loans and other debt assumed while in college, their repayment obligations, and their protections as borrowers. Financial education programs, one-on-one counseling,

and innovative personal financial management tools can help equip students and graduates with information and skills to effectively manage their finances while in college and manage repayment of their student loans once they have left.

### Financial Decisions Facing Currently Enrolled Students

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Decisions about financial aid are only one aspect of financial capability for college students. College is often the first time that young people make financial decisions on their own, including those about housing, discretionary spending, banking, and the use of consumer credit. These decisions and the habits that are developed not only affect students while in college, but have implications for their ability to repay student loans and begin building assets once they leave college. Some young adults enter college without ever having been responsible for their own personal finances, yet once enrolled they are left to navigate a complex financial world on their own. Non-traditional students may be more likely to have some experience managing their finances, but still face many of the same financial decisions while in college.

**How much to work.** Many students need to work while attending college. Students must balance the need to earn money for college expenses against the class schedule constraints and time commitment required for academic success. In addition, some decisions—for example, how much to work—may be of particular importance to part-time students or community college students, given that 59 percent of students at two-year institutions attend on a part-time basis compared to 23 percent of students at four-year institutions as of fall 2012 (National Center for Education Statistics, Characteristics of Postsecondary Students).

Public Agenda (2009) surveyed more than 600 adults age 22 to 30 and found that, among those who started

college but did not complete a degree, the primary reason for leaving was that they found balancing work and school too stressful. For many working students, the decision regarding how much to work may also affect how many courses they take in a semester, potentially influencing not just how much the student may take out in loans, but also how long it takes them to graduate and how soon they are able to participate in the workforce and earn money after graduation.

**How much to spend and the value of budgeting.** Students have many expenses associated with college and moving away from home, such as renting an apartment, purchasing or leasing a car, buying books and supplies, and traveling home. The size and nature of these expenses will vary depending on a number of factors, including whether students attend college at or near their home communities. Students may not be accustomed to keeping a budget and may come from households where budgeting is not a priority (Mandell 2008). Colleges and universities can help students make better decisions about how much to spend by offering classes in personal finance and by providing counselors and resource centers to help guide students to better financial management. Resources on student budgeting can be found at [www.studentaid.ed.gov/sa/prepare-for-college/budgeting](http://www.studentaid.ed.gov/sa/prepare-for-college/budgeting).

**How to manage credit cards.** Increased use of credit cards by college students has generated a concern among many that credit card debt puts college students at greater risk for financial problems after graduation (Cude et al. 2006). Credit cards are a major source of debt among college students and credit card debt is linked to increased stress and anxiety, which in turn has consequences for academic performance and long-term financial health (Adams and Moore 2007; Bodvarsson and Walker 2004; Cude et al. 2006; Lyons 2003, 2004; Shim, Xiao, et al. 2009). According to a 2012 Sallie Mae report on undergraduate students' credit card use, about 35 percent of undergraduate students used a

credit card. Of those with a card, the average balance was \$755 and approximately two-thirds report carrying a balance on their card (Sallie Mae).

**How to use a bank or credit union account.** Along with managing student loan disbursements, many students will make their first decisions about a transaction (checking) account to use for their regular expenses. Students may have an array of choices from large banks, to community-based banks and credit unions, to pre-paid debit cards (which may be tied to their student ID), without much guidance on how to make the best selection. The CFPB has indicated that while many such products offered have the imprimatur of the college or university, such products may not be better than other options which may offer more attractive features like automatic reimbursement of fees charged by third-party operated ATMs; nevertheless many students may believe that a university-branded product is their best or only choice for such services (Consumer Financial Protection Bureau 2014). The CFPB has also noted that many of these agreements between financial institutions and higher education institutions are not disclosed, and that increased transparency may be helpful to students in making their decisions (Consumer Financial Protection Bureau 2014). The CFPB has also developed on-line information to help students navigate these choices on [www.consumerfinance.gov/paying-for-college](http://www.consumerfinance.gov/paying-for-college).

**Managing household finances (for adult students).** Adult, non-traditional students may face additional financial decisions while attending college, whether full- or part-time. These students may be looking to increase their earnings in their current field of employment, or gain skills to find a new job. Adult students, especially those who are parents, will need to manage other household expenses, including childcare, housing, and family needs, and may need guidance on how to access benefits and other resources to help them meet existing needs while obtaining their advanced education. For

these students, many of whom are students at community colleges, financial education and support that helps them address family support needs will enable them to more successfully complete their education, and attain a career (Working Families Success Strategy College Implementation Guide 2013).

### Financial Decisions Facing Recent Graduates

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**How to Effectively Manage Student Loan Debt.** Recent graduates or students who have separated from their postsecondary institution without earning a degree will find themselves entering the student loan repayment phase. Managing student loan debt can be complicated. Some students have both federal and private loans, and each loan may come with different benefits and protections that can be confusing to the borrower. Borrowers may have multiple loans distributed to different servicers, so they need to contact more than one entity to manage their loans. Delinquent and defaulted loans can damage a person's credit and so it is critical that borrowers understand all of their options and responsibilities once they leave college.

**How to Manage Salary and Benefits and Plan for the Future.** Graduates entering the workforce will face a number of important decisions for the first time, including critical decisions about employment benefits, saving for retirement, managing current expenses such as living expenses, and whether and how to make long-term investments such as a home purchase. Decisions about which goals to prioritize—repayment of student loan or consumer debt, saving for emergencies or asset purchases, participation in a workplace benefits plan—will have important implications for an individual's financial trajectory.

**Pursuing additional postsecondary education.** Some students who earn a degree decide to return to college for another, often higher-level, degree. Community



college graduates might subsequently choose to pursue a bachelor's degree, while bachelor's degree holders might decide to pursue graduate studies. In many cases, this decision involves taking on additional student loans and many of the same types of financial decisions from the student's initial postsecondary experience. While some students may be returning to college after time in the workforce, many others face this decision prior to graduation as they weigh whether to continue their postsecondary education or move into the workforce.

### **Improving the Financial Capability of Enrolled Students—Institutional Efforts**

The literature review and interviews conducted for this report reveal that financial education, even among postsecondary students, is a very diverse subject, and programs differ in their goals and areas of focus. Ideally, a comprehensive strategy to improve financial literacy would include programs that effectively increase knowledge, promote sound financial behaviors, and build positive financial attitudes and confidence. There is still much to learn about what works in order to meaningfully improve existing financial capability interventions in higher education. Yet research shows that financial education for this population may improve financial knowledge. For example, Peng and colleagues (2007) investigated the link between financial education and financial knowledge by looking at the impact of financial education delivered in high school and college. They found that participation in a college-level personal finance course was associated with higher levels of investment knowledge. Moreover, Shim, Xiao, and coauthors (2009) found that those who took personal finance and economics classes better understood financial matters. An overview of program specific evaluations is described below.

College is a formative moment in the financial lives of young adults and other students. The institutional context also provides a unique and important opportunity

to engage with students and help improve their financial capability and financial decision-making. Seizing this opportunity, a range of institutions have implemented some form of financial education program for students. Appendix A provides a summary of several programs currently being offered, including the curricula being used and topics covered, as well as a detailed discussion of ongoing efforts to evaluate their effectiveness.

In general, the financial education programs reviewed for this report share a number of common features, regardless of whether they are made available by colleges, nonprofits, or others. Goals of financial education intervention efforts range from increasing knowledge of various financial topics to changing behavior to promote an individual's financial stability. Programs engage in both prevention (e.g., teaching students how to avoid overspending and how to effectively manage credit) and intervention (e.g., identifying loan repayment plans, improving credit scores). Programs may provide information and tools to reduce debt, build wealth, or both. Common financial education offerings include:

- brochures or fact sheets with summaries of financial education topics;
- online calculators or tools to plan savings or debt repayment;
- presentation slides and notes; and
- links to other resources and websites.

Programs associated with student loan providers and guarantors often include entrance and exit counseling to satisfy federal student loan requirements. University programs with available staff also provide counseling, generally more broadly than exit counseling for student loans. Financial education programs also differ in the breadth of material covered. Certain programs provide comprehensive financial education, extending

even to raising a family and planning for retirement. Most program offerings, however, are less comprehensive, focusing on a few key topics.

In addition to variation in the degree of personalized feedback, financial education programs vary in how they attain student participation. Many programs use the student audience participating in a mandatory first-year orientation to provide their services. Others require students to attend one-credit courses, or they deliver lectures on financial education during scheduled classes. In contrast with these more active engagements, some programs operate as resource centers for students to use without actively seeking out students.

Substantial opportunities exist for institutions of higher education to test strategies to build the financial capability of students and prepare them for their future financial lives. These approaches can build on strategies that have been used to date, as described in Appendix A, and new approaches. Institutions of higher education may also consider what tools they could use to create a culture on campus that is more supportive of healthy financial behaviors, as they have in other areas, such as more energy-efficient campuses. Colleges and universities can also harness their unique expertise and resources to thoroughly research and assess initiatives, and thereby add to the field of knowledge about financial capability.

### Existing Evaluations

Few evaluations exist of financial education programs used in postsecondary education settings. The most comprehensive evaluations available are for the University of Arizona's Credit-Wise Cats program, the FDIC's Money Smart curriculum, and FINRA's [loveyourmoney.org](http://loveyourmoney.org). Nevertheless, the evaluations show generally positive impacts of existing financial education programs.

The University of Arizona's Credit-Wise Cats financial education seminar was evaluated by Borden and

colleagues (2008) testing knowledge of good financial management practices and planned financial behaviors before and after the seminar. Students' financial knowledge attitudes toward credit significantly improved after the Credit-Wise Cats seminar. The likelihood that a student viewed a credit card as an opportunity to build credit through deliberate but limited use showed an increase between the pre- and post-tests, and there was a significant decrease in the number of students planning to take behaviors defined as riskier, such as using a cash advance on a credit card or exceeding credit limits. No control group was used for the study, but the short time span between the pre-test and the post-test suggests that any changes are attributable to the seminar. It is unclear how persistent these findings are over time.

The FDIC has produced an intermediate-term impact evaluation of the Money Smart financial education curriculum, across various sites (of which two out of 68 were higher education institutions) (FDIC 2007). The evaluation found that Money Smart participants improved their financial behaviors after the course, as well as their confidence in managing their finances. For example, in a follow-up survey of participants, there was a significant increase in positive financial behaviors such as using a savings account, using direct deposit and comparison shopping for bank accounts. Participants showed a 13 point increase in saving regularly, a 12 point increase in paying bills on time, and overall 95 percent of participants indicated continued use of a budget.

Another program that has conducted a longitudinal evaluation is the Love Your Money program, which conducted a follow-up evaluation of the program at five public large universities. This study included analyzing data on over 3,800 face-to-face contacts and over 5,000 online users. The evaluation found a statistically significant increase in users' confidence in their ability and motivation to manage their finances. The



researchers have also found that requiring completion of the *www.loveyourmoney.org* program for class credit is the only effective way of ensuring that students use it. A follow-up evaluation completed in 2012 collected survey data from past participants in the program, to see if they retained healthy financial behaviors, positive attitudes of saving, and future financial plans up to two years after completing the program. Large majorities of the follow-up participants indicated that the program continued to influence their saving, reducing spending, making financial goals, and other financial behaviors and attitudes, including confidence in planning for the future and managing finances. Students also noted high levels of sound financial behaviors, such as making timely payments on credit cards and not exceeding credit card limits. Program participants also demonstrated greater financial confidence, less financial stress and more positive behaviors than a similar control group surveyed (Morrow 2014).

In summary, there are few thorough evaluations of the postsecondary financial education programs, although they suggest that these programs may be helpful for students. More rigorous evaluations are necessary to decisively attribute improvement in student financial behavior to these interventions. A mixture of quantitative impact analyses and qualitative process studies will help researchers understand what element of a financial education program is the most beneficial for students, since most programs combine various features.

## SECTION III. CONCLUSIONS AND RECOMMENDATIONS

Higher education institutions have a tremendous opportunity to directly influence the financial capability and financial decision-making of students; doing so has benefits for the institution as well as the student. Below is a series of recommendations for how institutions can effectively engage with students to improve their financial capability, decision making, and financial health.

### **Implement Effective Financial Education Programs and Build a Culture of Financial Capability**

Higher education institutions have a powerful opportunity to help students improve their financial capability and financial well-being. Creating an effective financial education program is an important step every college and university should consider. The sampling of programs and curricula described in Appendix A provide some ideas for different ways such an intervention could be structured. Research on knowledge retention and program effectiveness suggests that people may absorb information and advice best when it is most relevant to their lives (Jumpstart 2006; Prochaska et al. 1994). This suggests that the most effective programs for students would focus on decisions regarding bank accounts, debit and credit cards, consumer rights and protections, interest rates, budgeting in the short- and long-run, paychecks and benefits, emergency savings and retirement funds, housing, health coverage, and—critically—student financial aid including loan disbursement and repayment. It is important that any intervention be evaluated for effectiveness.

In order to encourage student learning about financial topics, colleges can provide incentives that motivate students to become interested in personal financial management and act accordingly. For example, contests and encouraging messages can promote

an environment where sound financial decisions are the norm. Such approaches, along with other strategies may prove effective in creating a culture of financial capability across campus, not just among students directly involved in financial education programs.

### **Prepare Financial Educators**

Research on primary and secondary educators provides strong evidence that many teachers do not feel qualified to teach personal finance topics (Way and Holden 2009), and the same is likely to be true of educators in the postsecondary realm. Colleges and universities need to ensure that appropriate staff is available and able to provide needed financial education. Higher education institutions could pursue overlapping strategies to enhance the current supply and ensure the future supply of skilled financial instructors. These include: seminars for faculty and staff on campuses; training and coaching for college counselors; resources and course content on financial topics that can be used as stand-alone subject matter or incorporated into other programs or curricula; financial literacy instruction for future instructors through education programs; and enhanced partnerships between higher education institutions and existing high quality financial education providers. In many cases, it may be more appropriate to partner with existing high quality financial education providers, to provide online or mobile-based financial education and decision-making tools, one-on-one counseling and coaching, or some combination of the above.

### **Provide Opportunities for Students to Receive One-on-One Counseling**

Some universities and colleges have established on-campus financial management centers where students can receive financial counseling as well as access educational materials and resources. Unlike brochures

and information provided online, financial management centers provide a central location where students can be provided immediate one-on-one, often peer-to-peer, financial guidance and avenues through which universities can reach out to students (Heaney et al. 2006). Other promising approaches include timing counseling to coincide with times of the year when students are deciding about how much to borrow (Asher 2009). A number of community colleges have identified counseling and one-on-one coaching as key approaches to help working adults manage their family finances while pursuing higher education. Research suggests that individual counseling can make a difference in knowledge and behavior (Prochaska et al. 1994; NIH 2002; NIH 2007).

### **Provide Students with Peer-Learning Opportunities**

A number of activities at postsecondary institutions use peer-to-peer models to provide financial education and/or counseling. Because students have widely different backgrounds and may have or develop different needs over time, peer-to-peer financial education and counseling can be particularly important (Yankelovich 1998). Peer or one-on-one counseling efforts could be combined with online modules or instruction that allow individuals to follow up with personalized instruction and feedback.

### **Provide Access to Cost Calculators and Customized Information**

Schools that offer Title IV federal student aid programs are required to provide net price calculators so prospective students and their families can estimate the cost of attending that particular institution. Net price calculators aid students in determining the resources they need to attend a given college. These tools should be promoted and easy to find on the institution's website so families can make more informed decisions about the costs of attending. Ideally, data made available through government and institutional

“Smart Disclosure” can help spur the creation of customizable calculators and other tools that can provide financial information tailored to individual needs and circumstances, both at individual institutions and across a range of colleges and universities. Additionally, institutions that have not yet committed to adopting the Financial Aid Shopping Sheet should do so for the following academic year. More information on the Financial Shopping Sheet can be found at: <http://www.ed.gov/financial-aid-shopping-sheet>.

### **Support Research and Evaluation on What Works**

Universities have a particularly strong opportunity to contribute to the knowledge base of what is effective in promoting financial capability by implementing research and evaluation to test effectiveness of programs among students, faculty and others. The CFPB's 2014 report on rigorous evaluation of financial capability strategies provides insights for research on the effectiveness of various financial capability strategies.<sup>2</sup>

Some other specific items that should be considered include:

- Using random assignment and control groups to assess outcomes of financial education interventions;
- Assessing behavioral changes over an extended time period, not just knowledge gains;
- Assessing skills in applying core financial knowledge to real-world examples;
- Considering impacts on attitudes and satisfaction with financial matters (financial health);

<sup>2</sup> The report, “Rigorous Evaluation of Financial Capability Strategies: Why, When and How,” provides additional ideas for assessing programs, available at, [http://files.consumerfinance.gov/f/201401\\_cfpb\\_report\\_rigorous-evaluation-financial-capability.pdf](http://files.consumerfinance.gov/f/201401_cfpb_report_rigorous-evaluation-financial-capability.pdf)

- Considering analysis of administrative data, such as loan repayments and credit reports, with permission and privacy protections, that can provide verifiable information on financial outcomes; and
- Supporting research on differences in financial knowledge among different populations.

## Conclusion

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Financing postsecondary education and managing finances both during college and upon entering the workforce are moments when critical decisions are made that may have lasting consequences for financial security. This time also presents a powerful opportunity to engage with students and their families directly, and help them make the best possible financial decisions for their own circumstances. From tools and strategies to help families navigate the financial aid system to institutional based programs that teach students how to manage their finances—including student loan debt—while on campus, there is potential to directly impact the financial capability of students. As part of a national strategy to increase financial literacy and financial security, institutions of higher education have a unique and important role to play. Investing in the financial capability of current students may translate into higher completion rates and more financially successful graduates, and beyond that, more financially secure Americans.

## APPENDIX A. FINANCIAL EDUCATION PROGRAMS & RESOURCES

### Financial Education Programs and Resources

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To identify programs designed to provide financial education to college students, the Urban Institute conducted online searches of national databases and clearinghouses with information on various federal, state, local, and private financial education programs.<sup>3</sup> The Urban Institute also determined whether any of the programs had been evaluated to ascertain their impact on knowledge, attitudes, outcomes, and, if possible, behavior.

The range of topics included in postsecondary financial education programs is large, and there is great variety in the nature and scope of programs. Some programs focus specifically on student loan matters, while others focus on savings and investment. Seventy-one percent of respondents from university-affiliated programs in one survey reported that their programs covered consumer protection (Lyons et al. 2006). In addition to covering a set of financial subjects, many financial education programs provide links to other programs or tools that enable participants to identify and access additional financial resources and knowledge.

Formal financial education is provided to college students by varied sponsors and through many different venues. Two broad categories of sponsors provide

financial education to college students: academic institutions, and businesses and other nonprofits.

Many of these programs have not been rigorously evaluated for effectiveness. Although there are few thorough evaluations of the postsecondary financial education programs, as described earlier in the report, the evaluations that do exist suggest that these programs may be helpful for students.

### Campus-Based Programs

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Colleges and universities have resources, including funding, facilities, and experts, as well as access to students, which help facilitate the establishment and operation of financial literacy programs. Examples of financial education programs at colleges and universities are summarized in exhibit 1. More detail on each program is provided below. Most are co-curricular programs (that is, outside an accredited course of study), but many curricular programs are presented as well.

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<sup>3</sup> The Urban Institute reviewed online program listings maintained by the Treasury Department's Community Development Financial Institutions Fund and Office of Financial Education, the Education Department's What Works Clearinghouse, *mymoney.gov* (the U.S. government website dedicated to teaching all Americans the basics about financial education, with information from 22 federal agencies and bureaus on financial decision-making), the National Financial Education Network, and the National Endowment for Financial Education Clearinghouse.

Exhibit 1: Financial Education Program Matrix

	Services			Attributes			Content		
	Counseling	Use of external financial education programs	Presentations to student groups	Cooperative Extension Service Program Extension program	Serves low-income or minority populations	Evaluation completed or in process	Information on student loans	Information on credit, debt, and interest rates	Information on budgeting and saving
University of Arizona	X	X	X	X	X	X	X	X	X
Bethune Cookman University	X	X	X	X	X		X	X	X
Champlain College			X			X	X	X	X
Elgin Community College	X		X		X		X	X	X
University of Florida	X	X	X	X	X	X	X	X	X
University of Georgia	X		X	X	X	X	X	X	X
University of Illinois Extension	X	X	X	X	X		X	X	X
Indiana University	X		X				X	X	X
Iowa State University	X	X					X	X	X
Kansas State University	X	X	X	X		X	X	X	X
Louisiana State University	X	X		X	X		X	X	X
University of Maryland – Eastern Shore	X	X			X			X	X
Mississippi State University	X	X		X		X	X	X	X
University of Missouri	X		X				X	X	X
Montana State University	X		X				X	X	X
New Jersey City University	X	X	X						



## Opportunities to Improve the Financial Capability and Financial Well-Being of Postsecondary Students

	Services			Attributes			Content		
	Counseling	Use of external financial education programs	Presentations to student groups	Cooperative Extension Service Program Extension program	Serves low-income or minority populations	Evaluation completed or in process	Information on student loans	Information on credit, debt, and interest rates	Information on budgeting and saving
New Mexico State University	X	X	X				X	X	X
University of North Texas	X		X				X	X	X
Ohio State University	X		X	X	X		X	X	X
Purdue University	X	X					X	X	X
Rutgers University	X						X	X	
Sam Houston State University	X	X					X	X	X
Skyline College	X				X		X	X	X
Southwestern Indian Polytechnic Institute	X			X	X		X	X	X
Southern Vermont College	X		X				X	X	X
Syracuse University	X	X	X		X		X	X	X
University of Tennessee	X	X		X		X	X	X	X
Texas Tech University	X						X	X	X
Valencia College	X		X				X	X	X
Wright State University	X						X	X	X
University of Wisconsin – Milwaukee	X	X						X	X

Notes: This list should not be considered exhaustive. In most cases, program content is derived from publicly available literature and websites. Many financial education programs involve counseling and discussion components. It is entirely plausible that content not recorded here is covered in these discussions. Programs are recorded as extension programs if the Cooperative Extension Service was substantially involved in the financial education. Some postsecondary schools do have USDA–NIFA Land-Grant Colleges and Universities (1862, 1890, and 1994 Institutions). USDA–NIFA Cooperative Extension Service programs that did not play a leading role in the financial education program (e.g., Rutgers University), and other Cooperative Extension Service programs that provided financial education to the community but had no identifiable student program (e.g., Virginia Tech) were excluded from consideration here.

## Programs Not Based on Campuses

Nonprofit organizations, financial institutions, and small businesses also provide financial education programs, often in conjunction with colleges and universities, or such institutions may use material developed by community based and nonprofit organizations in their own curricula. Education programs not based on campus can

vary widely, and include traditional games, video games, interactive websites, and curricula. In addition to these resources, various nonprofits provide financial education and counseling to college students outside the university setting. Examples of financial education provided by community-based and nonprofit organizations or businesses are summarized in Exhibit 2. More detailed information on these programs is presented below.

**Exhibit 2: Financial Education Resources and Non-Campus Program Matrix**

	Resource Type				Program content		
	Non-campus program	Curriculum	Game	Online	Information on student loans	Information on credit, debt, and interest rates	Information on budgeting and saving
Buttonwood		X		X	X	X	X
CashCourse		X		X	X	X	X
Financial Awareness and Consumer Training for Students	X	X		X	X	X	X
Financial Literacy 101		X		X	X	X	X
Love Your Money		X		X		X	X
iGrad	X	X	X	X	X	X	X
Mapping Your Future				X	X	X	X
Money Smart		X		X		X	X
MoneyTopia		X	X	X	X	X	X
Money U		X	X	X	X	X	X
OnTrack Financial Education and Counseling	X	X		X	X	X	X
SALT		X		X	X	X	X
Society for Financial Education and Professional Development, Inc.	X				X	X	X
TG Student Financial Education	X	X		X	X	X	X
USA Funds Life Skills	X			X	X		X

Notes: Program content is derived from publicly available literature and websites in most cases. Many financial education programs involve counseling and discussion components. It is entirely plausible that content not recorded here is covered in these discussions.

## Widely Used Resources and Curricula

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Many campus- and non-campus-based programs presented in exhibits 1 and 2 (and below) use online resources or other curricula that are available to and used by other financial education programs. These resources form the backbone of co-curricular (and in some cases, curricular) postsecondary financial education in the United States.

**CashCourse** is a free online course on financial basics, paying for college, studying abroad, and applying for work funded by the National Endowment for Financial Education (NEFE). CashCourse offers a range of instruction on credit and debit cards, saving, identity theft, paying for college, and planning for retirement. Nationwide, 550 universities use CashCourse for their financial literacy programs.

The Financial Industry Regulatory Authority (FINRA) Investor Education Program provided funding to the University of Tennessee Extension Department of Family and Consumer Sciences to develop *loveyourmoney.org*, an interactive website that teaches college students how to manage money. The website leads students through several modules on a variety of topics, including budgeting and debt repayment.

The Federal Deposit Insurance Company (FDIC) developed a financial education curriculum for low- and middle-income individuals in 2001 called “**Money Smart**.” Money Smart’s curriculum emphasizes credit and banking services and is used in over 30 colleges and universities.

The guarantee agencies of the Federal Family Education Loan Program<sup>4</sup> sponsor the **Mapping Your Future** website, a source of financial education material

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<sup>4</sup> The Federal Family Education Loan Program (FFELP) was discontinued in 2010 but the guarantee agencies continue to service the loans originated under FFELP and support Mapping Your Future.

for multiple grade levels that is regularly linked to by schools and nonprofit organizations.

The Financial Literacy and Education Commission (FLEC) has developed a national financial education website called “*MyMoney.gov*” which serves as a clearinghouse of materials for the FLEC member agencies. In particular, *MyMoney.gov* allows visitors to search by life event in order to find information that is the most relevant in addition to offering easy-to-use tools like calculators and budget worksheets that can be easily incorporated into any financial education program.

## Postsecondary Financial Education Programs

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One goal of this study was to survey existing financial education programs for postsecondary students. Summaries of the surveyed programs are provided below. We provide a sampling of some of the most prominent financial education programs based on a review of the academic literature on financial education, Internet searches with standard search terms, and federal financial education clearinghouses. Many programs may be recent in development, and have limited information available about them. Programs are listed alphabetically.

## College- and University-Based Programs

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### University of Arizona

<http://takechargecats.org>

The Take Charge Cats/Credit-Wise Cats is a money management program for University of Arizona students, as well as college students and students in grades K–12 in the greater Tucson community. The program’s counselors are University of Arizona students who receive extensive training from University of Arizona’s Take Charge America Institute faculty and staff. The

counselors offer presentations and workshops that focus on six core topics: spending plans, cash management, credit cards, credit reports, paychecks, and education versus income. In addition, the Credit-Wise Cats design and implement programs that include personal finance competitions in area high schools and middle schools and events like Family Finance Day. The program began in 2000 with five financial counselors or “credit ambassadors,” who secured a grant to hold a speaker series on campus. Since then, the number of counselors has grown to about 15, and the program staff estimates its efforts have reached over 21,000 youth and adults in the Tucson community through hundreds of workshops.

### **Bethune Cookman University**

<http://www.cookman.edu>

Bethune Cookman University, a historically black university in Daytona Beach, Florida, provides various financial education opportunities to its students. The Bethune Cookman Investment Association (BCIA) was started in 2009 to educate students about investment management, stressing multigenerational asset building for families. In this sense, BCIA is unique among university financial education programs by providing educational material in the context of family finances far beyond the immediate college experience. The National Association of Black Accountants (NABA) also conducts seminars and workshops on credit cards, savings accounts, and investing. NABA also offers Money Smart courses, an FDIC financial education program. Finally, Bethune Cookman’s Students in Free Enterprise organization holds regular financial literacy forums sponsored by Fifth Third Bank.

### **Champlain College**

<http://www.champlain.edu/centers-of-excellence/center-for-financial-literacy>

Champlain College’s Center for Financial Literacy reaches beyond its campus walls to the greater Vermont community. Its mission is to increase knowledge of money matters in classrooms across Vermont, ensure college students graduate with the skills to make sound decisions about spending, credit and investments, and help adults navigate difficult financial situations like buying a home and saving for retirement. In partnership with several financial institutions, non-profit entities and governmental agencies, the Center promotes and develops financial literacy skills in K-12 students, college students, teachers (K-12 and college) and adults. For example, the financial education program for Champlain students includes budgeting and goal setting, understanding credit and employee benefits, buying your first car, and loan repayment. The Center also advocates for more financial education opportunities at the local, state and national level.

### **Elgin Community College**

<http://elgin.edu/students.aspx?id=11034>

Elgin Community College of Elgin, Illinois (ECC) offers a comprehensive financial literacy program that enhances a student’s college experience by offering resources based on financial health exercises and personalized assistance. ECC’s program includes events on completing FAFSA and accessing financial aid, a Financial Literacy 101 module, and personalized loan repayment and career development service information for graduates. ECC’s financial literacy program also includes individual financial counseling and budget workshops for employees and students offered once per semester.

### University of Florida

<http://www.sfa.ufl.edu/literacy>

The University of Florida has conducted various recent outreach efforts to promote the FINRA-funded *loveyourmoney.org* website. The University of Florida's outreach efforts included promoting the program through the Office of Academic Support's student counselors, holding a financial quiz-bowl event with an iPod raffle for those who answer quiz questions correctly, and introducing students to the website during orientation. The University of Florida, in partnership with other *loveyourmoney.org* users, is currently involved in a multi-college evaluation of the program, discussed in more detail elsewhere in this report.

### University of Georgia

<http://www.fcs.uga.edu/hace/undergraduate/pfc.html>

University of Georgia's Peer Financial Counseling Program is based on the premise that peers are the best financial literacy instructors for fellow college students. The program has seven modules covering budgeting, credit use, student loans, and savings and investments. The program provides student speakers to present the modules to classes, clubs, residence halls, and other student organizations. Each module uses seminars, handouts, group discussions, and Internet resources. The program has been in place since October 1999, when the Georgia Student Finance Commission received a grant to develop initiatives to help reduce the number of students defaulting on their student loans.

A smaller-scale approach to financial education at the University of Georgia has used spending diaries to influence the spending patterns of several hundred undergraduate students. The expenditure tracking was intended to raise students' consciousness about their income and expenditures over time, specifically spending on alcohol. The College of Family and Consumer Sciences at the University of Georgia evaluated the

intervention and found evidence of a positive impact on student behavioral outcomes. Seed money for program implementation was provided by the U.S. Department of Agriculture-National Institute of Food and Agriculture.

### University of Illinois Extension Service

<http://web.extension.illinois.edu/financialwellness/services.cfm>

The University of Illinois Extension Service provides students with free access to trained peer educators who provide one-on-one assistance and counseling on financial wellness. The Extension Service also reaches out to the campus community by delivering financial education presentations to student clubs and classes. Various resources are also made available, including a budgeting tool and an expenses tracking tool. The University of Illinois also directs students to the National Endowment for Financial Education's (NEFE) CashCourse program, an online course that can be customized by institutional users to fit their needs. Various financial aid resources and financial planning blogs and websites are also provided on the University of Illinois Extension Service website.

### Indiana University

[www.moneysmarts.iu.edu](http://www.moneysmarts.iu.edu)

Indiana University's Office of Financial Literacy was established to assist students in making informed financial decisions before, during, and after college. They provide multiple opportunities for students to enhance their personal finance skills such as an interactive website, podcasts ("How Not to Move Back in with Your Parents"), events and workshops, and classroom-setting education dedicated to the unique needs of college students across each of their campuses. In partnership with the IU-Bloomington School of Public Health, they have created the IU MoneySmarts Team, a group of peer financial educators who deliver educational

workshops, individual student meetings, presentations, resources, and other tools to contribute to the overall health and holistic wellness of the IU community and increase the impact of the personal financial management message.

### **Iowa State University**

<http://www.hs.iastate.edu/about/key-initiatives/personal-financial-literacy>

Iowa State University has traditionally offered its students a three-credit course in financial education. In 2009, the student government made the case to the administration that the course was insufficiently funded and did not meet the needs of students who were not interested in or did not have the time for a full course. Responding to the request, Iowa State University introduced a one-credit financial education course using the CashCourse curriculum. All 26,000 Iowa State University students are required to take the one-credit course, which offers a range of instruction on credit and debit cards, saving, identity theft, paying for college, and planning for retirement. CashCourse is available at Iowa through funding from the student government. When Iowa added the one-course credit, it also expanded the enrollment capacity of the existing three-credit course. In addition to its curricular offering, Iowa State University has a financial counseling clinic available to students as well as the local community for more tailored financial advising on homeownership and credit.

### **Kansas State University**

<http://www.k-state.edu/pfc>

In August 2009, Kansas State University began a center for student financial education called Powercat Financial Counseling. Powercat provides free direct counseling to students with questions about personal finance and financial decision-making. The center also provides workshops for student groups. Powercat Financial Counseling uses student peer counselors

who volunteer to both counsel and deliver presentations, after receiving training. Beginning in fall 2010, the work of the program has been buttressed by a Student Advisory Board who host interactive financial events on campus and market the services of Powercat Financial Counseling to students. Peer counselors and the Student Advisory Board members also direct students toward three educational resources: *SaltMoney.org*, *LoveYourMoney.org* and the Powercat Financial website at [www.k-state.edu/pfc](http://www.k-state.edu/pfc).

### **Louisiana State University**

<http://www.cashcourse.org/home/CaseStudies/LouisianaStateUniversity>

Louisiana State University has taken advantage of the CashCourse curriculum and adapted it for use in its financial education program. CashCourse material has also been converted to eight financial education handouts, called “Financial Basics on the Geaux.” The handouts include discussion of spending, credit, investment, and saving. Finally, Louisiana State University has developed CashCourse quizzes to evaluate what students know and what they have learned. All these CashCourse resources are shared with students at their freshman orientation.

### **University of Maryland Eastern Shore**

<http://www.umes.edu/PR/Article.aspx?id=16314>

The University of Maryland Eastern Shore, a historically black university, offers financial education to its students through the Department of Labor’s Wi\$e-Up program. Wi\$e-Up targets “generation X and Y” students with an eight-component online course, covering money management, credit, savings, insurance, and investment. The University of Maryland Eastern Shore has also cooperated with the Institute for Higher Education Policy to develop a mentoring program for first-generation college students in order to provide them with additional tutoring and financial education.



### **Mississippi State University**

<http://msucares.com/frm/index.html>

The Mississippi State University Extension Service offers various financial education programs to students, as well as the local community. Their flagship financial education program is the interactive website [loveyourmoney.org](http://loveyourmoney.org), which was designed for students at Mississippi State University and four other universities. This website leads students through several modules, including coverage of budgeting and debt repayment. Users register on the website, take a pre-survey, and answer review questions at the end before receiving a certificate of completion. The Mississippi State University Extension Service also provides various literature and videos on personal finances that are available to the broader community, but which can also be accessed by students.

### **University of Missouri**

<http://ofsmizzou.org/>

The Office for Financial Success at the University of Missouri – a service of the school’s Department of Personal Financial Planning and College of Human Environmental Sciences – is dedicated to improving the financial well-being of individuals and families by providing affordable, unbiased education and counseling in all areas of personal finance. The Office provides one-on-one counseling sessions as well as group workshops and seminars. Topics for individual sessions and workshops range from financial problem areas – credit, debt management, budgeting – to productive areas of personal finance, such as investing, insurance, and employee benefits. The University of Missouri also offers an undergraduate personal financial planning degree program that is registered with the Certified Financial Planner Board of Standards, Inc. Upon graduation, students in the program are allowed to sit for the comprehensive Certified Financial Planner™ examination to earn the right to use the CFP® designation.

### **Montana State University**

<http://www.montana.edu/news/1875/free-financial-counseling-and-information-available-to-montana-students>

Montana State University has offered its students free financial literacy resources through the Student Advocates for Financial Education (\$AFE) program since 2001. Following the format of many college financial education programs, \$AFE disseminates information on financial literacy, including printed literature, PowerPoint presentations for student groups, and links to other information sources. The program has a relatively broad mandate and seeks to inform students on spending decisions, credit cards, buying insurance, identity theft, and financial decisions after college. Between 2001 and 2008, \$AFE was funded by the Student Assistance Foundation, a nonprofit organization promoting higher education that is based in Helena, Montana. Since 2008, the program has been supported by Montana State University.

### **New Jersey City University**

<http://www.njcu.edu/financial-literacy>

New Jersey City University, a federally designated Hispanic Serving Institution (HSI), has a Financial Literacy Program that features the activities of Student Financial Literacy Expert (FLEX) Teams composed of student representatives from various year levels. FLEX teams engage their peers in workshop discussions, and they speak at campus seminars and conferences. The Financial Literacy Program also provides various resources to students who come for additional information, including NEFE’s CashCourse and the Mapping Your Future program.

### **New Mexico State University**

<http://your.nmsu.edu/tag/red-to-green>

New Mexico State University is currently scaling up its financial education efforts. In spring 2011, their “Red to Green Money Management Program” held a money management fair to promote games, websites, and outside financial education organizations to students. The program also provides one-on-one counseling for students seeking financial advice in their facility, and provides presentations on financial education to student groups and classes. New Mexico State University recently started offering a one-credit personal finance course for freshman. Strong demand for this course makes it likely that course capacity will be increased in subsequent semesters. New Mexico State University faculty suggest that they are deliberately modeling their approach after the University of Georgia model of delivering financial education to freshman in a classroom setting.

### **University of North Texas**

<http://studentaffairs.unt.edu/student-money-management-center>

To help students attain financial independence, the Student Money Management Center at the University of North Texas provides personal financial and money management education to UNT Denton-campus students at no cost. In addition to seminars and presentations, it provides confidential individual financial consultations and planning services, such as cash flow analysis, credit management, and the creation of a financial survival plan for college and debt repayment plan. Additional services include assistance understanding credit reports and scores, researching housing options, and analyzing job offers and benefits packages.

### **Ohio State University**

<http://swc.osu.edu/financial-education-coaching>

Ohio State University’s Student Wellness Center Financial Education Initiative offers various financial education programs to students. Scarlet & Gray Financial, a student-run financial planning firm, provides financial coaching to students through the Center. Scarlet & Gray Financial works with over 60 volunteer students to help deliver financial education. The Wellness Center also offers Success Series presentations to freshman students, including about 40 sessions each fall on financial education. These financial education presentations are provided to sorority and fraternity organizations, student organizations, and classes.

### **Purdue University**

<http://www.purdue.edu/mymoney>

Purdue University’s Student Support Services provides a wide range of financial education resources to students, aggregated from several external nonprofits. It provides access to the American Institute of CPA’s 360 Degrees of Financial Literacy, a series of modules on such standard financial education topics as debt, budgeting and saving, and an explanation of how these issues are dealt with differently across different stages in a person’s life cycle. The American Institute of CPA’s Feed the Pig financial education video game is also offered to students to teach them about good saving behavior. The center also provides access to AARP material on retirement saving, although this is less relevant for the student population. Purdue is also one of many universities to use CashCourse at its Student Support Services center. Students can seek out information on their own from the FDIC Consumer News reports and David Ramsey’s website, both of which are shared by the center. Finally, Purdue University links to [mymoney.gov](http://mymoney.gov).

### **Rutgers University**

<http://njaes.rutgers.edu>

Since the 2000–01 academic year Rutgers University has offered a campus-wide financial literacy campaign called Rutgers University Financial Independence Training (RU-Fit). RU-Fit was spearheaded by the school's faculty senate, which was specifically concerned with bolstering student understanding of credit and responsible management of credit cards and regulating credit card vendors at the university. (Rutgers University Senate 2000). Like many financial literacy programs, RU-Fit provides fact sheets and literature on various topics, mostly related to credit card use and debt repayment. For example, students are offered literature (in English and Spanish) on different kinds of credit, credit terms, and credit for women. RU-Fit also holds training seminars on these topics for students.

One unique offering of the program is the PowerPay computerized debt reduction analysis, which generates an analysis of outstanding debt and a debt reduction plan for students. The debt reduction plan guides students through debt repayment strategies such as paying off debts with the highest interest rates, the lowest balance, and the shortest term. PowerPay's strategy is based on reducing debt burdens on students, but also on providing "psychological boosts" by paying off low-balance debt earlier in the debt repayment process.

### **Sam Houston State University**

<http://www.shsu.edu/dept/smmc/about-us.html>

In an effort to help combat financial illiteracy and the growing amounts of debt among college students, Sam Houston State University, Division of Student Services initiated the Student Money Management Center (SMMC), which is a financial outreach and educational program for its students. The program provides students assistance with expense tracking, budget creation, debt repayment planning, locating

external financial education resources, and understanding employee benefits packages and retirement plans prior to starting their careers.

### **Skyline College**

<http://www.skylinecollege.edu/sparkpoint/services/FinancialEducationWorkshops.php>

Student Services at Skyline College are integrated with the network of SparkPoint Services provided by Skyline College. SparkPoint is a one stop financial education and financial coaching service center that students and other members of the community utilize to achieve financial stability. Students and community members have access to financial education workshops, financial coaching sessions, pre-paid debit card services, and a host of other tools and resources to augment financial capability.

### **Southwestern Indian Polytechnic Institute**

<http://www.sipi.edu/outreach/outprog/feep>

Southwestern Indian Polytechnic Institute, a tribal college, recently expanded the financial education offerings of its Family Extension & Education Program (FEED). Their new Financially Fit program addresses both the needs of college students and members of the tribal community (Institute for Higher Education Policy 2010). Financially Fit includes a mandatory three-hour workshop on financial education for all students receiving financial aid, continued development of the financial education workshops provided under the old FEED program, and a peer-educator program, which the Institute hopes will more effectively expand the reach of its work to the tribal community. Students who attend workshops and receive peer educator training are expected to serve as resources for the community.

### **Southern Vermont College**

[http://www.svc.edu/academics/success\\_center](http://www.svc.edu/academics/success_center)

Southern Vermont College offers a wide variety of financial empowerment opportunities, including campus meetings on financial education, class visits by financial education experts, and intensive courses on financial development. Movie and documentary screenings are also used to teach financial empowerment. The College is a recipient of Department of Education TRiO program funding, which is used to support its Success Center. The Success Center offers various tutoring and counseling services to first-generation students; it also includes a financial empowerment component.

### **Syracuse University**

[www.syr.edu/financialaid/financialliteracy](http://www.syr.edu/financialaid/financialliteracy)

The “I Otto Know This!” program at Syracuse is a multi-level financial literacy program that provides Syracuse University students with the skills and resources necessary to successfully manage their money. The program is designed to provide financial management tools to undergraduate and graduate students throughout their education. Students benefit from the self-directed online Life Skills series, the Money Awareness Program (M.A.P.), a Federal TEACH Grant, and a financial aid e-news column. The Student to Student Program strives to enhance the level of knowledge in topics including budgeting, credit card management, student loan management, identity theft and overall financial planning through students teaching students. Student educators are trained via a curriculum written in house, by other students, to guide their peers to positive money management behavior and assist in reinforcing decision making skills.

### **University of Tennessee**

<http://fcs.tennessee.edu/nutrfdstfy/safefd>

The University of Tennessee has conducted various recent outreach efforts to promote *loveyourmoney.org*. The university’s outreach efforts included a luncheon with local banks and credit unions to promote the website for student customers, a campus event on George Washington’s birthday to promote the website and log students in to the website, and classified ads in the student newspaper. The University of Tennessee, in partnership with other *loveyourmoney.org* users, is currently involved in a multi-college evaluation of the program, described in more detail below.

### **Texas Tech University**

<http://ttu.orgsync.com/org/redtoblack>

The Red to Black program at Texas Tech University is a free financial literacy program that is an outreach effort of the Personal Financial Planning academic major. It aims to help students, faculty, community members, and organizations by advocating responsible financial behaviors through financial counseling, financial education, and skills training. The program provides free financial planning, counseling, and seminars covering the following areas: establishing credit, using credit wisely, creating a budget, saving money, investment education, correcting credit report mistakes, repaying debt, organizing finances, selecting employee benefits, expenses during or after college, buying a car or home, and planning premarital finances. The program has a core program staff of a director, a coordinator, and three graduate assistants. The program also has outreach- and client-based peer financial counselors, undergraduate and graduate students who conduct seminars and presentations and offer one-on-one counseling.

### Valencia College

<http://valenciacollege.edu/finaid/dp>

Valencia College Financial Learning Ambassadors promote financial literacy and responsible money management among their student peers by conducting skill shops, presenting in Student Success classrooms (first year experience classes), collaborating with Wellness Ambassadors who are part of the Federal Work Study program at Valencia and other faculty members and Student Life offices at campus events. Many of the Ambassadors' presentations are with students enrolled in Valencia's Student Success courses. These are classes teaching strategies for success in life and college and providing the appropriate platform for introducing the topic of financial responsibility. In addition, Ambassadors' are partnering with faculty members who teach developmental math courses to promote financial literacy. Ambassadors also ensure they reach students outside of the Student Success courses by hosting information booths and distributing financial literacy material during campus events. Through these Ambassadors, students are empowered to make educated fiscal choices and take action to improve current and future financial security.

### University of Wisconsin-Milwaukee

<http://www4.uwm.edu/academics/ger.cfm>

The University of Wisconsin-Milwaukee Center for Economic Education has led several financial and economic literacy programs for students in partnership with local, state and national organizations. Due to the efforts of the Center, the student body, and the UWM Academic Program and Curriculum Committee, UWM students are now required to complete a 2-part Quantitative Literacy Course that makes significant use of quantitative tools including personal finance.

### Wright State University

<http://business.wright.edu/academics/undergraduate/finance-and-financial-services/introduction>

The Wright Financial Path program has been offered at Wright State University in Dayton, Ohio, since 2002. The program provides one-on-one counseling by students from the University's Raj Soin College of Business, who have completed a training program with the Consumer Credit Counseling Services. Students who participate in the program also have access to workshops and seminars that focus on budgeting, saving, choosing a credit card, obtaining a credit report, improving a credit score, and managing debt. The program, developed to help students manage credit card debt and other credit issues, is unique because students are so heavily involved in running the program: they provide the counseling, do marketing, and write software for the program.

### Programs Not Based on Campuses

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#### Buttonwood

<http://www.everfi.com/products.php>

Buttonwood is a college financial literacy and student loan management product created by Everfi for use in postsecondary institutions. Buttonwood is an online, interactive, customizable platform that covers a wide range of financial education topics, including saving and budgeting, credit scores, credit cards, banking, taxes, renting versus owning, consumer fraud, investing, and student loans. Everfi specifically designed the Buttonwood program to align with requirements for student loan exit counseling. This allows the product to fulfill specific requirements facing postsecondary institutions as well as a broader array of financial education topics.



### **Financial Awareness and Consumer Training for Students (FACTS)**

<http://www.hesc.ny.gov/partner-access/financial-aid-professionals/debt-management/financial-literacy-programs.html>

The Higher Education Services Corporation (HESC) is a state agency that manages 18 of New York State's scholarship and loan programs and provides financial education to student loan recipients in New York through its Financial Awareness and Consumer Training for Students (FACTS) program. It was also the guaranty agency for the Financial Federal Education Loan (FFEL) program in New York. FACTS provides four downloadable modules for teachers and administrators to use in the classroom. The modules cover basic financial education, credit and credit cards, and identity protection. Although HESC manages student loans, the educational material it provides addresses more general financial education. In addition to the FACTS resources, HESC provides exit counseling for student loan recipients when they leave school.

### **Financial Literacy 101**

<https://www.financialliteracy101.org>

Financial Literacy 101 is an online financial education course developed by Decision Partners, a non-profit organization. The course is specifically targeted to undergraduates and adaptable for use in classrooms, orientations, resource centers, and social organizations like fraternities, sororities, or clubs. Financial Literacy 101 can be managed by instructors or administrators through Blackboard, an online educational platform commonly used in universities. In addition to multimedia courses, Financial Literacy 101 allows students to construct a budget, a plan to achieve financial goals, and a financial aid plan. A final exam is available so instructors can measure student progress.

### **iGrad**

<http://schools.igrad.com>

iGrad currently partners with schools nationwide to provide a customized financial literacy platform for students, as well as alumni and staff. iGrad offers a postsecondary, adaptive learning, financial education platform which features modules, articles, videos, video-based Entrance and Exit Counseling and various other resources. iGrad's focus is not only on improving financial knowledge, but more importantly changing financial behavior. iGrad's 15 chapter comprehensive classroom curriculum, *Your Financial Mastery*, covers a range of topics including basic financial topics, college funding, investing, spending plans, retirement planning, and more. This financial literacy curriculum is designed to meet the standards of a 1 credit, higher education course and adaptable to the particular needs of a school and its instructors. In 2013, iGrad was recognized with an EIFLE Financial Literacy Award for Education Program of the Year in the category of Debt Management. In 2013, iGrad also received the Outstanding Consumer Information Award from the Association for Financial Counseling, Planning and Education.

### **MoneyTopia**

<http://www.saveandinvest.org/Military/manageMoney/managingCredit/P037943>

Produced for the Financial Industry Regulatory Agency (FINRA), MoneyTopia is an immersive, role-playing strategy game. The game is designed to teach 18- to 24-year-olds how to manage their money and investments. It lets players experience life over an accelerated 40 years and requires them to make financial decisions as they adapt and strategize to win the game and their chosen Big Dream. The game covers topics including net worth, financial ratios, mortgages, spending plans, avoiding deceptive credit and investment sales practices, saving for college, setting financial



goals, bankruptcy, credit, managing debt problems, buying and leasing vehicles, and comparing financial products.

### **Money U**

<http://www.moneyu.com>

Money U is a 6- to 10-hour course designed especially for young adults age 17 to 25. This online, self-paced, game-based financial education course presents interactive and flexible content to teach young adults practice skills in credit card use, saving, debt, and personal financial planning. The curriculum covers eight topic areas—spending, saving, banking, credit, debt, credit score (including identity theft), planning, and earning—that map to the curriculum standards of 16 states. In the game, users experience 16 major life events, such as getting their first part-time job, getting into college, graduating college, getting married, and having a baby, which introduce varying financial consequences and make every player's experience unique. In the lessons between milestones, students practice relevant financial concerns, including general skills such as good spending habits and more practical skills such as how to do taxes. Students take a pretest and a posttest to empirically measure what they learned from the course. Administrators and teachers can view detailed individual and aggregated student data and activity. About 10,000 students have used MoneyU to date. Post test scores are on average 51 percent higher than pretest scores.

### **OnTrack Financial Education and Counseling**

[http://ontrackwnc.org/student\\_loan\\_counseling.htm](http://ontrackwnc.org/student_loan_counseling.htm)

OnTrack Financial Education and Counseling has provided free financial education to western North Carolina residents since 1975. OnTrack serves a wide variety of clients with its counseling program, including student loan recipients. Participants in OnTrack's student loan counseling program receive advice on

consolidating their loans and help with formulating payment plans. OnTrack counselors regularly contact loan providers for students during these sessions. OnTrack has been supported by various funding sources including several federal grants, United Way contributions, and contributions from private corporations. In 2009, OnTrack's homeownership counseling program received a Community Development Financial Institutions (CDFI) pilot program grant for financial education and counseling.

### **SALT Money**

<https://www.saltmoney.org/index.html>

American Student Assistance (ASA) is the nonprofit organization that created SALT to educate students about their finances and how to take charge of their money during college and beyond. SALT helps students and families navigate financing a higher education, successfully manage any resulting debt, and build money skills for life. SALT gives in-depth information on a range of financial topics and provides online tools to track and plan student loans, tips on how to make smart decisions about loans, scholarship searches, and other helpful information.

### **Society for Financial Education and Professional Development, Inc. (SFE&PD)**

<http://sfepd.org>

SFE&PD is a nonprofit organization which focuses on financial education and professional development at the early stages of career development through mid-level management. It provides in-person instruction to college students through the "Mind Over Money Skills" seminar series, which includes "Credit Management" and "Personal Money Management" seminars for college students. SFE&PD has particularly focused on serving historically black colleges and universities (HBCUs) since 2001.

### **TG Student Financial Education Program**

*<http://www.tgslc.org>*

The TG Student Financial Education Program makes a free curriculum in financial literacy, college access, and student loan counseling and printed materials available to Texas secondary and postsecondary institutions. TG also administers Federal Family Education Loan program loans. With over 20 modules designed to provide content through multiple short memorable concepts, the program covers a wide array of topics, including banking 101, credit basics, saving and investing, college costs, steps to starting at community college, paying for college, the FAFSA, student loan entrance and exit counseling, information about the different federal repayment plans, among others. Several modules are available online through the TG Learning Center, which is available for free to Texas Colleges and certain colleges outside of Texas whose borrowers have loans guaranteed by TG. TG operates “Train-the-Trainer” to train others to provide the trainings to current or aspiring college students and their families and additional trainings sessions to help institutions build their own programs. The program won the 2013 Outstanding Financial Counseling and Planning Education’s 2013 Outstanding Education Program.

### **USA Funds Life Skills**

*<http://www.usafunds.org/SchoolServices/Pages/LifeSkills.aspx>*

USA Funds Life Skills is an online financial education course that can be tailored to the needs of different student groups, including undergraduates, graduate students, and adult education students. Each lesson can be completed within 30 minutes and is accompanied by quizzes and exercises. The primary focus of the USA Funds Life Skills program is student loan management, although the material also covers budgeting and debt management.

## APPENDIX B. INTERVIEWEES

For this study, the Urban Institute interviewed 18 academics, researchers, advocates, and program administrators:

1. Pauline Abernathy, Vice President, The Institute for College Access and Success (TICAS). TICAS is a nonprofit organization that conducts and supports research, analysis, and advocacy to make higher education more available and affordable.
2. Ted Beck, President and Chief Executive Officer, National Endowment for Financial Education (NEFE). NEFE is a national nonprofit foundation dedicated to improving the financial well-being of all Americans.
3. Debra Chromy, Vice President of Government Services, American Student Assistance (ASA). Formerly a state-based student loan guaranty agency, ASA is now a nonprofit services and advocacy organization that helps students and families manage student debt.
4. Paul Combe, President and Chief Executive Officer, American Student Assistance (ASA)
5. Ted Daniels, Founder and Chief Executive Officer, Society for Financial Education and Professional Development (SFEPD). SFEPD is a nonprofit organization that develops and offers customized financial education and professional development workshops and seminars.
6. Dottie Bagwell Durband, Director of Red and Black program and Associate Professor of Personal Financial Planning, Texas Tech University
7. Jonathan Fox, Associate Professor of Consumer Economics, Ohio State University
8. Amy Hartenstine, Director of CashCourse, National Endowment for Financial Education
9. Tahira Hira, Professor of Personal Finance and Consumer Economics, Iowa State University
10. Bradley Honious, Director of Financial Aid, Valencia Community College
11. Audrey Hue, Financial Literacy Instructor, Bellevue College
12. Austin Jackson, Founder and Chief Executive Officer, Decision Partners. Decision Partners is an independent nonprofit organization that provides online learning programs, including Financial Literacy 101.
13. Lewis Mandell, Visiting Professor in Finance and Business Economics, University of Washington, and Senior Fellow at the Aspen Institute
14. Barbara O'Neill, Professor of Financial Management, Rutgers University
15. Tim Ranzetta, Founder and President, Student Lending Analytics. Student Lending Analytics is an independent organization that provides guidance on private loan options for post-secondary education.
16. Mike Ryan, Vice President of Borrow Services, American Student Assistance
17. Michael Staten, Director of Take Charge America Institute, University of Arizona
18. Mark Walsh, Default Prevention Program Analyst, Federal Student Aid, Department of Education

## APPENDIX C. FEDERAL STUDENT AID

The U.S. Department of Education's Office of Federal Student Aid provides grants, loans, and work-study funds for college or career school. Pell Grants, which are given in amounts up to \$5,730 in the 2014–15 school year and will be up to \$5,775 in the 2015–16 school year, form the foundation of federal student aid, to which other federal and nonfederal aid can be added. These grants are need-based and do not have to be repaid unless a student withdraws before the end of the term or receives an incorrect amount. The Federal Work-Study Program provides part-time employment for students who qualify. By far the largest source of federal aid, however, is student loans.

### Types of Loans

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Five types of loans are available to postsecondary students and their families: Federal Perkins Loans, which are need-based; Direct Subsidized Loans, which are need-based; Direct Unsubsidized Loans; Direct PLUS Loans, which are available to parents who want to help pay for their dependent children's undergraduate education or graduate students paying for their own education; and Direct Consolidation Loans, which allow borrowers to combine multiple federal loans into one loan with one monthly payment. Each of these loans has a fixed interest rate, which for the 2014–15 school year ranges from 4.66 percent for Direct Subsidized and Unsubsidized Loans for undergraduate students to 7.21 percent for Direct PLUS Loans. The interest rate of a Direct Consolidation Loan is a fixed rate is based on the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest one-eighth of 1 percent. For subsidized loans, the government pays the loan interest while students are still in school and certain other periods; for unsubsidized loans, the borrower pays all the interest.

### Entrance and Exit Counseling

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The U.S. Department of Education (ED) requires all federal student loan borrowers to complete entrance and exit counseling. This counseling can occur in person with financial aid staff, through the school's website, or online on the Department of Education's website. The Department of Education requires that certain areas be covered during these sessions, but it allows flexibility in how the material is presented. The U.S. Department of Education's online entrance counseling takes about 30 minutes and covers basic facts about budgeting; interest rates and fees; borrowers' rights and responsibilities; repayment alternatives, incentives, and plans; and consequences of defaults (U.S. Department of Education 2011a). ED's exit counseling takes about 30 to 40 minutes and covers many of the same topics (U.S. Department of Education 2011b).

### Repayment Options

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Borrowers have several options for repaying their federal student loans. The default option is the standard repayment plan, under which borrowers pay a fixed amount of at least \$50 a month for up to 10 years (U.S. Department of Education 2011b). There are also graduated and extended repayment plans; the latter is available only to students with high loan amounts and allows a loan term of up to 25 years. Under income-driven repayment plans, such as Income-Based Repayment, Pay As You Earn, and Income-Contingent Repayment, a borrower's monthly payment is capped at an amount intended to be affordable based on a borrower's income and family size. If individuals repay under one of these plans for the required amount of time (usually 20 or 25 years) and have not repaid the loan in full but fulfill all other requirements,

then they may be able to have the remainder of their balance forgiven. Depending on their circumstances, borrowers may be required to pay income tax on the amount forgiven. Borrowers who are employed in public service jobs may be eligible to have their remaining loan balance forgiven after just 10 years of payments. The Public Service Loan Forgiveness (PSLF) Program was created in 2007 to encourage graduates to enter and remain in public service careers. If borrowers make 120 qualifying payments while employed full time by public service employers—among them, public schools, government agencies, and certain nonprofits—the remainder is forgiven (Federal Student Aid 2009). The U.S. Department of Education expects borrowers to keep proper documentation of their PSLF qualifying payments (The Institute for College Access and Success 2009a). To help borrowers keep track of their eligibility, the Department of Education published an Employment Certification Form which borrowers can submit annually to their student loan servicer to ensure they are on track for public service loan forgiveness.



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