

# **Improving Student Financial Literacy as a Means of Addressing Increasing Student Loan Default Rates**

## **Action Learning Project Team #3**

### **EXECUTIVE SUMMARY**

#### **Problem**

As the cost of higher education goes up, Saint Paul College student loan debt is increasing. Consequently, students are taking on more debt than they can handle and defaulting on their student loans. The result is a significant increase in the college's loan default rate. This is bad for both the students and the college.

#### **Team Charge**

Develop a student financial literacy campaign to be implemented system-wide, with a plan to measure the campaign's success. The campaign will target those students most likely to over-extend themselves financially, creating unmanageable financial debt.

#### **Methods**

The team conducted a literature review to determine what postsecondary institutions are doing to address problems related to student level of debt and a lack of financial literacy. The result of this research was the uploading of over 50 documents to the Luoma Leadership Academy SharePoint site for further analysis by team members. These resources were coded into one of the following categories: news articles, magazine/journal articles, reports, best practices, and research. Separate documents were created to serve as clearinghouses for related websites and financial literacy programs. It was through this research that we identified a number of financial literacy programs and their strategies to educate students.

Based on the determination to introduce an online component to Saint Paul College's financial intervention efforts, the team researched what online financial literacy programs were currently being used by colleges and universities or cited in the literature. We identified fifteen established programs that were frequently referenced and composed an introductory email request seeking information to the following five questions:

1. Overview of products and services.
2. What are the costs, if any, associated with your program?
3. How many colleges, universities and students currently utilize your product?
4. Does your program include any assessment or measurement tools to evaluate its effectiveness?
5. Can students continue to benefit from your resources after they graduate or leave the institution?

#### **Results**

The intent of the team was to research a sample of online financial literacy programs without regard to cost and present several options to our sponsors. It became clear mid-way through the project that no funds were available to subscribe to an online program. The one product that met all of our criteria and is FREE, is the CashCourse program from the National Endowment for Financial Education (NEFE), and the one we chose to recommend.

## **Conclusion**

The Action Project Team recommends that the CashCourse online program serve as the centerpiece of Saint Paul College's financial literacy program. It is a comprehensive site which provides extensive student tools and resources related to all areas of personal finance. The program is attractive to all institutions within the Minnesota State Colleges and Universities system and is already used by 13 MnSCU institutions. It is utilized by colleges with a few hundred students, as well as, large land-grant universities with over 40,000 students. For a "campaign" to be successful, it must be strongly promoted. CashCourse provides significant support to institutions in the areas of marketing and promotional materials. This program is also flexible and scalable. It appropriately serves both the general student and can be targeted to those students at most financial risk. The product provides a variety of assessment and measurement tools for determining the education effectiveness of the campaign. CashCourse met all the outlined criteria and needs, including Saint Paul College's budget.

Institutions that have successfully implemented a mandated a financial literacy curriculum have anecdotally seen dramatic results in terms of increased completion rates as well as increases of financial knowledge, attitudes and behaviors (Higher One, 2013). In a pure financial sense, when a borrower reduces their likelihood of default on student loans, there is a clearly defined return on investment for educational institutions. Individual students who are able to responsibly manage their finances are more likely to pay any tuition balances or charges to the university, and alumni who make sound financial decisions are much more likely to choose, and be in a position, to give back.

## **Leadership Lessons Learned**

- Clarifying project goal is essential to be able move forward with anything else.
- Distance between members along with losing a member made it difficult – after our first in-person meeting, we used SharePoint and ITV to share information and meet.
- Prompt communication between team members and team sponsors was important to continue with assigned tasks.
- While we didn't discuss our strengths, we feel that we all used our strengths at different times to accomplish tasks – research, putting together materials, keeping meetings on par, setting up meetings, etc.
- Given our varying schedules both professionally and personally, we respectfully held each other accountable for certain tasks while being flexible and helping out where and when needed.

## **Team Members**

Steve Bean, Itasca Community College

Aarin Distad, Century College

Deborah Mayne, Century College

Alex Kromminga, Winona State University

## **Executive Sponsor**

Tom Matos, Associate Vice President of Student Development and Services, Saint Paul College

## **Team Advisor**

Margie Tomsic, Dean of Institutional Planning, Research and Effectiveness, Saint Paul College