


Tying Financial Literacy to Default Prevention

*Presented by
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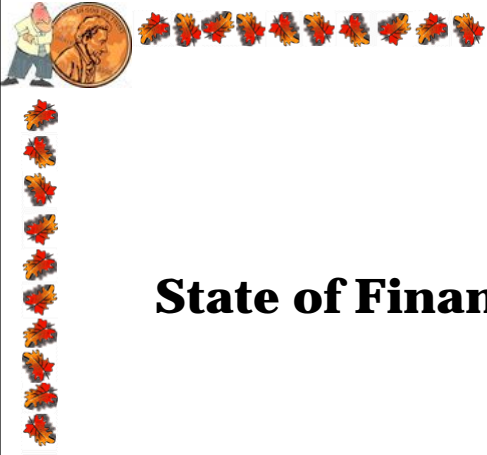


We Will Discuss


- **State of financial literacy**
- **Cultivating student success**
- **Financial literacy from early enrollment and beyond**
- **Implementing a financial literacy program on your campus**
- **Where to go from here**



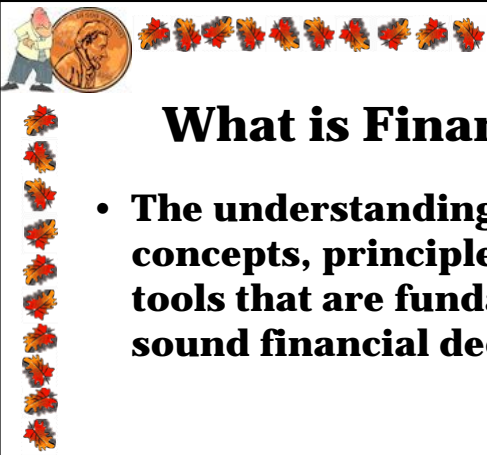
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State of Financial Literacy




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What is Financial Literacy

- **The understanding of financial facts, concepts, principles, and technological tools that are fundamental to making sound financial decisions**



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Debt Use Among Undergraduate

- **39% of undergrads arrive on campus with a credit card**
- **Seniors graduated with a balance of \$4,100**
- **21% of students owe balance between \$3,000 and \$7,000**
- **9 of 10 report paying direct education expenses with credit cards**

Source: Sallie Mae and Nellie Mae 2009



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Financial Impact...

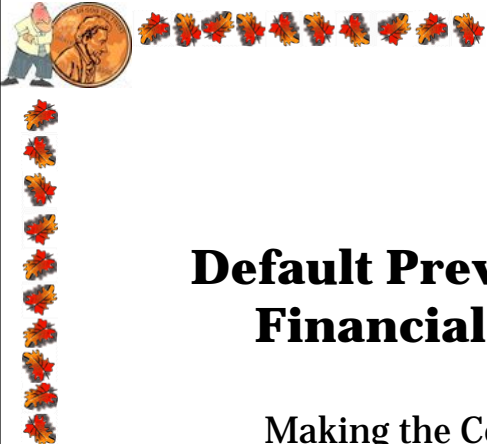
- **22% of students said they worry about having enough cash to get through a typical week**
- **32% of students said financial worries impact their levels of stress**

Source: Edison Media Research, 2009




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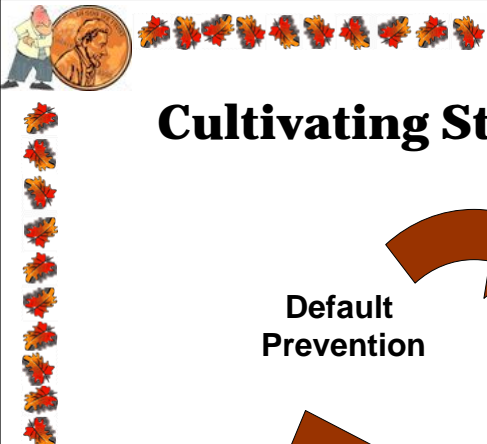


Default Prevention and Financial Literacy

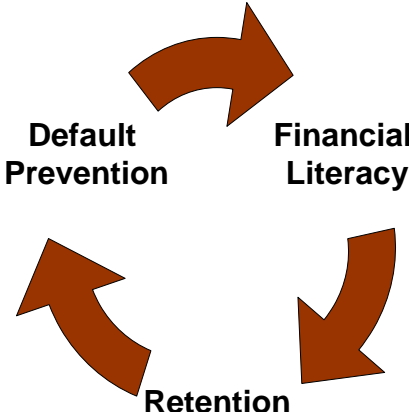
Making the Connection to Student Success



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Cultivating Student Success



Default Prevention Financial Literacy

Retention



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Financial Literacy Link to Default Prevention

- **Correlation exists between increased financial literacy and decreased defaults***
- **DCL GEN 05-14 lists financial literacy as one of nine key elements to include in a default prevention and management plan**

** National Center for Education Statistics*



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ED Study of Student Loan Defaults

- **Of the borrowers who defaulted, 70% withdrew without completing their academic program**

Source: August 2008 Analysis of Federal Direct Loan Portfolio



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Educating Students to Succeed

- **A holistic approach is needed to ensure students graduate**
- **Consider the following:**
 - School and life management
 - Financial aid resources
 - Money management
 - Credit management
 - Career planning



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Financial Literacy and Default Prevention

From Early Enrollment and Beyond



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Default Prevention and Enrollment

Stage 1 – Early Stages of Enrollment

Stage 2 – Late Stages of Enrollment

Stage 3 – After Students Leave School



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Default Prevention Activities

- **Stage 1 – Early Stages of Enrollment**

- Entrance Counseling
- Default Prevention and Management Plan
- Freshmen Orientation
- Early Identification and Counseling for Students at Risk
- Financial Literacy



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Default Prevention Activities

- **Stage 2 – Late Stages of Enrollment**
 - Academic Year Completion Letter
 - Timely and Accurate Enrollment Reporting
 - Exit Counseling
 - Financial Literacy



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Default Prevention Activities

- **Stage 3 – After Students Leave School**
 - NSLDS Date Entered Repayment Report
 - Early Stage Delinquency Initiatives
 - Late Stage Delinquency Initiatives
 - Loan Record Detail Report
 - Defaulter Data Analysis
 - Financial Literacy



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Implementing a Financial Literacy Program on Your Campus

Tips to Get Started



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Identifying Your Objectives

- **Needs assessment**
- **Purpose and goals**
- **Challenges**
- **Target audience**
- **Research and resources**
- **Timeline/frequency**
- **Measurements**



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Developing Your Program

- **Type of program**
- **Individuals involved**
 - Staff members
 - Other departments
 - Faculty or administration
 - Lenders or guarantor partners
- **Required resources**
 - Funding, publications, etc.



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Implementing Your Program

- **Start date**
- **Facility/location**
- **Publicity**
- **Student participation**
 - Make it mandatory
 - Provide incentives to encourage participation



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Evaluating Outcomes

- **Evaluation of goals**
- **Student surveys**
- **Continuous assessment**



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Additional Planning

- **Who?**
 - Who will your financial literacy program target?
- **What?**
 - What type of financial literacy program will provide to your students?
- **When?**
 - When will you make financial literacy available to your students?
- **How?**
 - How will you deliver financial literacy to your students?



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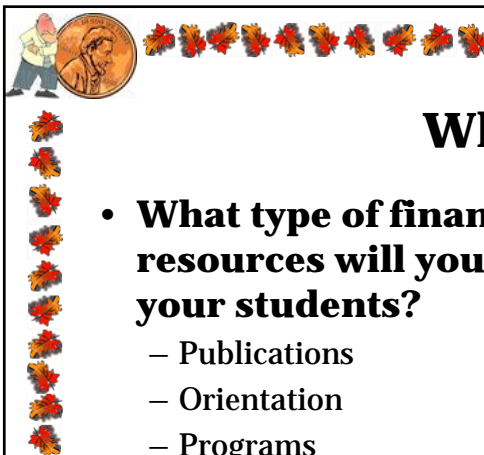
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Who?


- **Who will your financial literacy program target?**
 - All students
 - Student loan borrowers
 - At risk-students
 - Freshmen
 - Graduate or professional students

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What?

- **What type of financial literacy resources will you make available to your students?**
 - Publications
 - Orientation
 - Programs
 - Curriculum

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When?

- **When will you make financial literacy resources available to your students?**
 - Early Stage of Enrollment
 - Mid Stage of Enrollment
 - Late Stage of Enrollment



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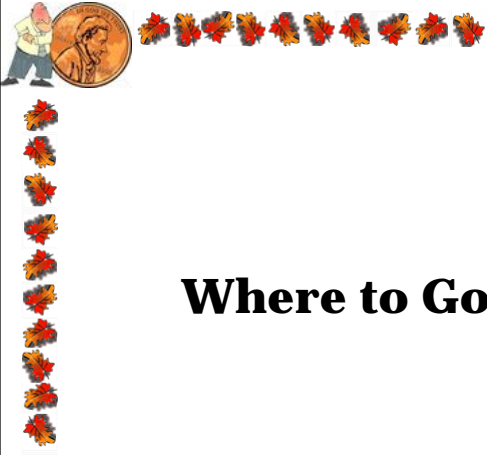


How?


- **How will you deliver financial literacy resources to your students?**
 - Online
 - Individual
 - Group
 - Email
 - Mail




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Where to Go From Here




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At a Minimum...

- **Focus your financial literacy efforts on preventing delinquency and default**
 - Provide supplemental loan counseling
 - Provide cumulative loan debt history and contact information on annual basis




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Don't Reinvent the Wheel

- **Collaborate with partners who promote borrower advocacy**
 - Guarantors
 - Colleges and universities
 - Web resources




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Web Resources

- **Federal Reserve Bank**
 - federalreserveeducation.org
- **Federal Reserve Bank of Chicago**
 - chicagofed.org
- **JumpStart Coalition**
 - jumpstartcoalition.org
- **MyMoney.gov**
- **Practical Money Skills**
 - Practicalmoneyskills.com
- **Internal Revenue Service**
 - www.irs.gov
- **National Endowment for Financial Education**
 - NEFE.org



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**Discussion
Questions?**



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