Editorial

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It Takes a Campus to Prevent a Default: Gathering Internal Support to Promote Financial Education

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Introduction

When I first began working in financial aid, I was amazed at how much I did not know about the student aid process. My time in academics, records, admissions, and student services had never required that I learn anything beyond how to file the FAFSA; the rest of the details were to be covered by the experts in the financial aid office. It was only after I became part of their ranks that I realized what a travesty it was that more offices weren't made aware of financial aid policy, not only to help educate students, but to make the most of our clearly interconnected working relationship.

Fast forward several years, and I now see the same situation playing out as it applies to financial education. Although important to all, the execution of a financial education program almost always falls squarely on the shoulders of the financial aid department. For an all hands on deck approach, such a massive and critical undertaking is daunting, but is simply system overload for one department to manage alone. Here are the reasons and data as to why financial education is everyone's job, and how to gain buy-in for campus-wide collaborative efforts.

Why: Doing well by doing good

Schools need students to survive, plain and simple. Thus a renewed focus on retention is a hot topic on many campuses. But seldom do discussions address the influence that external factors (like money) can have on student retention levels. Surprising, given that financial pressure is the number one reason students leave school (Chiang, 2007). An absence of consideration for this leading cause is presumably because a student's finances are considered to be outside the college's sphere of influence, or too taboo to discuss. However, an EDSA study shows that survey respondents disagree and are looking for schools to address this need. And although 100 percent of respondents feel their school should provide financial education, a whopping 79 percent find school efforts inadequate (2010).

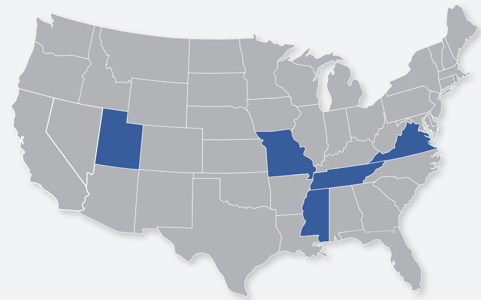
Consider also the future ramifications of financial unpreparedness due to a fiscally uneducated society of college graduates:

- Almost 30 percent of Millennials are overdrawn on checking accounts.
- Nearly 42 percent have used alternative financial services within the last year, including pawnshops, payday loans, and tax refund advances.
- Over 20 percent of Millennials have taken money from retirement plans to cover hardships.
- Almost 50 percent of Millennials would not be able to cover an unexpected expense of $2000 within the next month.

These statistics from PwC's Millennials and Financial Literacy Survey (2016) show an alarming trend for future financial instability if students continue to engage in undesirable financial behaviors simply because they know no other path.

Clearly, higher education is doing itself a huge disservice by viewing student retention through a purely academic lens and not utilizing a holistic approach.

Only five states require at least a one semester high school course devoted to financial education.



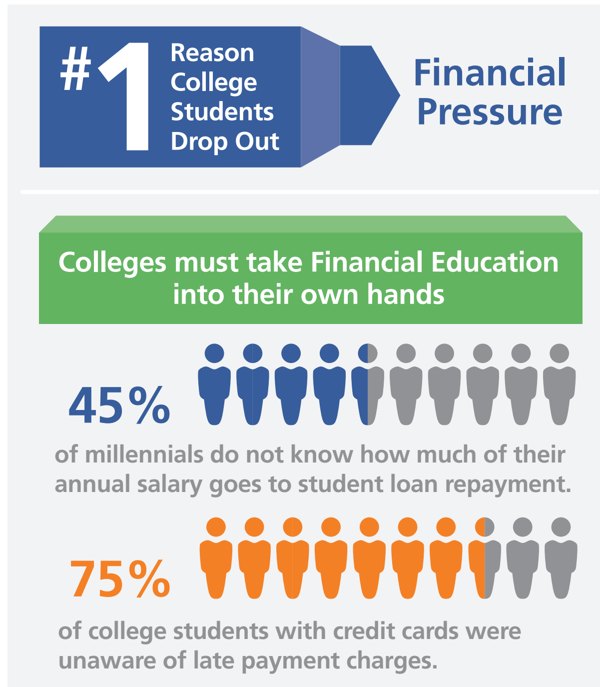
How First Year College Students Scored on Financial Education Topics

Earning	Protect	Spending	Borrowing	Saving/ Investing
GRADE	GRADE	GRADE	GRADE	GRADE
B	D	D	D	F

20% of teachers — feel competent to teach personal finance.

72% of parents — are reluctant to talk about financial topics with their kids.

Finally, with 89 percent of survey respondents indicating they would have a more favorable view of schools with financial literacy programs (NFEC, 2013), it is evident that the demand exists for colleges to step up to the plate. So by addressing the number one drop-out factor, helping students understand how to manage money while balancing education costs, and providing comprehensive financial education, schools may be able to realize a threefold benefit: an increase in retention rates, a competitive advantage over schools with no financial education programs, and the ability to impact future economic viability by producing financially prepared individuals. All while doing immeasurable good for the students they serve.



How: Help create top-down momentum

Let's face it, your program has a much increased chance of success if your leadership team makes student financial literacy a priority. And yet that support is hard to come by; just ask any financial aid director who has been banging this drum for years.

Fortunately, those at the top are usually motivated by numbers and hard data. Even more fortuitous is the recent focus on shopping sheets, college ratings systems, and other proposed legislation that has put the financial aid office in the spotlight. These developments, in addition to the aforementioned retention facts, can be used to spark an interest at the higher level. Some key points to consider:

- Help upper administration understand how Cohort Default Rates (CDR) work, where yours currently stands, and the consequences of an increased rate. It is possible they are not aware of the effect the CDR has on an institution's Title IV eligibility.
- Highlight specific components of your program that would focus on default prevention (e.g. mandatory entrance counseling every year, for every student) and decrease the amount of students who overborrow (e.g. staggered disbursement schedules). With shopping sheets allowing students to compare default rates and median borrowing amounts, it is important for leaders to understand how increasing financial literacy can help to improve those numbers.
- Stress the advantages to be gained from a proactive approach. Increased political examination of student loan debt and a number of pending new legislative proposals will continue to require schools to take more responsibility for student borrowing and default management:
    - The Senate Committee on Health, Education, Labor, and Pension has introduced plans to require colleges and universities to have more "skin in the game" to educate loan borrowers. These risk-sharing proposals would include a focus on reduced overborrowing and increased persistence and graduation rates.
    - The Student Protection and Success Act would create a new formula to determine a college or university's Title IV eligibility, based on the proportion of students at that institution who are actively repaying student loans. Additionally, colleges and universities would be required to make risk-sharing payments to the U.S. Department of Education for unpaid loans.

Who: Self-interest gains the most interest

Human nature dictates that appealing to one's self-interest is a powerful motivator. With this in mind, by helping other offices see the benefits of promoting financial literacy, you're likely to win over some enthusiastic ambassadors. Here are some suggested messages to motivate staff and faculty on your campus.

A robust financial education program could be the unique campus resource that sets your school apart from the rest.

Admissions

Work with your admissions team to provide them with program specifics such as how the program is administered, how many students have gone through the program, and the resources you provide. Make a brief survey available to prospective students that measures their level of financial literacy; it may help to drive home the value of the program, and be a factor in the decision making process. Admissions representatives also have the unique job of having the initial conversation about cost and career earnings; make sure your messages are simpatico.

Action items for Admissions Staff
If your campus has the bandwidth, try to have each new student create a financial plan to pay for their education (with assistance from the Financial Aid and/or Bursar's Office).
For returning students, have them complete a financial aid review. Where have they previously borrowed? What is their current student loan debt? Are they in good standing? For some, this may be their first exposure to NSLDS – what a great teachable moment!
Reinforce entrance counseling by providing a plain language guide to student loan basics. Whether in a booklet format, group presentation at orientation, or as part of an FYE course, explaining and revisiting the information provided by Federal entrance counseling can help the concepts sink in.

Student Advising

If your financial education program calls for students to determine how they will pay for college (which it should), what their expected starting salary will be (per DOL statistics), and what they need to do to remain in good standing (think SAP and enrollment status), they will be one step up on Maslow's hierarchy. Having those initial needs met should allow your students to better focus on goal-setting and academic planning. In turn, your advisors will jump for joy at the chance to form a developmental advising relationship with students. Additionally, training advisors to incorporate financial aid requirements into academic planning is a form of just-in-time counseling that further enforces the goals of your program, and strengthens the advisor-advisee connection.

Action items for Academic Advisors
Conduct training that allows Academic Advisors to better understand the interrelated nature of SAP, financial aid, and enrollment.
Create an internal financial aid Wiki that will serve as a reference when financial aid information is needed.
Develop a general one-page "cheat sheet" of how schedule changes can affect a student's financial aid status. This can be an internal tool or shared with students.

Career Services

Speaking of expected salaries, career advisors know all about gainful employment. Those who assist students in career planning are keenly aware of the unrealized correlation between student loan debt and expected earnings. How much easier would those conversations be if students had already completed this analysis themselves, through your financial education program, and had adjusted their borrowing and/or major accordingly? Your Career Services partners would be a powerful ally in reinforcing these concepts.

Action items for Career Services
If you are already interacting with first-year students, ask them to begin researching career trends and employment data from the Bureau of Labor Statistics. If you can make it an assignment as part of a course or for meetings, even better! Texas Tech University has a handy example of what an assignment might look like.
Co-sponsor workshops with Financial Aid or a credit counseling professional to discuss the link between employment and credit history. Create brochures or other literature to disseminate this information to all students.
If you are not interacting with first-year students, make this a priority! Explain to students the importance of planning for the future so that they can avoid making costly financial mistakes while in school.

Alumni Services

An Eduventures study links alumni giving to how well students feel their alma mater provided education regarding loans, debt management, and repayment options (2011). Additionally, with graduated borrowers buried under average debt loads of $37,172, most are too busy treading water to even begin to contemplate giving back to their schools (Mitchell, 2016). It should not take great convincing for alumni officers to make the connection between a strong financial education program and strong alumni giving. They may help sponsor an event or workshop, and may even be able to solicit alumni guest speakers. Having former students, especially those within the financial field, carry your message to current students can be quite effective.

Action items for Alumni Services
Sponsor networking events with students and alumni to help foster a focus on career preparation and degree completion.
Solicit alumni in the financial field to host workshops on a variety of finance related topics for students: budgeting, saving, investing, FAFSA renewal, and tax preparation, just to name a few.
Sponsor a graduation fair that allows students to complete graduation requirements in one spot, including the opportunity to complete exit counseling and have their repayment questions answered.

Faculty

Knowing that student stress levels and school abandonment are most often related to finances, you can make the argument that financial education contributes to a more focused and full classroom. As they are often the first to hear about a student's intent, instructors should be encouraged to make referrals as necessary to ensure students can make informed decisions. Faculty in the economics and finance departments may be valuable resources to your program for content development, guest speakers, and to potentially integrate your program into the classroom.

Action items for Faculty
Use the aforementioned training and/or Wiki to help faculty understand how academic performance affects financial aid.
Start or join an at-risk committee that helps identify students that would benefit from additional support and resources.
Conduct research on your unique student population to determine barriers to success at your institution.

These are just a few examples of how to gain buy-in; a myriad of other reasons can be found to champion departments to your cause.

Call to Action: Empower your ambassadors

Finally, once you have achieved widespread support, you must find ways to keep your team engaged and empowered to carry the message. Provide literature and advertising about your program so they can make student referrals; train appropriate staff and faculty on key financial education concepts that directly link to their job functions; partner with others to sponsor student events and workshops for increased participation. And always provide opportunities to join the movement.

Financial education should be a forum open to all. You may be surprised to find many who share your enthusiasm and passion, and are just waiting in the wings for someone to start the movement.

Additional resources for starting your own financial literacy program

- *Opportunities to Improve the Financial Capability and Financial Well-Being of Postsecondary Students from the U.S. Financial Literacy and Education Commission*
- *Financial Capability Now: Why College Students Can't Wait* from Inceptia
- *Financial Well-Being Scale from Consumer Financial Protection Bureau*
- *Financial Literacy in Higher Education: The Most Successful Models and Methods for Gaining Traction* from COHEAO
- *Get Financially Fit* from the Financial Reserve Bank of New York
- *Snapshot of Financial Education Programming: How Schools Approach Student Success* from Inceptia
- *The ROI of Financial Education from Inceptia*

About the Author

As the Vice President of Student Success, Carissa Uhlman is committed to helping school partners realize the link between student loan education, overall fiscal responsibility, and student success. With over 15 years of higher education experience, Carissa has held roles in academics, records, admissions, advising, student services, and financial aid. As a former financial literacy consultant at DeVry University, Carissa saw the benefits of incorporating financial wellness into the student success equation. Utilizing that knowledge, she created a financial literacy program for adult learners at Franklin University. Carissa's expertise in financial literacy helps administrators guide students toward a path of financial success.

The Inception of a Movement.

Inceptia, a division of National Student Loan Program (NSLP), is a nonprofit organization committed to offering effective and uncomplicated financial aid management solutions in such key areas as default prevention, verification and financial education. Our mission is to support schools as they launch brilliant futures for students, armed with the knowledge to become financially responsible citizens. Since 1986, we have helped more than two million students at 5,500 schools nationwide reach their higher education dreams. Each year, we help more than 180,000 students learn how to pay for college, borrow wisely, resolve their delinquency issues and repay their student loan obligations. And with our default prevention and verification solutions, we help financial aid administrators maximize their resources, so they can spend more time focusing on students.
More information at Inceptia.org.

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