Session #27

Financial Literacy Matters

Elizabeth Coogan
U.S. Department of Education
2019 FSA Training Conference for Financial Aid Professionals

Federal Student Aid
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Introductions

Elizabeth Coogan
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Presenters

**Erin Willig**
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Division for College Readiness and Success

**Nick Kilmer**
President
Texas Association of Collegiate Financial Education Professionals

**Karen L. Serna, AFC**
Director, Student Money Management Office
Austin Community College
Financial literacy support services and resources can contribute to student success. Learn about FSA’s commitment to financial literacy and hear from a panel of experts from the state of Texas. They will share their coordinated approach to financial literacy and provide details on their services and resources that help students make smart financial decisions that contribute to academic and financial success.
Who We Will Be Hearing From

Federal Student Aid

Texas Higher Education Coordinating Board

Texas Association of Collegiate Financial Education Professionals

Austin Community College
External Data and Surveys

- Federal Reserve System
- National Center for Education Statistics
- The State of Financial Knowledge in College
- Investor Education Foundation
- MajoringinMoney 2019
- Federal Student Loan Portfolio
- RAND Corporation
- Gallup
- National Association of Student Financial Aid Administrators
- Charles Schwab
- National Foundation for Credit Counseling
- Report on the Economic Wellbeing of Households
- National Financial Capability Study
- Trellis Company
- Teachers Insurance and Annuity Association
- The Institute for College Access and Success
- Incoming Students Struggle with Basic Financial Literacy
- Gallup Purdue Index Report
- Sallie Mae
58% of borrowers indicate that they have more student loan debt than they expected to have at this point.

68% of students say they would use financial support services if offered by their school.

31% of students pay for college with credit cards.

42% find their total debt amount to be overwhelming (credit card, car loan, money owed to family/friends).
The National Postsecondary Student Aid Study (NPSAS) examines the characteristics of students in postsecondary education, with special focus on how they finance their education.

The 2015-16 National Postsecondary Student Aid Survey (NPSAS) included questions about financial literacy.

Learn more about NPSAS [here](#).
If I could do it all over again I would…

- Begin paying my loans during my studies
- Take out just enough and not the maximum amount
- Rethink how to spend my loan
- Find other resources and research how much education would cost
- Borrow less, and have a better idea of my repayment options
- Find out exactly how much I am borrowing
- Not accept refund checks to make my loan smaller
Financial Literacy and Higher Education

- Prepared by the Financial Literacy and Education Commission (FLEC) to:
  - Establish best practices for institutions of higher education regarding methods of teaching financial literacy
  - Provide information to assist students with borrowing decisions

Access the report [here](#)
Best Practices for Delivery of Financial Literacy

Financial Literacy Programs

ADOPT CONSUMER FINANCIAL PROTECTION BUREAU’S “FIVE PRINCIPLES OF EFFECTIVE FINANCIAL EDUCATION

1. Know the Individuals and Families to be Served
2. Provide Actionable, Relevant and Timely Information
3. Improve Key Financial Skills
4. Build on Motivation
5. Make it Easy to Make Good Decisions and Follow Through

ADDITIONAL THREE BEST PRACTICES FROM FLEC’S RECOMMENDATION

1. Develop Standards for Professional Educators
2. Provide Ongoing Support
3. Evaluate for Impact
Recommendations for the Delivery of Financial Literacy and Education

Provide clear and customized information to inform student borrowing.

Prepare students to meet financial obligations upon graduation.

Target different student populations by use of national, institutional, and individual data.

Communicate the importance, graduation and major are on repayment of student loans.
Recommendations for Engaging Students in Financial Literacy and Education

- DEDICATED STAFF TO ADVISE STUDENTS ON LOANS, MAJORS AND OBSTACLES TO GRADUATION AND DEPLOY WELL-TRAINED PEER EDUCATORS

- EMERGENCY ASSISTANCE

- MANDATORY FINANCIAL LITERACY COURSES
# Financial Aid Offer Letter Recommendations

**Itemize & Subtotal Cost of Attendance**
- Specific costs and who they are paid to
- When they need to be paid
- Estimations for room and board at university
  - Extra fees: books, supplies
- Assumptions used by the university like
  - Residency instate and out state
  - Attendance fulltime & part time

**Differentiate Aid Offers by Type**
- Institutions should not assume students know the difference between loan types
  - Ex. Grants, loans, and work-study
- Including descriptions of loan type

**Highlight Details & Distinctions by Aid Type**
- Institutions can add distinctions & requirements per aid type
- This additional information helps students assess what options is best for them
- State terms + conditions and how to maintain aid
- Define how federal work study is earned and distributed

**Calculate Cost After Grants & Scholarships**
- Show the amount the student would need to pay the institution directly what net cost will be to cover all relevant expenses
- Explain what costs are estimates, clearly state that the estimate is based on averages
  - Actual costs depend on student choices

**Do Not Include Parent PLUS Loans**
- Parent PLUS loans are paid to the parent
  - Should be listed separately if at all
- Institutions should clearly state how these loans differ and clearly differentiate them from student's aid
- Clearly disclose how Parent PLUS loans differ from student loans

**Provide Actionable Next Steps**
- Instructions on how to accept, decline, or adjust enrollment
- Deadlines for accepting aid
- Clear portal details with link and login information
- Specific detail and explanation of tuition payment plan
- Budget planning form
- Information on how to contact the institution financial aid office and other resources

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**Federal Student Aid**
An Office of the U.S. Department of Education

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### Student Loan Debt Letter Recommendations

#### PROVIDE INFO TAILORED TO THE STUDENT
- Estimated repayment amount at anticipated graduation
- Tuition plan payments
- Estimated accrued interest if student defers payments
- Average borrowing level for other students
- Average salary of graduates related to student's major or concentration

#### MAKE IT EASY TO FIND ADDITIONAL INFORMATION & SUPPORT
- Link to resources
  - websites
  - Contact information

#### PROVIDE COMMUNICATION WHEN THE TIME IS RIGHT
- Students are more motivated to act on loans when timed to an event
  - Registering for courses
  - Deadline to change financial aid

#### PAIR WITH OTHER FINANCIAL LITERACY STRATEGIES
- Debt letters can have a positive outcome when
  - paired with encouragement and for graduating on time
  - Offer incentives to obtain financial counseling
The Texas Higher Education Coordinating Board
The mission of the Texas Higher Education Coordinating Board (THECB) is to provide leadership and coordination for Texas higher education and to promote access, affordability, quality, success, and cost efficiency through 60x30TX, resulting in a globally competitive workforce that positions Texas as an international leader.
60x30TX STUDENT DEBT GOAL

By 2030, undergraduate student loan debt will not exceed 60 percent of first-year wages for graduates of Texas public institutions.

<table>
<thead>
<tr>
<th>Target</th>
<th>2016*</th>
<th>2017*</th>
<th>2030 Goal</th>
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</thead>
<tbody>
<tr>
<td>Student Loan Debt to First Year Wage Percentage</td>
<td>60%</td>
<td>59%</td>
<td>60%</td>
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<tr>
<td>Excess Semester Credit Hours Attempted</td>
<td>18</td>
<td>18</td>
<td>3</td>
</tr>
<tr>
<td>Percent of Undergraduates Completing with Debt</td>
<td>48.2%</td>
<td>47.2%</td>
<td>50%</td>
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Financial Literacy Advisory Committee (FLAC) convened to determine ways to better advise students and parents on financial aid options and the impact of those options on students’ finances before, during, and after their college careers.

Recommendations released included:
1. Development of a personalized tool for students,
2. Expanding training for providers of financial literacy instruction, and
3. Using statewide partnerships and effective branding to communicate the importance of postsecondary education and training.

THECB Division for College Readiness and Success reviewed the FLAC recommendations in conversation with Student Financial Aid Programs and developed a plan with manageable, actionable steps to implement FLAC recommendations.
Our strategy to enhance THECB’s efforts in regards to **student financial literacy and wellness** includes:

Effectively **communicating and disseminating financial literacy and financial aid literacy** information to students, counselors, and institutions.

- Integration with Generation TX and Advise TX
- Engagement on social media
- Toolkits and checklists
- Training for Advise TX advisers

Empowering and supporting institutions of higher education to create or further develop **financial literacy and wellness programs and systems** to improve student financial health.

- Convened Financial Wellness Learning Collaborative in partnership with Trellis Company
Financial Wellness Learning Collaborative

- Group of higher education professionals working to create **actionable, practical tools to support institutions of higher education** as they grow their efforts to improve student financial health.

- Representatives from 4 community colleges and 9 public universities.

- Three work groups:
  - Student Programs
  - Policy and Procedure
  - Training Design

  Efforts of all three work groups are informed by and aligned with the FLAC recommendations and FLEC best practices report.
Student Financial Wellness Programs Survey

- **Goal:** better understand the scope of programs being provided to students at institutions of higher education to support their financial literacy and wellness.
  - Where on campus are programs housed?
  - How are programs structured and supported?
  - Are programs being evaluated?
  - What topics are being addressed by these programs?
- Developed by Student Programs Work Group, disseminated by THECB
- Over 85 Texas institutions of higher education responded
Texas Association of Collegiate Financial Education Professionals
Texas Association of Collegiate Financial Education Professionals

- Created in 2013
- Peer network of financial educators
- Made up of a diverse set of institutions, associations, and companies
- Annual Symposium each May
- Planning & Programming Summit in January
- Interested in joining? Visit tacfep.com
- Memberships fees are minimal
Getting Started

- Denton, Texas (just North of Dallas)
- 39,330 students (24% Hispanic, 14% African American)
- Student Money Management Center
- Reports to Student Affairs
- 4 full-time staff, 2 graduate assistants, 7 peer mentors
- Specializes in peer mentor training, program assessment, and marketing

The University of North Texas
Meeting Requirements

- Huntsville, Texas (West of Houston)
- 21,025 students (24% Hispanic, 19% African American)
- Student Money Management Center
- Reports to Financial Aid
- 4 full-time staff, 3 peer coaches, 3 student assistants, 5 student loan mentors
- SB 887 (required annual Student Loan Debt Letter)
- Developed a student tested debt letter expanding student loan engagement opportunities
Wading into Uncharted Territory

- Lubbock, Texas (in the Panhandle)
- 37,845 students (27% Hispanic, 7% African American)
- Red to Black Peer Financial Coaching Program
- 1 full-time staff, 1 graduate assistant, 2 student assistants, dozens of volunteer financial educators, advocates, and coaches
- Personal Financial Planning, Human Sciences
- Life, Love, & Money 3 Credit Hour Course
- Core Elective (Social & Behavioral Sciences)
Texas Association of Collegiate Financial Education Professionals

Looking to the Future

- College Station, Texas (near Caldwell)
- 63,694 students (22% Hispanic, 3% African American)
- Money Education Center
- Reports to Financial Aid
- 4 full-time staff, 5 student workers
- ED’s Loan Counseling Experiment
- Began 2017-2018 academic year
- Different method, content by classification
- NASFAA Enhancing Loan Counseling Taskforce

Texas A&M University
Online Module: College funding resources, budgeting, the importance of timely graduation

Online Module: Step by step process and worksheet for creating a college funding plan

Presentation: Student loan repayment basics (repayment timeline, terms, available plans, delinquency and default, etc.)

Appointment: Analyze ability to afford the Standard Repayment Plan (and other loan repayment plans if not)
Austin Community College
Austin Community College

- 11 campuses
- 40,799 Fall 2018 enrollment
- 5,432 First-time in college students
- 7,500 students received the Pell Grant in fall 2018
- 2016 Student Money Management Office established
“Reminders for FA info are helpful mid semester when I am swamped with class work and not thinking of FA. It's easy to let important deadlines fall through the cracks without the reminders.”

- 13-15% increase in fall-to-fall persistence
- 9% increase in scholarship submissions
- 12,500 students received texts messages last academic year
Austin Community College: Emergency Aid

- Long time emergency aid program
- Revamped in 2017 to be more accessible and available to students
- Managed by our Financial Aid Office and our Support Center
- Where does financial literacy fit in?
Let’s prepare students for financial emergencies

- Partnership with a local credit union
- Earn up to $100 in cash incentives
- Last year, 95 students collectively saved $43,016
Austin Community College: Peer Mentors

- Conduct outreach and staff tabling events
- Design and deliver mini workshops to peers
- Work on group projects that advance our mission
- Write blogs and started a podcast
- Receive a $600 stipend or work-study eligible
Austin Community College: Finding the Money

- Department of Education Title III Strengthening Institutions Program Grant
- Approach existing funders and ask them to deepen their commitment (scholarship donors, emergency aid donors)
- Use data to support your ask
Questions and Answers
Contact Information

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• Trellis Student Financial Wellness Survey
• CFPB Effective Financial Education Principles
• What to Avoid When Issuing Financial Aid Offers
• 5 Things to Know When Evaluating a Financial Aid Offer
• Financial Literacy Guidance from Federal Student Aid

• University of North Texas’ Student Money Management Center Online Handbook (email to request access)
• Sam Houston State’s Student Loan Debt Letter
• Texas Tech University’s Life, Love, and Money Course
APPENDIX

• Evaluation of Austin Community College’s Strengthening Institutions Program Grant: Annual Outcomes and Impact Report

• Conducting a Text Messaging Scavenger Hunt to Promote Financial Aid Literacy Among Community College Students

• Don’t Txt Me L8r, Text Me Now: Exploring Community College Student Preferences for Receiving a Text Message from Their Institution