A Holistic Approach to Student Financial Success

To properly ensure student success, colleges and universities must take a holistic approach and utilize all available tools at its disposal. These tools range from financial education, to default prevention programs and financial aid management services. Some facts to consider:

- The average starting salary for 2011 graduates is $36,866; down from $46,500 in 2009.
- Most students graduating from a four-year college or university will have an average of $23,200 in student loans.
- 84 percent of college students are in credit card debt.

With the proper guidance and support from their financial aid office, students can more easily fulfill their educational dreams and uphold their commitment to repay their student loans.

Financial Education

Despite the pervasiveness of difficult budget situations throughout the higher education industry, institutions are placing a priority on their students’ financial well-being and investing in infrastructure and training to support the delivery of sound financial education to students.

A recent poll by Student Lending Analytics reveals that nearly half (48 percent) of institutions surveyed are providing some type of financial education option beyond entrance and exit counseling. So why is financial education so necessary?

1. Today’s young adults desperately lack financial skills.
2. College students want help.
3. Stress caused by finances has a negative impact on persistence.
4. Cost of attendance and cohort default rates are moving in the same direction.
5. Students are expected to manage large debts but have little training to do so.

When developing your campus’ financial education program, consider it a four step process, involving creating a multidisciplinary success team, selecting a delivery method, promoting your financial education program and assessing the impact of financial education. Taking the steps to install an efficient and impactful financial education program on your campus will be the step your students will take to better money management.

Default Prevention

Every school benefits from a plan designed to do the utmost to help student loan borrowers succeed in repaying their loans. The Department of Education agrees with this statement and has made available a sample default management plan. This sample plan is intended more for schools that are required to develop a plan. However, schools not subject to a mandatory plan have more flexibility, thereby allowing them to focus on repayment success rather than on default management. For schools that are ready to step forward and develop a plan to assist student borrowers, these general steps apply.

1. Understand how your default rate is calculated.
2. Understand how your default rate affects your institution.
3. Build your team of stakeholders.
4. Examine your borrower characteristics.
5. Design and implement your plan.

Finally, stay centered on the success of student borrowers, not simply on the institution’s default rate. A Department report that tracked student borrowers for 10 years after earning bachelor’s degrees in 1992-1993 found that Stafford borrowers defaulted, on average, four years after earning their degrees, outside the timeframe established by the Department’s default rates. Focus on the success of students until the day they each have repaid their student loans.
Financial Aid Management

Maintaining an efficient, compliant and service-oriented financial aid operation is no small task for colleges and universities. Yet the need to do so has never been greater. The recent rules and regulations set forth by the federal government have put more of the student default onus on schools, tasking them with more responsibility and putting a greater emphasis on compliance. Having a high-functioning financial aid office plays a key role in helping schools meet their strategic enrollment goals, while also avoiding potential compliance liabilities.

Take for example your school’s policy and procedures manual. Do you know if your policies and procedures are current? Start here with a few basic steps to help you get on track:

1. Review an existing manual as a basis to create or enhance yours.
2. Access the Department of Education’s “Write, Implement, and Own It, the Making of a Policies and Procedures Manual” document to create or improve your manual.
3. Establish a team – get people from all appropriate offices. They know their areas better than anyone else, so employ their help.
4. Establish a schedule by which to test, review and update your manual and keep all involved staff informed of the schedule.
5. Be sure to train your staff on all procedures.

Ensuring compliance with the regulations is obviously crucial; however, creating and having documented policies and procedures can also help clarify the roles and responsibilities of your school’s employees and assist in training staff. Just as important, it can also help lay a foundation of communication and collaboration between the school’s many different offices.

Student Success

Ensuring student success is not a one-time, one step program; it takes a concentrated holistic effort in the three areas mentioned. Students needs to be armed with the proper financial education and need to know how to properly manage their money, both in the present and in the future. If a school develops and implements a system of information distribution, students will feel confident in their financial activities and well-being which will lead to success in their post-academic endeavors.

About Inceptia

Inceptia is dedicated to providing much-needed support to help schools effectively fulfill their new roles and responsibilities. Through comprehensive data analysis, financial education, default prevention and financial aid management, we are confident we can help all students, not just borrowers, become financially responsible adults. We are here to make it possible for more schools to launch brilliant futures. More information at Inceptia.org.