


# **Tying Financial Literacy to Default Prevention**

*Presented by  
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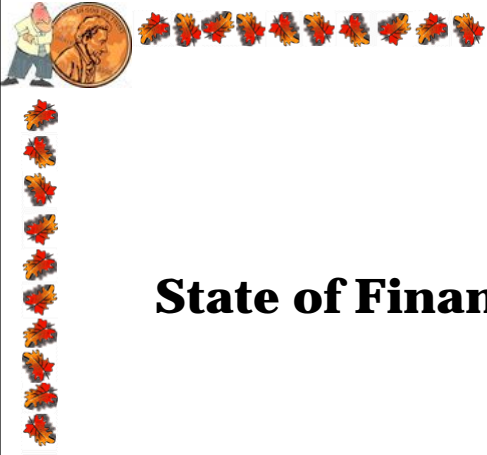


## **We Will Discuss**


- **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**



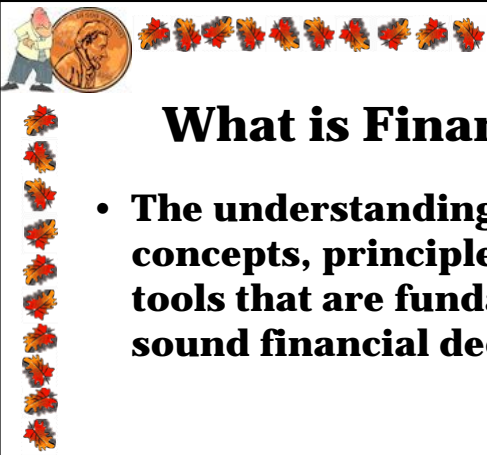
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# State of Financial Literacy




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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...**

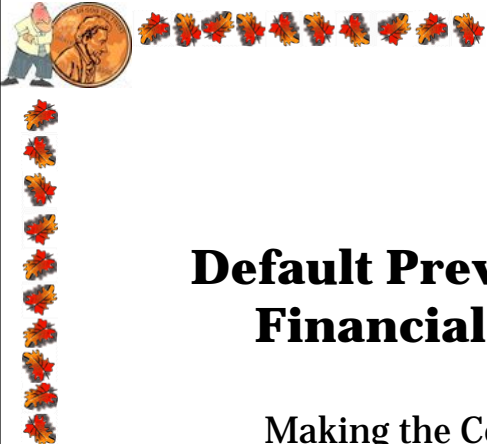
- **22% of students said they worry about having enough cash to get through a typical week**
- **32% of students said financial worries impact their levels of stress**

Source: Edison Media Research, 2009




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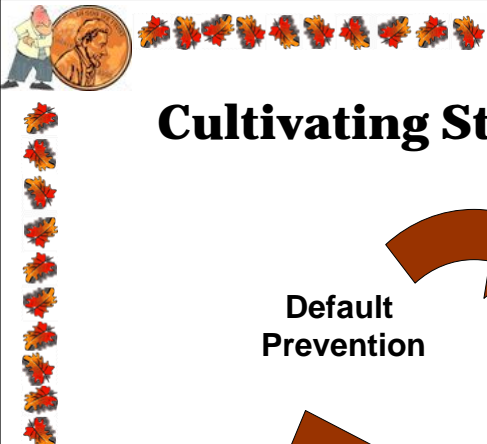


# Default Prevention and Financial Literacy

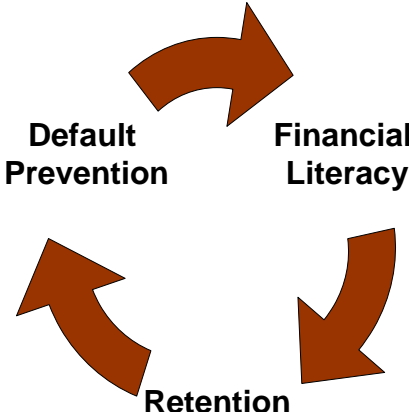
Making the Connection to Student Success



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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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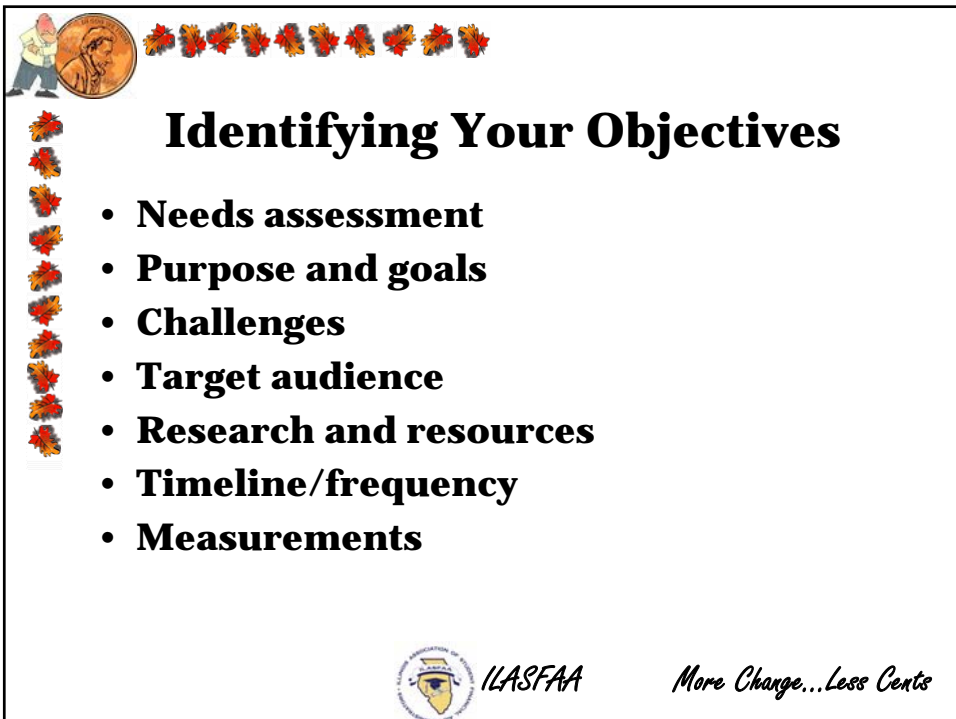


# **Implementing a Financial Literacy Program on Your Campus**

## **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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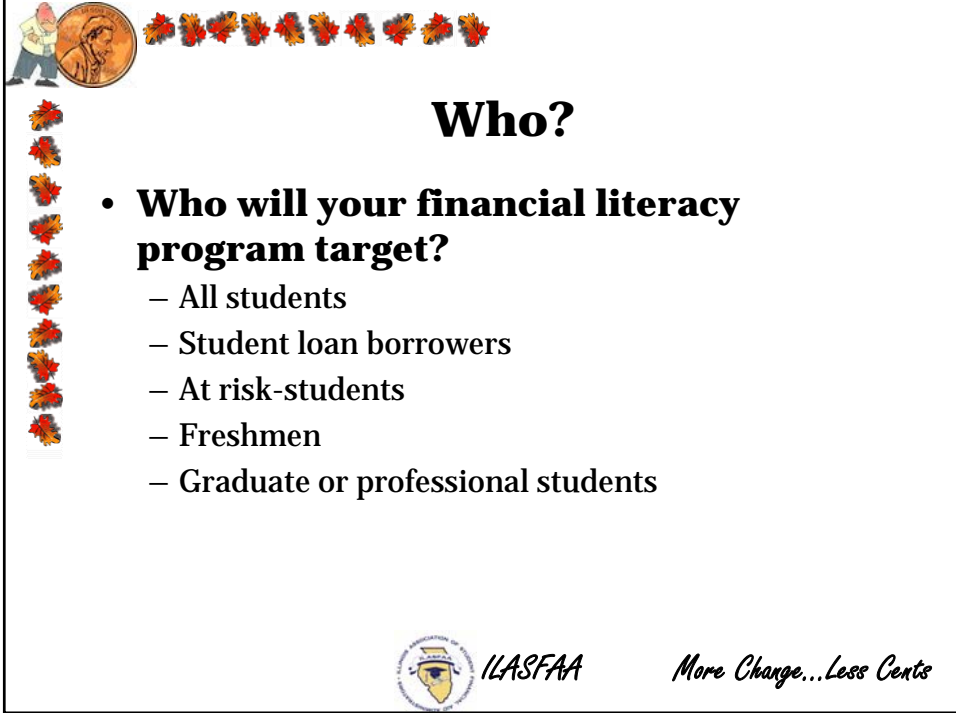
## Additional Planning

- **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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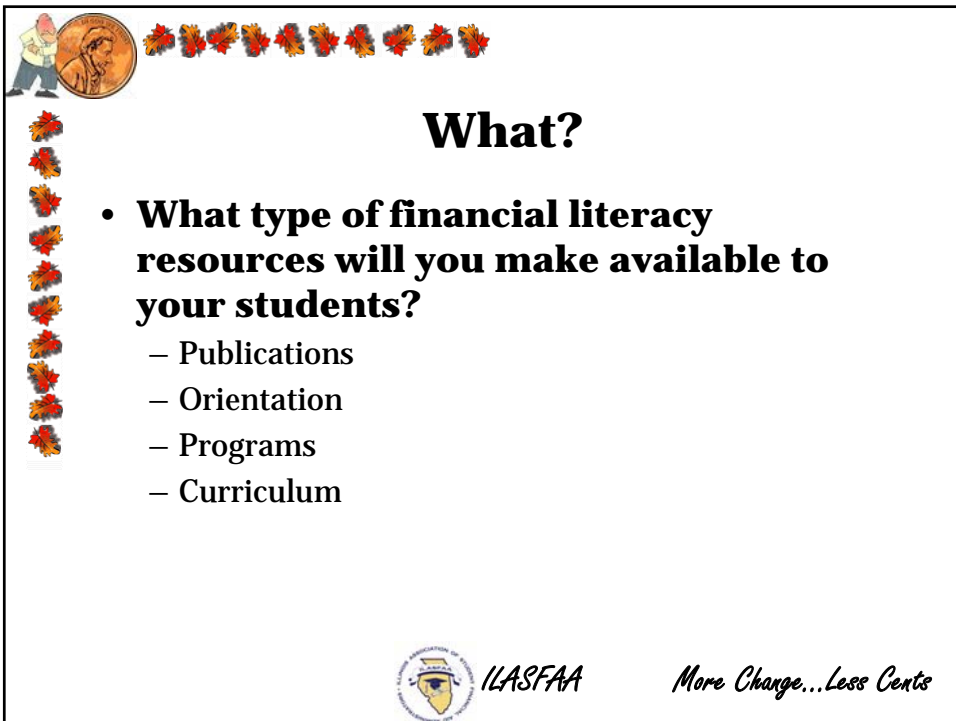
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## Who?


- **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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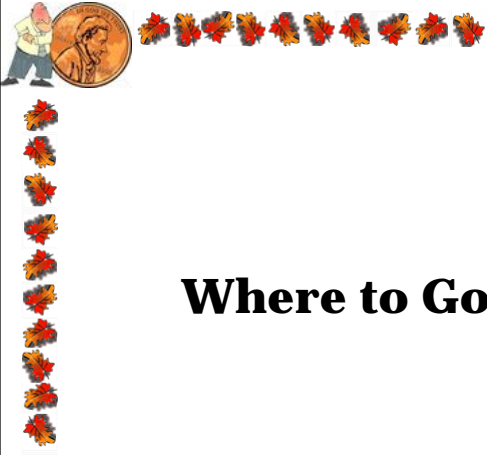
## How?

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



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**Discussion  
Questions?**



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