Best Practices for **Financial Literacy and Education** at Institutions of Higher Education

U.S. Financial Literacy and Education Commission
2019

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Executive Summary

Introduction

Institutions of higher education[1] play an important role in our society and our economy, developing educated citizens and skilled workers who are vital to America's well-being. In addition to this broad benefit, postsecondary education is valuable to many individuals, resulting in higher earnings and less unemployment across their lives.[2] The impact of higher education is expected to grow, as an increasing number of jobs in the future are expected to require some kind of postsecondary credential.[3]

Along with preparing the workforce, institutions of higher education can prepare their students to make financial choices throughout their lives that enable them to effectively participate in our economy, build wealth, and attain their goals. Critical decisions that students and families make before, during, and after their postsecondary education influence their financial future. These include choices around selecting an institution and degree, managing money while studying, planning for the completion of their education, and managing student debt post-completion.[4]

The complex financial choices students must make are compounded by the fact that, for decades, the cost of college has been rising far faster than incomes. Between 2004-05 and 2015-16, prices for undergraduate tuition, fees, room, and board at public institutions rose 34 percent, after adjustment for inflation.[5] Students and their families have increasingly taken on debt to pay for college. Currently, most student debt consists of federal government loans, which now totals more than $1.5 trillion, owed by 43 million individuals, or over $33,000 per borrower on average.[6] This rising cost of tuition and student debt is even more troubling when considering recent survey data that found one in five adults who attended college believe the cost of their education exceeded the financial benefit it produced.[7]

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1. As defined in §102 of the Higher Education Act of 1965, 20 U.S.C. 1001. See section 102, at: *https://www2.ed.gov/policy/highered/leg/hea98/sec101.html.*
2. Ma, Jennifer, Pender, Matea, and Welch, Meredith, "The Benefits of Higher Education for Individuals and Society", The College Board, 2016, available at: *https://trends.collegeboard.org/education-pays.*
3. Carnevale, Anthony P., Smith, Nicole and Strohl, Jeff, "Recovery: Job Growth and Education Requirements through 2020", Georgetown University Center on Education and the Workforce, 2013, available at: *https://cew.georgetown.edu/cew-reports/recovery-job-growth-and-education-requirements-through-2020/#full-report.*
4. A recent report identifies the following "behaviors appropriate for students:" maintain a transactional account, track cash flow, review financial standing, manage bills, maintain a personal records system, maintain an emergency plan, work toward a financial goal, seek unbiased and accurate information for big financial decisions, protect against identity theft, balance present and future financial needs, and sleep on it. See "The Financial Transition from Student to Employee: Implications for Higher Education and Employers", Coalition of Higher Education Assistance Organizations, 2017, available at: *http://www.coheao.com/wp-content/uploads/2011/04/COHEAO-Financial-Wellness-White-Paper-2017.pdf.*
5. "Digest of Education Statistics", U.S. Department of Education, National Center for Education Statistics, 2016, summarized in Fast Facts 2018, available at: *https://nces.ed.gov/fastfacts/display.*
6. U.S. Department of Education, "Federal Student Loan Portfolio Summary", Q_1. 2019, available at: *https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/PortfolioSummary.xls.*
7. "Report on the Economic Well-Being of U.S. Households in 2017", Federal Reserve Board, 2018, available at: *https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf.*

The level of student debt impacts the broader economy. People with significant student debt may feel constrained in their choice of career and where they live, refrain from starting a business, and delay starting a family and purchasing a home.[8] Additionally, as more people carry student debt later in life (for themselves or family members), they may face challenges in adequately saving for retirement.[9] While these impacts may be felt widely, with nearly seven million student loan borrowers delinquent or in default,[10] the burden of unsustainable debt is disproportionately borne by lower-income individuals.[11] Similarly, one-third of all women, and more than half of African-American women who were in student loan repayment, report that they had been unable to meet essential expenses.[12]

Helping students and their families avoid the pitfalls associated with financing higher education, and empowering them to make optimal financial choices, should be a priority of all institutions of higher education. In order to provide guidance to these institutions, this report establishes best practices for teaching financial literacy and providing information about making financial decisions.

The Scope of This Report

The Financial Literacy and Education Commission (FLEC)[13] prepared this report in response to Section 603 of P.L. 115-174, the "Economic Growth, Regulatory Relief, and Consumer Protection Act",[14] which requires the FLEC to establish best practices for institutions of higher education regarding methods of teaching financial literacy and providing information to assist students with borrowing decisions.

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8. Chakrabarti, Rajashri, Gorton, Nicole, and van der Klaauw, Wilbert, "Diplomas to Doorsteps: Education, Student Debt, and Homeownership", Liberty Street Economics, Federal Reserve Bank of New York, April 2017, available at: *https://libertystreeteconomics.newyorkfed.org/2017/04/diplomas-to-doorsteps-education-student-debt-and-homeownership.html*. Mezza, Alvaro, Ringo, Daniel, and Sommer, Kamila, "Can Student Loan Debt Explain Low Homeownership Rates for Young Adults?", Consumer & Community Context, Federal Reserve Board, 2019, available at: *https://www.federalreserve.gov/publications/2019-january-consumer-community-context.htm*.
9. Rutledge, Matthew S. et al., "Do Young Adults with Student Debt Save Less for Retirement?", Center for Retirement Research at Boston College, 2018, available at: *http://crr.bc.edu/wp-content/uploads/2018/06/IB_18-13.pdf*.
10. As of 2017, Federal Reserve Bank of New York, 2018 Student Loan Update, available at: *https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/sl_update_2018.xlsx*.
11. "The Financial Returns from College across Generations: Large but Unequal", The Demographics of Wealth, 2018 Series, Essay No. 1, Federal Reserve Bank of St. Louis, 2018, available at: *https://www.stlouisfed.org/household-financial-stability/the-demographics-of-wealth/the-financial-returns-from-college-across-generations; Addo, Fenaba R.*, "Are Student Loans Contributing to Racial Wealth Gaps?" On the Economy Blog, Federal Reserve Bank of St. Louis, July 2018, available at: *https://www.stlouisfed.org/on-the-economy/2018/july/student-loans-contributing-racial-wealth-gap*; and Addo, Fenaba R., "Parents' Wealth Helps Explain Racial Disparities in Student Loan Debt", In the Balance, Issue 19, Federal Reserve Bank of St. Louis, March 2018, available at: *https://www.stlouisfed.org/~/media/publications/in-the-balance/images/issue_19/itb19_march_2018.pdf*.
12. "Deeper in Debt: Women and Student Loans", American Association of University Women, 2017, available at: *https://www.aauw.org/resource/deeper-in-debt/*.
13. The Financial Literacy and Education Commission (FLEC) was established by law in 2003. Chaired by the Secretary of the Treasury, the FLEC is made up of the heads of 22 federal agencies and the White House Domestic Policy Council. The purpose of the FLEC is to "improve the financial literacy and education of persons in the United States through development of a national strategy to promote financial literacy and education", which provides for participation by the public and private sectors. See, 20 U.S.C. §§ 9702, 9703(f).
14. Pub. L. No. 115-174, section 603, 132 Stat. 1367-1368 (2018), (20 U.S.C. § 9703(a)(3)).

Review of the Process for This Report

For this report, the FLEC solicited input from institutions of higher education, higher education associations, and other entities that focus on postsecondary students. The team consulted extensively with a wide range of stakeholders, including academics, nonprofit financial education providers, private sector financial services firms, state and local governments, and others with relevant knowledge. The team also held listening sessions at the 2018 Federal Student Aid Training Conference hosted by the U.S. Department of Education (ED). The FLEC also reviewed a wide range of data, research, and published material from both public and private sector sources. A list of organizations and individuals who provided input in connection with the preparation of this report is set forth as Exhibit A and is followed by a summary of the report's recommendations in Exhibit B.

Summary of Issues and Recommendations

The recommendations in this report can be summarized in the following categories:

- Identification of best practices for evidence-based, effective financial education programs.
- Identification of specific best practices for institutions of higher education to address teaching financial literacy and improving decisions related to student borrowing, including:
  - Providing clear, timely, and customized information to inform student borrowing
  - Effectively engaging students in financial literacy and education
  - Targeting different student populations by use of national, institutional, and individual data
  - Communicating the importance of graduation and major on repayment of student loans
  - Preparing students for financial obligations upon graduation

Best Practices for Delivery of Financial Literacy to the Public

This report recommends the adoption by financial education practitioners of the Consumer Financial Protection Bureau's (CFPB) "Five Principles of Effective Financial Education"[15]:

- **Know the Individuals and Families to be Served.** Financial education, information, and delivery methods must be tailored to the circumstances and needs of the user.

15. "Effective Financial Education: Five Principles and How to Use Them", Consumer Financial Protection Bureau, June 2017, available at: *https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201706_cfpb_five-principles-financial-well-being.pdf.*

- **Provide Actionable, Relevant, and Timely Information.** Financial information that is delivered in an actionable, relevant, and timely manner results in greater likelihood of retention and action.
- **Improve Key Financial Skills.** Financial literacy and education can be more effective when they help develop skills, rather than transmitting knowledge of particular facts about financial products and services.
- **Build on Motivation.** Effective financial literacy and education programs capitalize on people's motivations.
- **Make It Easy to Make Good Decisions and Follow Through.** The environment or context can make it easier for people to carry out their intentions. For example, changing the options presented, removing hassles and barriers, and adding supports can help people bridge the gap between intentions and actions.

The report also recommends the adoption of three additional best practices that have been added based on outreach to stakeholders:

- **Develop Standards for Professional Educators.** Financial literacy and education providers should demonstrate a high level of quality, including knowledge of the content and how to deliver it effectively.
- **Provide Ongoing Support.** Financial literacy and education providers should provide ongoing support, including one-on-one financial coaching.
- **Evaluate for Impact.** Financial literacy and education providers should evaluate their programs for impact and develop a culture of continuous improvement by establishing methodologies, procedures, reporting, and metrics for measuring program effectiveness.

Best Practices for Institutions of Higher Education

In addition to the eight best practices for delivery of financial literacy to the public, the FLEC recommends the adoption of the following five categories of best practices specific to postsecondary education:

Providing Clear, Timely, and Customized Information to Inform Student Borrowing

The cost of higher education can be difficult to understand due to the lack of consistency and transparency in information provided to potential students. The difficulty may be compounded by lack of relevant, transparent and timely information. Notably, financial aid offer letters (often known as award letters) and annual debt notification letters (debt letters) are effective tools in communicating an individual's cost of college and financing options, so that students and families are empowered to make comprehensive and informed decisions. Unfortunately, award letters are sometimes unclear, leaving students with inadequate information to make financial decisions.

The FLEC recommends that institutions of higher education adopt the following best practices for financial aid offer letters:

- Present an itemized and sub-totaled cost of attendance.
- Differentiate aid offers by type.
- Highlight critical details and distinctions by aid type.
- Calculate the cost after grants and scholarships are applied.
- Do not include Parent PLUS loans as part of student's loan package.
- Provide actionable next steps.

The FLEC also recommends that state lawmakers and institutions of higher education consider broader adoption of debt letters with the following best practices:

- Provide information tailored to the student.
- Make it easy to find additional information and support.
- Time the issuance of debt letters when students are motivated to act.
- Pair debt letters with other financial literacy strategies.

Effectively Engaging Students in Financial Literacy and Education

A lack of financial education and financial literacy is common among the student population. Institutions of higher education can address this challenge by effectively engaging students in financial literacy and education. The FLEC recommends that institutions of higher education require mandatory financial literacy courses, deploy well-trained peer educators, integrate financial literacy into core curricula, and communicate with students about financial topics more often than during required entrance and exit counseling.

Targeting Different Populations by use of National, Institutional, and Individual Data

There is a significant amount of data that institutions of higher education can collect, evaluate and use to target financial literacy efforts for different student populations. This is especially important for more vulnerable students, including older and other non-traditional students, low-income students, first-generation students, and students of color. These students are more likely to face difficult hurdles on their paths to college completion and financial security. The FLEC recommends that institutions of higher education understand their students' personal and financial circumstances and goals by using national data, institutional data and individual data, consistent with appropriate privacy practices, to better know the population they intend to serve.

Communicating the Importance of Graduation and Major on Repayment of Student Loans

There is a strong correlation between not finishing a degree program and failing to repay student loans. In addition, matching a student's abilities as well as their aspirations to a degree can improve their chances of completing a degree. Completing a degree in a timely manner can reduce the amount of debt that a student takes on and increase their lifetime earnings by entering the workforce sooner.

The FLEC recommends that institutions of higher education provide incentives that spur students toward completion, including banded tuition, reduced summer tuition, and extended enrollment periods. The FLEC also recommends that institutions advise students on loans, majors, and obstacles to graduation and make available emergency aid to help bridge gaps between financial aid and the resources students need to complete their education.

Preparing Students to Meet Financial Obligations upon Graduation

Many students do not fully understand student loans or available repayment plans. The last semester before graduation and the "grace period" before student loan repayment begins are a crucial time for students to begin to prepare to repay their loans, understand their options, and plan for their financial future. Informing students of the importance of understanding their repayment obligations before leaving or graduating may help students to focus on their financial obligations along with other major life decisions. The FLEC recommends that institutions of higher education help students: understand loan repayment options and obligations, build a budget to set a repayment goal, identify and connect with their student loan servicer, and assess the costs and benefits of graduate and professional studies.

Section 1:

Best Practices for Delivery of Financial Literacy to the Public

Introduction

Based on extensive review of the research and consultations with experts, the FLEC has noted a number of themes regarding effective financial literacy and education. These themes point to best practices for incorporating financial education into diverse situations, with various populations, covering a number of key topics. They are cross-cutting, rather than subject-specific, and thus can be used to inform financial education policy and practice whether at home, in a community program or educational institution, or setting policy.

The FLEC has identified the following eight best practices for effective financial literacy and education programs. The first five best practices are consistent with the principles identified by CFPB in its study entitled the "Five Principles of Effective Financial Education."[16] The additional three best practices have been added based on engagement with stakeholders.

Know the Individuals and Families to be Served

Financial education, information, and delivery methods must be tailored to the circumstances and needs of the user. "Knowing the population" happens at two levels: understanding the demographic context of the individual, and assessing the individual's own needs, barriers, skills, and motivation.

Several studies are already produced by government agencies to help understand different populations. Some examples include the Federal Deposit Insurance Corporation's National Survey of Unbanked and Underbanked Households and the Federal Reserve Board's Survey of Household Economics and Decisionmaking and Survey of Consumer Finances. Other organizations provide more specialized understanding of distinct populations, such as the Department of Defense's Status of Forces Surveys of Active Duty Members.

The effective educator must also understand the individual and his or her unique situation and mindset. Attitude and needs assessments can help the educator and consumer identify gaps and motivations in order to customize the financial education approach. For example, CFPB developed a Financial Well-being Scale[17] which helps assess a person's perceptions about their financial well-being.

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16. Id.
17. "Measuring financial well-being: A guide to using the CFPB Financial Well-Being Scale", Consumer Financial Protection Bureau, December 2015, available at: *https://www.consumerfinance.gov/data-research/research-reports/financial-well-being-scale/*.

Provide Actionable, Relevant and Timely Information

Although the academic community has an ongoing debate on the effectiveness of financial education alone, there is agreement that when financial information is delivered in an actionable, relevant, and timely manner, people are more likely to retain the information and act on it.[18] For example, a body of evidence indicates that financial education alone has had a small impact on financial behaviors, in part because financial knowledge decays within two years of the lesson. On the other hand, some academics point to the need for behaviorally based strategies, such as nudges or designed choice architecture,[19] and information provided in close time proximity to when consumers are making financial decisions, known as "just in time financial education." This type of relevant, timely, and actionable information should include concrete steps for the consumer and be directly applicable to a financial decision about to be made. For example, pre-purchase housing counseling takes advantage of what is important to the person seeking information and is typically delivered close to the purchase of a home. In another example, the benefit estimates in the Social Security statement, accessible with a *my* Social Security account[20] and provided to individuals near to retirement age have been found to help people make more informed decisions about when to claim Social Security benefits, thus impacting their income in retirement.

Improve Key Financial Skills

Financial literacy and education can be more effective when they help people develop skills in knowing how to achieve specific goals, rather than transmitting knowledge of particular facts about financial products and services. Effective financial literacy approaches are structured to help consumers: (1) know when and how to locate information for making financial decisions; (2) understand how to interpret information for decision-making; and (3) have skills and confidence to take action and implement their decision.[21]

Build on Motivation

Effective financial literacy and education programs capitalize on people's motivations. People driven by intrinsic values, desires, interests, or aspirations are more likely to stay focused (because they want to learn) than those forced into learning through extrinsic

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18. Fernandes, David, Lynch, John G. and Netemeyer, Richard G., "Financial Literacy, Financial Education, and Downstream Financial Behaviors", Management Science, August 2014, available at: *https://www.researchgate.net/publication/259763070_Financial_Literacy_Financial_Education_and_Downstream_Financial_Behaviors.*
19. Choice architecture is used to mean the design of the context in which decisions are made. See, Thaler, R. H., Sunstein, C. R., & Balz, J. P . Choice architecture. In E. Shafir (Ed.), The behavioral foundations of public policy (pp. 428-439). Princeton, NJ: Princeton University Press, 2013.
20. US Social Security Administration, Create your personal my Social Security account today, website, available at: *https://www.ssa.gov/mysocialsecurity*.
21. The CFPB has developed a scale to measure financial skill, see Consumer Financial Protection Bureau, "Measuring financial skill: A guide to using the Bureau of Consumer Financial Protection's Financial Skill Scale," 2018, available at: *https://www.consumerfinance.gov/data-research/research-reports/measuring-financial-skill/*.

pressures (because they have to learn). This best practice highlights the importance of financial educators who use empathy and identify learners' specific goals, understand the learners' financial conditions and help learners achieve their own goals. For example, people who are strongly motivated by values of a particular faith may find programs that build on those values, such as those developed by a faith-based organization, to be particularly helpful. Similarly, one-on-one coaching and peer support have also proven effective at turning motivation into action.

Make It Easy to Make Good Decisions and Follow Through

This best practice acknowledges that it can be hard for people to stick with their goals, but the environment or context can make it easier for people to carry out their intentions. Even small adjustments to a process, such as nudges and defaults, can help make it easier for people to make sound choices. Changing the options presented, removing hassles and barriers, and adding supports can help people bridge the gap between their intentions and what they actually do. This best practice also highlights that programs can be designed to make it easier for people to get financial education by, for example, integrating financial education into programs and places where people already are, like their job. For example, institutions of higher education are uniquely positioned to influence how education-related financial choices are presented, made, and executed, such as through financial aid offers, and can provide financial education through various venues and times to engage students during their education.

Develop Standards for Professional Educators

According to the National Endowment for Financial Education (NEFE): "The educator needs to be confident, competent, and knowledgeable about the topic of personal finance in order to create a learning environment that is ideal for student-learning. Fundamentally, educators should demonstrate high levels of understanding—both with the content and the pedagogy—of the topics that espouse the tenets of financial capability."[22] However, there are few standards or designations to denote the quality or qualifications of financial educators. This lack of standards may result in uneven quality of delivery, and makes it difficult for consumers, funders, and policymakers to select appropriate providers.

Many stakeholders point to the need for clearer guidelines and, possibly, standards[23] to make financial education a more serious, evidence-based endeavor. The Government Accountability Office's (GAO) 2011 report assessing the feasibility of a federal financial literacy certification process determined that a federal certification process was

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22. "Five Key Factors for Effective Financial Education", National Endowment for Financial Education, available at: *https://www.nefe.org/Who-We-Help/Educators/Five-Key-Factors-for-Effective-Financial-Education.*
23. Grist, Nicky, "The Professionalizing Field of Financial Counseling: A Journal of Essays from Expert Perspectives in the Field", Citi Community Development and Cities for Financial Empowerment Fund, available at: *http://www.professionalfincounselingjournal.org/assets/cfe-fund-professionalizing-field-of-financial-counseling-and-coaching-journal.pdf.*

feasible, but a number of challenges need to be considered. These include the cost and staffing of certification, lack of consensus on definitions and standards, and uncertainty that certification would improve quality and be valued by consumers. The GAO noted ways to improve quality without full certification, including voluntary certification and specific guidelines provided to federally-funded financial education programs. Financial education standards would provide a baseline for developing curriculum, include core competencies for both consumers and educators, and provide a common platform for evaluation and measurement.[24]

Provide Ongoing Support

Financial education is most effective when it is not a one-time strategy, but rather enables continuing opportunities for people to build their knowledge and confidence, set goals, and receive feedback as action is taken. For example, there is a growing body of research pointing to the positive potential of one-on-one financial coaching and counseling as a method for teaching financial literacy and education and assisting clients with taking action to strengthen their financial health and well-being.[25] Trained professionals collaborate with and guide clients in reaching the client's financial goals, which may involve overcoming setbacks (like too much debt) and creating action plans (saving for a child's education or starting a business).

Evaluate for Impact

NEFE and other national stakeholders have stressed the importance of supporting research to identify and promote effective practices in financial literacy and education.[26] The array of financial education providers (many of which are small in scale), the relative youth of the field, and the diversity of goals in financial education programs create a lack of consistency that makes data collection and evaluation challenging. Financial literacy and education providers should evaluate their programs for impact and develop a culture of continuous improvement by establishing methodologies, procedures, reporting, and metrics for measuring program effectiveness.

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24. "Financial Literacy: A Federal Certification Process for Providers Would Pose Challenges", GAO-11-614, U.S. Government Accountability Office, June 28, 2011, available at: *https://www.gao.gov/products/GAO-11-614*.
25. "Financial Coaching: Review of Existing Research," Center for Financial Security, University of Wisconsin-Madison, Issue Brief 2017-3.1, March 2017, available at: *https://fyi.extension.wisc.edu/financialcoaching/files/2015/10/Financial_Coaching_Review_3-2017.pdf*.
26. Id. at 22.

Net Worth and Measures of Financial Health

For many households, financial health is measured by income. While income is an important component of financial health, it is only part of the equation. Some experts and academics believe that net worth is a better measure of financial health than income. Net worth or wealth allows a family to deal with a financial crisis, such as the loss of employment or long-term sickness, and it also allows for investments in a home, small business and higher education. In other words, a household with no wealth may not be financially healthy despite a high salary. The type of assets held by a household also affects its financial health, with illiquid assets and short-term liabilities a greater potential risk than liquid assets and long-term debt.

For many financial educators and households, assessing a household's net worth is the start of the conversation. It allows financial educators and households to create a financial plan that considers assets and liabilities and leads to better financial health. Net worth considerations would also provide policymakers with a more accurate picture of financial health to assess middle class economic security across different demographic populations.

There are other reasonable approaches to considering overall financial health or well-being. For example, the Center for Financial Services Innovation (CFSI) looks at four components (spending, saving, borrowing, and planning) and eight indicators of financial health as well as data that can be collected to make the financial health assessment. The data collected to measure the financial health for each component range from the difference between income and expenses (for spending) to the debt-to-income ratio (for borrowing) to the type and extent of insurance coverage (for planning). The type of assets also matters for financial health. For example, CFSI distinguishes between liquid and illiquid assets by pointing out that liquid assets are "important for coping with an unexpected expense," while [illiquid] long-term savings promote financial security.[27]

Financial well-being has been identified as a common outcome goal of financial education efforts.[28] CFPB has developed a robust and validated scale to measure a person's sense of financial well-being, which CFPB defines as the "state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future and is able to make choices that allow them to enjoy life."[29] While this measure is subjective, a number of trackable and objective factors are strongly associated with a person's level of financial well-being, most notably having liquid savings.[30]

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27. Parker, Sarah, Castillo, Nancy, Garon, Thea, and Levy, Rob, "Eight Ways to Measure Financial Health", Center for Financial Services Innovation, May 2016, available at: *https://s3.amazonaws.com/cfsi-innovation-files-2018/wp-content/uploads/2016/05/09212818/Consumer-FinHealth-Metrics-FINAL_May.pdf.*
28. For example, see Financial Literacy and Education Commission, "Promoting Financial Success in the United States: National Strategy for Financial Literacy 2011", available at: *https://www.treasury.gov/resource-center/financial-education/Documents/NationalStrategyBook_12310%20(2).pdf.*
29. "Financial Well-being: What it means and how to help", Consumer Financial Protection Bureau, 2015, available at: *https://www.consumerfinance.gov/data-research/research-reports/financial-well-being/.*
30. Id.

Section 2:

Best Practices for Delivery of Financial Literacy at Institutions of Higher Education

Introduction

This section puts forth a set of best practices developed by the FLEC for institutions of higher education to teach financial literacy skills and provide information to assist students with their borrowing decisions. These best practices supplement and complement the eight best practices discussed in Section 1 for delivery of financial literacy and education to the public. This section narrows the scope and addresses specific best practices related to topics of particular concern to institutions of higher education and their students. The FLEC has organized the best practices specific to higher education into the following five categories, which are discussed in more detail in this section:

- Providing clear, timely, and customized information to inform student borrowing
- Effectively engaging students in financial literacy and education
- Targeting different student populations by use of national, institutional, and individual data
- Communicating the importance of graduation and major on repayment of student loans
- Preparing students for financial obligations upon graduation

Issues and Recommendations

Providing Clear, Timely, and Customized Information to Inform Student Borrowing

The cost of higher education can be difficult to understand due to the lack of consistency and transparency in the information provided to potential students, and the inherent challenge to comprehend long-term implications of borrowing. The difficulty may be compounded due to lack of relevant, transparent, and timely information. Notably, financial aid offers (sometimes known as award letters) and annual debt notification letters (debt letters) are effective tools in communicating an individual's cost of college and financing options, so that students and families are empowered to make comprehensive and informed decisions.

Financial Aid Offers

Financial aid offers are notifications sent by institutions to prospective students informing them about the financial aid options available through the institution, including federal student aid. The amount is generally based on the students' Free Application for Federal Student Aid (FAFSA®) submission, and for most students (85 percent of students at four-year and 78 percent at two-year institutions)[31] this financial aid is a necessary source to finance their degree.[32] As a result, one of the most critical financial milestones related to higher education takes place when a prospective student receives a financial aid offer from an accepting institution.

Failure to choose an institution of higher education that is affordable for both the student and their family can have immediate and long-term financial consequences. These can range from the inability to meet basic food and housing needs;[33] failure to enroll, persist, or complete a degree; and loan delinquency and default. Given these negative realities, students and families should be highly motivated to fully comprehend financial aid offers. Recent reports indicate that a majority of financial aid offers fail to provide students and families with the consumer information they need, including the cost of the institution and clarity about the types of aid being provided to the student.[34] If critical information provided about the cost of attendance and aid available is not clear, students and families are not able to make optimized choices about colleges and compare their value propositions. A choice made based on incomplete information could result in over-borrowing or the inability to meet the full cost required for degree completion.

A 2013 report by the National Association of Student Financial Aid Administrators found that students and families felt "overwhelmed and confused" about key financial information when reviewing a variety of aid offers during consumer testing.[35] More recently, New America and uAspire conducted an analysis of 515 unique financial aid offer letters and found no standardized terminology, consistent definitions, content, or format of financial aid offers. For example, seven out of 10 institutions presented aid without differentiating by aid type such as grants/scholarships, federal student loans, private student loans, and work-study. Only 40 percent of aid offers

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31. "Fast Facts: Financial Aid", National Center for Education Statistics, 2015-16, available at: *https://nces.ed.gov/fastfacts/display.asp?id=31.*
32. Bettinger, Eric, "How financial aid affects persistence", NBER Working Paper Series: Vol. 10242, January 2004, available at: *https://www.nber.org/papers/w10242*; St. John, E. P. and Noell, J., "The effects of student financial aid on access to higher education: An analysis of progress with special consideration of minority enrollment", Research in Higher Education, Volume 30, Issue 6, pp 563–581, 1989, available at: *https://doi.org/10.1007/BF00992391.*
33. Goldrick-Rab, Sara, and Kendall, Nancy, "The Real Price of College", The Century Foundation, 2016, available at: *https://tcf.org/content/report/the-real-price-of-college/*.
34. Burd, Stephen, Fishman, Rachel, Habbert, Julie, Keane, Laura, Barret, Ben, Dancy, Kim, Nguyen, Sophie, and Williams, Brendan, "Decoding the Cost of College: The Case for Transparent Award Letters", New America and uAspire, 2018, available at: *https://www.uaspire.org/BlankSite/media/uaspire/Decoding-the-Cost-of-College.pdf.*
35. "No Clear Winner: Consumer Testing of Financial Aid Award Letters- Summary & Report", JBL Associates on behalf of the National Association of Student Financial Aid Administrators, 2013, available at: *https://www.nasfaa.org/news-item/3451/No_Clear_Winner_Consumer_Testing_of_Financial_Aid_Award_Letters_Summary_Report.*

calculated what the students should expect to pay, and those that did present a calculation did so using different methods, making comparison shopping impossible.[36] The report found that the lack of common terms, calculations, and formats may impede a consumer's ability to fully identify and evaluate college costs and make an informed financial decision.[37] Similarly, a national study recently found that many students are unfamiliar with basic financial aid terminology, such as FAFSA, master promissory note, and entrance counseling.[38]

Financial aid offers can be a powerful tool to promote financial literacy and skill development for students when they clearly communicate the information students need to make a college investment decision.[39] Additionally, the information can serve as a financial literacy tool that can assist students and families with planning and paying for college and beyond.

Recommendations

Institutions of higher education should adopt the following best practices to ensure that their financial aid offer letters are clear, timely, and customized, and provide students with a clear sense of their investment and borrowing obligations.[40] Higher education institutions should consider developing and testing additional interventions to improve students' comprehension of their options for paying for college and should consider the promising practices below as a beginning framework to improve the financial aid offer.

- **Present an itemized and sub-totaled cost of attendance.** Students need to know what specific costs are, who they are paid to, and when they need to be paid. Cost of attendance (COA), the institution's estimate for tuition and fees, room and board, books, supplies, and other necessary costs,[41] is essential to list on all aid offers. COA is best presented broken down by direct costs (what will need to be paid to the college) and indirect costs (estimated additional expenses). Each category should include an itemized list of specific components as well as a sub-total. Relevant assumptions used by the institution to set the COA should be clearly stated, such as the residency of the student (in-state or out-of-state) and attendance (full or part-time).
- **Differentiate aid offers by type.** Many students are new to borrowing and higher education financing options. Therefore, institutions should not assume that

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36. Id. at 34.
37. Id. at 34.
38. Taylor, Z. W., & Bicak, I., "What is the FAFSA? An adult learner knowledge survey of student financial aid jargon," Journal of Adult and Continuing Education, 1-19, 2019, available at: *https://doi.org/10.1177/1477971418824607*.
39. "Issue Brief: Financial Aid Award Notifications", National Association of Student Financial Aid Administrators, September 2018, available at: *https://www.nasfaa.org/issue_brief_award_notifications*.
40. See, Consumer Financial Protection Bureau, "Paying for College", website, available at *https://www.consumerfinance.gov/paying-for-college/*.
41. See, "What does cost of attendance (COA) mean?," Wondering how the amount of your federal student aid is determined?, Federal Student Aid website, U.S. Department of Education, available at: *https://studentaid.ed.gov/sa/fafsa/next-steps/how-calculated#cost-of-attendance*.

students know the difference among grants, loans, and work-study. The word "loan" should always be included when referencing a loan. Differentiating aid offers by type, with clearly marked headings and short, user-friendly descriptions, is an easy way institutions can teach students financial literacy basics. Recommended category headings and descriptors include: (1) Grants and/or Scholarships (aid that does not need to be repaid); (2) Student Loans (borrowed money to be paid back with interest); and (3) Work-Study Employment (aid earned through a job). Furthermore, it is a best practice to clearly state the source of each aid type listed (federal, state name, or school name).[42]

- **Highlight critical details and distinctions by aid type.** Institutions can further educate students by providing the most relevant distinctions and/or requirements for each aid type. A brief, yet additional, layer of detail helps students assess which aid options are the best financial option for them and assists them to plan how to access and/or maintain that aid type. For example, for Grants and/or Scholarships, this means stating the term (such as one-year or renewable) and conditions (such as minimum credits and/or grades) and informing students how to maintain their aid. For work-study employment, describing that a campus-approved job must be first secured and then aid is disbursed as earned from a paycheck provides students key information for how to budget this amount accurately.
- **Calculate the cost after grants and scholarships are applied.** Students and families read financial aid offers in order to determine the actual cost of attending the institution. The offer should show the costs the individual student would need to pay the institution directly and/or what the net cost will be to cover all relevant expenses. If the costs could change from the time of the aid offer to the time of billing, the letter should clearly state which costs are estimates. If exact costs will depend on individual student decisions, the letter should clearly state that the estimate is based on averages and actual cost will depend upon student choices.
- **Do not include Parent PLUS loans as part of the student's loan package** *(if applicable)*. Parent PLUS loans are made to the parent and not the student, and should be listed separately if at all. These loans require an additional application and approval process, include a higher origination fee, charge higher interest rates, and offer fewer repayment options.[43] Since Parent PLUS loans are significantly different from student loans and carry greater risk, institutions of higher education should clearly disclose how they differ from student loans, and clearly differentiate them from the student's aid, if they are included.
- **Provide actionable next steps.** Financial aid offers should help students understand their next steps. It is therefore essential that each institution inform and teach

42. Id. at 38.
43. See, "PLUS Loans for Parents," Federal Student Aid website, U.S. Department of Education, available at: *https://studentaid.ed.gov/sa/types/loans/plus/parent*.

students the specific expectations and clearly outline the steps students need to take. Key items institutions should consider including are:

- Instructions about how to accept, decline, or adjust enrollment and aid offer elements with deadline(s);
- Clear portal details with link and login information (if required to respond by a portal);
- Specific details and explanation of tuition payment plan options (if applicable);
- A budget planning form (by paper or a link to an online form) to help students map their resources to their needs and inform their enrollment and borrowing decisions for the current year and beyond toward degree completion; and
- Information on how to contact the financial aid office and other sources for additional assistance and resources.

Institutions should also consider a recent announcement from FSA on practices to avoid in financial aid offers.[44]

Debt Letters

Debt letters are issued annually to students by some institutions of higher education to summarize what students have borrowed to date and how much they can expect to repay once they graduate. Although there is no requirement under federal law to provide debt letters to students, twelve states have passed legislation to create mandates for student debt letters.[45] Half of the twelve states with debt letter mandates also require information about non-federal loans and more than half require the letters to include information about the percentage of the borrowing limit used by the student to date.

Debt letters were created based on a growing body of research that suggests that students do not receive or digest a sufficient amount of information regarding their student loans. Since 2012, when Indiana University introduced debt letters along with other financial literacy strategies, the institution has seen the student loan volume for undergraduates decrease by 24.6 percent, or $99.2 million.[46] In fact, the public release of the results at Indiana University is what led to the passage of debt letter legislation in the first two states, Indiana and Nebraska.

In addition to helping students understand how much they will have to repay, debt letters can be used to encourage students to seek financial counseling and prepare for post-college financial decisions. For example, letters can compare the student's expected monthly payment with the expected monthly salary for a person with their

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44. Federal Student Aid, US Department of Education, "Recommendations: What Postsecondary Institutions Should Work to Avoid When Issuing Financial Aid Offers," April 15, 2019, available at: *https://ifap.ed.gov/eannouncements/041519RecWhatPostInstShouldWork2Avoid.html.*
45. "Student Debt Letter Requirements Panorama", Attigo, January 2019, available at: *https://cdn2.hubspot.net/hubfs/4289644/Debt%20Letter%20Resources/Student-Debt-Letter-Requirements-Panorama-handout.pdf.*
46. "Amounts and numbers of student loans at Indiana University continue to fall", Indiana University, October 2018, available at: *https://news.iu.edu/stories/2018/10/iu/releases/11-amounts-numbers-student-loans-indiana-university-continue-to-fall.html.*

degree and major. Debt letters are low-cost to deliver and can reach every student. It is important to note, however, that they appear to work best in combination with other strategies, such as one-on-one counseling.

A recent study at the University of Missouri found that debt letters alone are "not sufficient to drive systematically different choices among students."[47] During in-depth interviews of students participating in the Missouri study, it was revealed that many students did not understand important financial terms and concepts, and did not know how to take action based on the information provided in the debt letters. However, in a study in the Montana University System, debt letters were: (1) sent to students with average or above average borrowing; (2) highlighted that students have the ability to take more courses (above 12 credits) without having to pay more tuition; and (3) contained information and incentives to attend one-on-one financial counseling.[48] The Montana study found that students who received the debt letters slightly reduced their borrowing in the following semester compared to those who did not receive the letters. The letters also had an impact on academic outcomes, including an increase in grade point average, credits completed, and retention. The targeted letters and offer of one-on-one counseling appeared to result in some students either reducing their spending or finding alternative ways to finance subsequent semesters.

Recommendations

Institutions of higher education should provide students with annual debt letters, which incorporate the following best practices, to ensure that students have a clear sense of their total borrowing obligations. State lawmakers should consider broader adoption of debt letters and a standardization of requirements. Higher education institutions and state lawmakers should consider developing and testing additional interventions to improve students' comprehension of their future financial debt burden and should consider the practices below as a beginning framework to providing students with information through a debt letter.

- **Provide information tailored to the student.** The letter should contain information most relevant to the student, including current borrowing levels to date (including private loans, if that information is known); estimated repayment amount at time of graduation based on available repayment programs; options for tuition plan payments; estimated accrued interest if student defers interest payments; average borrowing level for the student's peers; and average entry salary of graduates in the student's major or concentration.

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47. Darolia, Rajeev and Harper, Casandra, "Information Use and Attention Deferment in College Student Loan Decisions: Evidence from a Debt Letter Experiment", American Educational Research Association, Educational Evaluation and Policy Analysis, October 2017, available at: *https://journals.sagepub.com/doi/10.3102/0162373717734368*.

48. "Know Your Debt" letters were sent to freshmen with more than $6,250 in loans as of the fall semester; sophomores with more than $12,000 in debt, juniors with more than $18,750 in debt; and any student with more than $25,000 in debt. Stoddard, Christiana, Urban, Carly, and Schmeiser, Maximilian, "Can targeted information affect academic performance and borrowing behavior for college students? Evidence from administrative data", Economics of Education Review, February 2017, available at: *https://www.sciencedirect.com/science/article/abs/pii/S0272775716306549*.

- **Make it easy to find additional information and support.** The letter should contain a link to resources where students can find additional information and support, including websites and contact numbers. This section of the letter should be brief to ensure that students are not distracted from the relevant financial information.
- **Time it right.** Students are more likely to engage or act on their student loans when timed to an event, such as before they register for courses and before the deadline to change their financial aid and borrowing levels for the subsequent semester. Letters should be provided to coincide with these times when students are motivated to act.
- **Debt letters should be paired with other financial literacy strategies.** As shown by recent studies, debt letters can have positive outcomes when paired with encouragement and guidance on how to graduate on time and incentives to obtain financial counseling. Other financial education strategies could also be tested through such letters.

Effectively Engaging Students in Financial Literacy and Education

According to a recent international assessment, more than one in five U.S. high school students failed to exceed a baseline level of financial proficiency.[49] In addition, based on a recent study of 11,000 high schools, only 16 percent of high school students were required to take financial education.[50] This lack of financial education is evident in the fact that only 28 percent of undergraduates surveyed in the 2015–16 National Postsecondary Student Aid Study (NPSAS:16) could answer three core financial literacy questions correctly.[51]

Courses taught by institutions of higher education can improve students' financial knowledge, build key financial literacy skills, and promote sound financial actions during and after their education. Examples from higher education institutions are limited because there are few institutions with mandatory financial literacy courses. However, there is research supporting the impact of financial literacy from elementary and secondary school examples. Research shows that students from states with financial education provided in high school had higher credit scores and lower delinquency rates on consumer credit as they reached adulthood.[52] College students who

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49. "Results from PISA 2015 Financial Literacy", Organisation for Economic Co-operation and Development, 2015, available at: *http://www.oecd.org/pisa/PISA-2105-Financial-Literacy-USA.pdf.*
50. "Who has access to financial education in America today? A nationwide study of 13 million students across 11,000 high schools", Next Gen Personal Finance, 2017, available at: *https://www.ngpf.org/blog/personal-finance/ngpf-research-report-finds-that-only-1-in-6-high-school-students-nationwide-required-to-take-personal-finance-course-to-graduate/.*
51. Anderson, Drew M., Conzelmann, Johnathan G., and Lacy, T. Austin, "The State of Financial Knowledge in College," RAND Corporation, July 2018, available at: *https://www.rand.org/pubs/working_papers/WR1256.html.*
52. Urban, Carly, Schmeiser, Maximilian, Collins, J. Michael and Brown, Alexandra, "The effects of high school personal financial education policies on financial behavior", Economics of Education Review, 2018, available at: *https://www.sciencedirect.com/science/article/abs/pii/S0272775718301699?via%3Dihub*.

took a personal finance course in high school were more likely to save and pay off their credit cards and less likely to max out credit cards.[53]

A number of institutions are also learning the value of peer financial education and counseling as a means of engaging students with education that provides basic information and motivates students toward positive action. The Ohio State University, for example, found that those who received one hour of peer coaching had a significant improvement in budgeting[54] and confidence in money management. A number of institutions also provide substantial training – up to a full semester – to students to serve as peer coaches and educators, with students either paid (including through work-study) or volunteers. This means of delivery is relatively low-cost, provides financial education in an engaging manner, and can help train the future financial professionals with real-life experience.

Beyond the direct impact, requiring financial education courses emphasizes the importance of financial skills, and demonstrates the value an institution places on students' financial well-being. Well-executed courses could have positive ripple effects on students' well-being, their engagement on campus, and academic success. [55]

Some universities integrate financial education into orientation and first-year experience or "student success" courses intended to teach students how to manage their education, with the goal of improving academic success (grades), retention and graduation.[56] For example, one faith-based four-year university integrates two weeks of financial education into a required Personal Responsibility and Wellness course.[57] Two-year institutions (community colleges) and large four-year institutions are the most likely to address financial literacy in these programs.[58]

In addition to or instead of orientation or student success, financial education could also be part of courses to meet general education or distributional requirements, such

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53. Gutter, Michael and Copur, Zeynep, "Financial Behaviors and Financial Well-Being of College Students: Evidence from a National Survey", Journal of Family and Economic Issues, December 2011.
54. "Scarlet and Gray Financial Coaching: Assessment Results", Center for the Study of Student Life, Ohio State University, December 2016.
55. "Engagement Insights: Survey Findings on the Quality of Undergraduate Education", National Survey of Student Engagement, 2018, available at: *http://nsse.indiana.edu/NSSE_2018_Results/pdf/NSSE_2018_Annual_Results.pdf#page=16*.
56. Topics covered include motivation; overcoming procrastination; concentration; memory strategies; exam- and notetaking; strategic reading; asking for help; organizational skills; and connecting to resources. Hoops, Leah D., and Artrip, Ashley, "College Student Success Course Takers' Perceptions of College Student Effectiveness", Learning Assistance Review, 2016, available at: *https://files.eric.ed.gov/fulltext/EJ1114471.pdf*.
57. Windham, Lottia, Chair, Financial Wellness Task Force, Coalition of Higher Education Assistance Organizations. Personal interview. November 13, 2018.
58. Young, Dallin George, and Reed, Rico, National Resource Center for the First-Year Experience and Students in Transition. Personal interview. February 8, 2019. Young, D.G., and Hopp, J.M., "2012-2013 National Survey of First Year Seminars", National Resource Center for the First-Year Experience & Students in Transition, University of South Carolina, available at: *https://sc.edu/nrc/system/pub_files/1532445588_0.pdf*. See also: Young, D.G., Schreiner, L.A., and McIntosh, E. J., "Investigating sophomore student success: The National Survey of Sophomore-Year Initiatives and the Sophomore Experiences Survey", National Resource Center for the First-Year Experience & Students in Transition, University of South Carolina, 2015, available at: *https://eric.ed.gov/?id=ED560964*; Young, D.G., Chung, J.K., Hoffman, D.E. and Bronkema, R., "2016 National Survey of Senior Capstone Experiences: Expanding our understanding of culminating experiences", National Resource Center for The First-Year Experience & Students in Transition, University of South Carolina.

as quantitative reasoning and/or social studies. Some institutions noted that they are exploring a stand-alone financial education course that could meet a quantitative reasoning or social studies distribution requirement. Institutions could follow the lead of elementary and secondary schools by integrating financial education into math, economics, civics, other social studies, and business and family education courses.[59]

Current federal law requires that federal student loan borrowers receive student loan counseling when they take out their first loan, and again when they leave the institution. Analysis by the Federal Reserve, among others, has made it clear that these interventions are often not enough, and not well-timed, as students are focusing on many other concerns when they are starting and leaving their education.[60] Rather, experts have noted that financial education should be provided prior to the start of classes, and as early as acceptance, and be provided in courses throughout the student's educational experience. Some institutions require additional annual loan counseling using online, in-person, and written materials providing students information about their borrowing, their repayment, and how much they can expect to earn after completion.[61] Finally, a number of experts indicated that an immediate touchpoint with students after they leave the institution, but prior to the end of their student loan repayment grace period, would be an appropriate time to encourage students to plan their repayment schedule if they haven't already.

Recommendations

In addition to the general best practices in Section 1, institutions of higher education should adopt the following specific best practices to engage students in financial literacy and education.

- **Mandatory Financial Literacy Courses.** Institutions should require mandatory courses to teach students financial concepts and skills. Optional classes may not reach students who may be unaware of them or who do not value the benefits of financial education. However, institutions should make sure that quality doesn't suffer in order to expand availability to all students, especially at large institutions. It may be challenging to find appropriate educators to teach a personal finance course to every student, given that the topic is not a focus of most institutions. Peer educators (trained students), other staff (such as financial aid officers), and

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59. For example, CFPB has released resources for teaching high school students that show how financial lessons can be incorporated into a range of subjects, including career and technical education, English/language arts, math, social studies or history and world languages. See: "Teach the building blocks of financial capability", Consumer Financial Protection Bureau, available at: *https://www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/*.

60. Board of Governors of the Federal Reserve System, "Student Loan Counseling Challenges and Opportunities: Findings from Focus Groups with Financial Aid Counselors," November, 2016, available at: *https://www.federalreserve.gov/consumerscommunities/files/student-loan-counseling-challenges-and-opportunities-2016.pdf*. Fernandez, C., Fletcher, C., Klepfer, K., & Webster, "A Time to Every Purpose: Understanding and improving the borrower experience with online student loan entrance counseling", TG Research, 2015. Available at: *https://www.trelliscompany.org/portfolio-items/a-time-to-every-purpose-understanding-and-improving-the-borrower-experience-with-online-student-loan-entrance-counseling/*.

61. U.S. Department of Education staff. Personal interview and correspondence. December 2018 and February 2019.

outside financial professionals have been used to deliver financial education in various programs.

- **Peer Educators.** Institutions should deploy well-trained peer educators to provide financial education and coaching to help build financial knowledge and motivate students to take positive actions, such as making a budget, setting financial goals, and checking their credit report. Institutions can use student volunteers, work-study students or other paid students, or recent graduates.
- **Integration of Financial Literacy into Core Curricula.** Rather than requiring a stand-alone financial education course, universities could integrate financial education into other mandatory courses.
- **Enhance the Frequency and Timing of Communication with Students.** Institutions should communicate with students about financial topics more often than upon entrance and exit. Financial education might be provided before the start of classes, and as early as acceptance, and be provided in courses throughout the student's educational experience. Additionally, immediately after students leave the institution, but prior to the end of their student loan repayment grace period, would be an appropriate time to encourage them to plan their repayment schedule if they haven't already.

Targeting Different Student Populations by use of National, Institutional, and Individual Data

There is a significant amount of information and data that institutions of higher education can collect, evaluate, and use to target financial literacy efforts for different student populations. This is especially important for more vulnerable students, including older and other non-traditional students,[62] low-income, first-generation, and students of color. These students are more likely to face difficult hurdles on their paths to college completion and financial security.[63]

Institutions should understand their students' personal and financial circumstances and goals. As a result, institutions should use national data, institutional data, and individual data, consistent with appropriate privacy practices, to better know the population they intend to serve.

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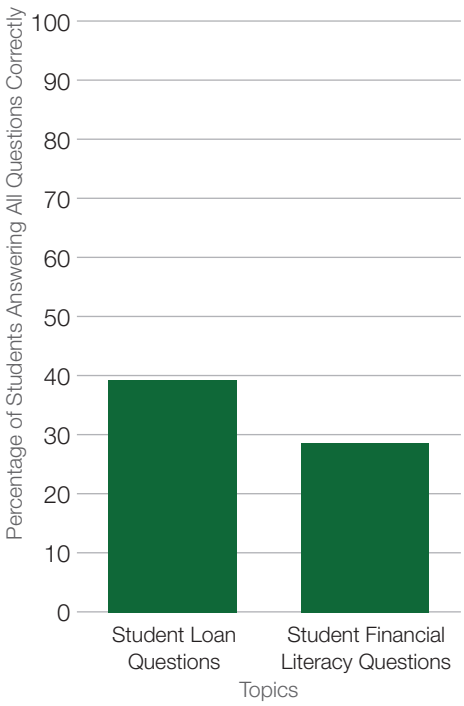
62. While there is no precise definition of a non-traditional student, some factors include part-time students; students who are older than the average age, work full-time while enrolled, are considered financially independent for purposes of federal student aid, have dependents, or do not have a high school diploma. See: "Nontraditional Undergraduates/Definitions and Data", National Center for Education Statistics, U.S. Department of Education, available at: *https://nces.ed.gov/pubs/web/97578e.asp.*
63. Students in low-income schools were much more likely to have low levels of financial proficiency than those from higher-income schools. See, "Results from PISA 2015 Financial Literacy", Organisation for Economic Co-operation and Development, 2015, available at: *http://www.oecd.org/pisa/PISA-2105-Financial-Literacy-USA.pdf*. Minority students and those from low-income and low-asset households are substantially more likely to have trouble repaying student debt. See: Steinbaum, Marshall, and Vaghul, Kavya, "How the Student Debt Crisis Affects African Americans and Latinos," Washington Center for Equitable Growth, February 16, 2016, available at: *https://equitablegrowth.org/how-the-student-debt-crisis-affects-african-americans-and-latinos/*. Servicemember and Veteran students may have unique needs, and institutions may work with DoD and VA to effectively build on their experience and address their needs.

Student Knowledge of Financial Literacy Concepts



Source: U.S. Department of Education, National Center on Education Statistics, National Postsecondary Student Aid Study (NPSAS:16) Data, available at: *https://nces.ed.gov/datalab/powerstats/pdf/npsas2016ug_subject.pdf*

National Data

National-level data can provide a good starting point to understanding the overall student population. For example, the National Postsecondary Student Aid Study (NPSAS) examines the characteristics of students in postsecondary education and focuses on how they finance their education.[64] The latest NPSAS study found that only 28 percent of students could answer three basic financial literacy questions correctly and few students could answer correctly basic questions about federal student loans, with lower-income students scoring worse than the average on both measures.[65] This data shows that institutions should provide financial education broadly to all students, but also need to make sure they are reaching the most financially vulnerable students.

Field research and surveys are also a source of data about students' challenges and barriers to success in higher education. For example, the Study on Collegiate Financial Wellness[66] examines the financial attitudes, practices, and knowledge of students across the United States. In the most recent study, key concerns among participating students were worries about being able to pay for school (nearly 63 percent); worries about being able to afford their monthly expenses (nearly 43 percent); and stress about finances in general (nearly 69 percent). The study also found that a majority of participating students reported certain positive financial behaviors, such as monitoring account balances, planning ahead for major purchases, and tracking spending.[67]

Institutional Data

Institutions should use data available within their own institutions, as appropriate.[68] For example, information on student and family incomes, amounts of aid received, amounts borrowed, and payment information, along with age, race, family status, and veteran status all can provide insights into who is likely to need additional help. Information that demonstrates behavior like delays in completing registration and paying bills also point to areas of need. Academic performance and the number of missed or incomplete classes can indicate a student who is struggling and can pinpoint

64. "National Postsecondary Student Aid Study (NPSAS)", National Center for Education Statistics (NCES), U.S. Department of Education, available at: *https://nces.ed.gov/surveys/npsas/*.
65. Id. at 51.
66. "Study on Collegiate Financial Wellness 2017 Key Findings Report", The Ohio State University, Office of Student Life, College of Education and Human Ecology, 2017, available at: *https://cssl.osu.edu/posts/632320bc-704d-4eef-8bcb-87c83019f2e9/documents/2017-scfw-key-findings-report.pdf*.
67. Id.
68. Information obtained from a student's FAFSA may be subject to the limitations of 20 U.S.C. § 1090(a)(3)(E).

appropriate times to help these students[69] as they are all indicators of potential problems in student retention or early withdrawal. Similarly, not declaring a major may also pose a risk of extending time to degree, and thus the cost of education.[70]

One example of the use of administrative data is Georgia State University (GSU), which uses a comprehensive analysis of student data to target resources to help students complete their degree programs. The university is able to track behaviors that indicate risk of dropping out (such as signing up for the wrong number of classes or changing majors), and provide assistance, including financial education and other resources. Over time, GSU reports it has increased its bachelor's degree graduation rates from 32 percent to 54 percent and increased the number of bachelor's degrees achieved by Pell Grant recipients by 33 percent (which was a 47 percent increase by African-American students and a 74 percent increase by Hispanic students).[71]

Individual Data

A number of institutions of higher education collect individual data to provide customized assistance for students. Some institutions use a financial wellness checkup (online or in person) to identify a student's primary sources of stress and tailor effective interventions. Tests taken before engaging in financial education or coaching can help identify a student's financial knowledge and target education or counseling to specific areas for improvement. Customer satisfaction surveys and focus groups can help institutions identify what students are interested in and improve program delivery.[72]

Recommendations

Institutions of higher education should use national, institutional, and individual data to determine the specific financial literacy needs of their students. The use of data can allow the institution to meet the actual needs of students, identify students most at risk, and deploy resources effectively using an evidence-based approach. Institutions should also continue to collect and assess performance data to measure impact and reinforce a culture of continuous improvement.

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69. Eadie, Larry, "Designing an Effective Default Management Program", proceedings of Federal Student Aid Conference 2018, Atlanta, GA.
70. Interviews with institution experts indicate that those students who have failed or delayed declaring a major are more likely to default on student loans.
71. Renick, Timothy. "Leveraging Technology and Data to Eliminate Postsecondary Achievement Gaps," presentation, ED Tech Efficacy Academic Symposium, May 4, 2017, available at: *https://studentarc.org/tools-and-resources/presentation/leveraging-technology-and-data-to-eliminate-postsecondary-achievement-gaps.* A Pell Grant is funding provided to undergraduate students who display exceptional financial need. See, "Federal Pell Grants," website, Federal Student Aid, U.S. Department of Education, available at: *https://studentaid.ed.gov/sa/types/grants-scholarships/pell.*
72. Interviews with university experts (Indiana, Ohio State, and University of North Texas) November 2018.

Communicating Importance of Graduation and Major on Repayment of Student Loans

Researchers have found a strong correlation between not finishing a degree program and failing to repay student loans. A Brookings Institution analysis of ED data found that those without a degree and who were no longer enrolled had a default rate more than four times that of graduates with a bachelor's degree (23.9 vs. 5.6 percent) and nearly twice that of graduates with an associate's degree (23.9 vs. 14.0 percent).[73] Research from the College Board reached a similar conclusion, finding that 67 percent of federal student loan borrowers who earned a credential at a four-year institution had paid down at least one dollar of their loan principal after five years. In contrast, the rate for students not completing a four-year degree was 41 percent.[74] At two-year institutions, the repayment rates were 65 percent for those completing an associate degree and 46 percent for those who fail to complete their degree.[75] Increased repayment rates among those completing degrees are likely linked to increased earnings from their credentials. For example, there is an annual earnings difference of $4,300 for students who complete an associate degree and nearly $20,000 more annually for those who complete a bachelor's degree when compared to those with no degree.[76]

A student's chosen major and career path may also impact their earnings and is a factor to consider in their ability to repay student loans.[77] A Brookings Institution study analyzed the relative percentages of total income needed to meet student loan obligations by major. Students graduating from majors such as drama and theatre needed to allocate 24 percent of earnings in the first year to repayment whereas engineering majors needed to allocate only 4 percent of their earnings to repayment in the first year. [78] In addition, matching a student's abilities as well as their aspirations to a degree at the start of higher education can improve their chances of completing a degree.[79]

While graduation and major are factors in a student's ability to repay student loans, it is also important to consider the timely completion of a degree. Approximately 41 percent of students enrolled in four-year undergraduate programs complete their

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73. Scott-Clayton, Judith, "The Looming Student Loan Default Crisis Is Worse than We Thought." Brookings, May 15, 2018, available at: *https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/.*
74. For students entering repayment between 2009 and 2011. See: Sandy Baum et al., "Trends in Student Aid 2018", The College Board, 2018, available at: *https://trends.collegeboard.org/sites/default/files/2018-trends-in-student-aid.pdf.*
75. Id.
76. Long, Bridget Terry, "The College Completion Landscape: Trends, Challenges, and Why It Matters", Third Way, 2018, available at: *https://www.thirdway.org/report/the-college-completion-landscape-trends-challenges-and-why-it-matters.*
77. Hershbein, Brad, Harris, Benjamin H., and Kearney, Melissa S., "Major Decisions: Graduates' Earnings Growth and Debt Repayment", November 2014, available at: *http://www.hamiltonproject.org/papers/major_decisions_graduates_earnings_growth_debt_repayment/.*
78. Id.
79. Georgia State increased their graduation rates by improving the percentage of students in majors that fit their academic abilities (up by 13 percent since the launch in 2011 of their strategic approach). See: "2017 Report: Georgia State University Complete College Georgia", Georgia State University, 2017, available at: *https://success.gsu.edu/download/2017-status-report-georgia-state-university-complete-college-georgia/?wpdmdl=6471592&refresh=5c5318d73e25f1548949719.*

degree within four years (considered to be "on time"), with another 20 percent of students taking up to six years.[80] Students at two-year institutions appear less likely to complete "on time," with less than one-third of those entering two-year institutions finishing within 150 percent of the expected time to complete their degree.[81] Irrespective of whether a student is enrolled in a four-year or two-year program, graduating on time (or even earlier) can reduce the amount of debt that a student takes on and increase their lifetime earnings by entering the workforce sooner.

Incentives to Improve Completion

Institutions of higher education are using a variety of methods to encourage students to complete their degrees on time, or earlier, in order to reduce the amount of student debt. For example, some have introduced banded tuition, making the costs equivalent regardless if a student takes 12 to 18 credits. Others extend the enrollment period or reduce the tuition for summer to encourage students to study year-round. Some of these programs have shown success in reducing the time to complete a degree.

Higher Education Completion (Full-Time Students)

Graduation Rate	White	Black	Hispanic	Asian/Pacific Islander			Amer. Indian / Alaska Native	Two or more races	*Total*
				Total AAPI	Asian	Pacific Islander			
4-Year Schools (2011 Cohort)									
Within 4 years	46.3	21.5	32.5	50.1	50.7	30.9	21.6	38.3	*41.6*
Within 5 years	61.1	35.4	49.4	68.1	68.9	44.1	33.9	53.1	*56.5*
Within 6 years	64.3	39.8	55.0	73.3	74.1	48.6	37.6	57.1	*60.4*
2-Year Schools (2014 Cohort)									
≤150% normal time	31.6	33.5	25.3	30.9	37.4	37.6	34.6	28.1	*26.2*

Top section: Graduation rate from first institution attended for students at all 4-year postsecondary institutions, in percent.
Bottom row: Graduation rate from first institution attended within 150 percent of normal time at 2-year postsecondary institutions.
Source: U.S. Department of Education, National Center for Education Statistics, Digest of Education Statistics, 2018 Tables and Figures, Tables 326.10 and 326.20, *https://nces.ed.gov/programs/digest/d18/tables/dt18_326.10.asp?current=yes* and *https://nces.ed.gov/programs/digest/d18/tables/dt18_326.20.asp*

80. Snyder, Thomas D. and de Brey, Cristobal, "Digest of Education Statistics 2017: 53rd Edition", National Center for Education Services, U.S. Department of Education, 2017, available at: *https://nces.ed.gov/pubs2018/2018070.pdf*
81. Id.

Georgia State, for example, works with students to improve the likelihood of timely completion by providing advice and incentives to students to boost their grades and qualify for scholarships, thus helping students address both academic and financial barriers to completion. Additionally, the university has also helped students identify majors that meet their academic abilities, so that they are more likely to complete the degree. GSU's combination of approaches has reduced the average time to complete a degree by half a semester per student and is estimated to have saved the graduating class of 2016 approximately $15 million in tuition and fees compared to tuition spent by earlier cohorts.[82]

Dedicated Guidance to Help Students Overcome Obstacles to Completion

Students may face multiple roadblocks to completing a degree, including challenges that may be academic, financial, social, and cultural. While most students will face at least one of these obstacles, more vulnerable students (first-generation, minority, low-income) are more likely to experience one or more obstacles throughout their education.[83] Given these complexities, many institutions have found it effective to provide one-on-one support to respond to individual needs. Some institutions take a holistic approach to meeting student needs by combining mandatory financial education with counseling or coaching. Advisors can help students address a spectrum of issues, including housing, social services, primary and mental health care, day care, and transportation. Using this holistic approach, institutions can improve a student's chance of staying in school, ultimately achieving a degree or certificate and securing employment.

For example, a large East Coast public institution developed a program to provide dedicated counselors to new students whose academic records fall just below regular admissions standards. These counselors have comparatively low caseloads and advise the student throughout his or her college career on matters ranging from time management to selecting a major. Graduates of the program earn approximately $4,000 more per year than students who did not complete the program.[84] Also, by reducing time to graduation, the program lowers the cost per degree.

Emergency Assistance to Bridge Financial Gaps

Emergency aid, or completion aid, is intended to help students for whom financial constraints are the primary cause of non-completion, and for whom financial aid may not cover all the costs of attendance. This intervention, when paired with additional

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82. Id. at 79.
83. According to a report by the Wisconsin HOPE Lab, 56 percent of students at 70 community colleges are food insecure, half of students are housing insecure and 14 percent are homeless. The survey also found that a lack of finances could cause them to withdraw. See: "Making Ends Meet: The Role of Community Colleges in Student Financial Health", Center for Community College Student Engagement, 2017, available at: *https://www.ccsse.org/docs/Making_Ends_Meet.pdf.*
84. Schneider, Mark, and Clark, Kim, "Completion Reforms That Work: How Leading Colleges Are Improving the Attainment of High-Value Degrees", Third Way, 2018, available at: *https://www.thirdway.org/report/completion-reforms-that-work-how-leading-college-are-improving-the-attainment-of-high-value-degrees.*

counseling to help students improve their planning and ability to succeed, is increasingly common among higher education institutions, with a reported 40 percent now offering some sort of emergency assistance.[85] This model is being replicated by a number of institutions around the country that find that the up-front outlay keeps students enrolled.[86] This type of assistance not only helps students meet their short-term needs; it may also build a trusting relationship between students and the institution.[87]

For example, Georgia State provides grants up to $2,000 (average $900) to students who are about to drop out due to nonpayment. These grants are available to students who are otherwise making satisfactory academic progress toward graduation. Students are required to meet with financial counselors in order to receive the grant. These funds help students fill the unmet gap they may face between their financial aid and the cost of attendance. Eighty-two percent of recipients of this type of grant have either graduated or were still enrolled one year after receiving the grant, and approximately one quarter of bachelor's recipients in 2017 had received some retention grants, significantly increasing the graduation rate.[88]

Recommendations

Institutions of higher education should adopt the following best practices to: (1) clearly communicate the importance of graduation and major on ability to repay debt; and (2) help students overcome obstacles to graduation.

- **Provide incentives to complete on time (or earlier).** Institutions of higher education can provide incentives that spur students toward completion, including banded tuition, reduced summer tuition, and extended enrollment periods.
- **Dedicate staff to advise students on loans, majors and obstacles to graduation.** Institutions should provide one-on-one guidance and advice to students at risk of non-completion to help them overcome academic, financial, social, and cultural challenges.
- **Provide emergency financial assistance.** Institutions should make available emergency aid or completion aid to help bridge gaps between financial aid and the resources students need to complete their education.

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85. Kruger, Kevin, Parnell, Amelia, and Wesaw, Alexis, "Landscape Analysis of Emergency Aid Programs," National Association of Student Personnel Administrators, 2016, available at: *https://www.naspa.org/rpi/reports/landscape-analysis-of-emergency-aid-programs.*
86. Id.
87. Goldrick-Rab, Sara, and Cady, Clare, "Distributing Emergency Aid to College Students: Recommendations and Sample Distribution Protocol", Wisconsin Hope Lab, September 4, 2017, available at: *https://hope4college.com/wp-content/uploads/2018/09/emergency-aid-distribution-sample-protocol.pdf.*
88. Id. at 79.

ED Resources to Serve Student Populations

Several of the Federal **TRIO Programs**[89] (Educational Opportunity Centers, Upward Bound and Student Support Services programs) directly or through connections (Talent Search) provide education or counseling services designed to improve the financial literacy and economic literacy of students or the students' parents, including financial planning for postsecondary education. In addition, the TRIO Program provides training to applicants on delivering financial and economic literacy, student financial aid and related topics.[90]

In addition, to date, the **Gaining Early Awareness and Readiness for Undergraduate Programs** (GEAR UP)[91] may provide financial and economic literacy education. The program also requires grantees to provide information on financial aid to eligible (low-income and at high-poverty schools) participating students and their families.[92]

Federal Work-study (FWS) Program is designed to meet the costs of higher education and provide meaningful work experience for students who demonstrate financial need. FWS funds can be used to provide qualified students the opportunity to improve their personal financial skills, give back to their peers, and develop relevant and in-demand professional skills and experience, by having students serve as peer financial educators, coaches or counselors. This approach can benefit students who learn from their peers and the student instructor.[93] Relevant employment opportunities are especially important for low-income students, since these roles can help them to find employment opportunities that are more directly correlated to their long-term career goals.[94]

ED is also deploying administrative approaches to improve students' understanding and interaction with federal financial aid tools. The **myStudent Aid** app makes it easier for students to complete their FAFSA form on a mobile device. In the near future, a student will be able to see how much he or she owes in federal student loans at any moment in time, what repayment options are available, and how those options will impact the total amount owed over time. One major goal of ED's new efforts is to modernize the technology and operational components of federal financial aid programs and improve student financial literacy through use of customized data.[95]

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89. See Title IV-A-2-1 of the Higher Education Act of 1965, 20 U.S.C. § 1070a–11 through 1070a-18.
90. "Federal TRIO Programs – Home Page", U.S. Department of Education, available at: *https://www2.ed.gov/about/offices/list/ope/trio/index.html*.
91. 34 CFR §694.22.
92. 34 CFR §694.21.
93. Magolda, Marcia Baxter, and Astin, Alexander W., "What Matters in College: Four Critical Years Revisited", The Journal of Higher Education, January 1993; Colvin, Janet W. and Ashman, Marinda, "Roles, Risks, and Benefits of Peer Mentoring Relationships in Higher Education", May 2010; Keup, Jennifer R.; "Peer Leadership in Higher Education: New Directions for Higher Education", March 2012; Newton, F.B. and Ender, Steven C., "Students Helping Students: A Guide for Peer Educators on College Campuses", 2012.
94. Carnevale, Anthony P. and Smith, Nicole, "Balancing Work and Learning: Implications for Low-Income Students", Center on Education and the Workforce, Georgetown University, McCourt School of Public Policy, 2018, available at: *https://1gyhoq479ufd3yna29x7ubjn-wpengine.netdna-ssl.com/wp-content/uploads/Low-Income-Working-Learners-FR.pdf*.
95. See Federal Student Aid, "Introducing the myStudentAid mobile app" video, *https://www.youtube.com/watch?v=ItnOr7n2ck4*.

Preparing Students to Meet Financial Obligations upon Graduation

Student loan repayment is complex, with different types of loans, choices of repayment plans, and different servicers, as well as a program that looks quite different than other consumer loan products.[96] A survey of 26 to 29-year olds, most of whom had attained a college degree, found that issues related to help from the servicer, complexity, and lack of knowledge about repayment options were bigger barriers to repayment than financial constraints.[97] Similarly, another survey found that many student loan borrowers do not fully understand the types of loans or the available repayment plans.[98]

Most federal student loans provide a six-month grace period after students graduate, leave school or drop below half-time enrollment before repayment starts. The last semester before graduation and the "grace period" are a crucial time for students to begin to prepare to repay their loans, understand their options, and plan for their financial future. After graduation or leaving higher education, students may be focused on finding a job, relocating, or making other transformational choices. Informing students of the importance of understanding their repayment obligations before leaving or graduating may help students to focus on their financial obligations along with other major life decisions.

Recommendations

Institutions of higher education should address student financial needs prior to leaving the institution. The key areas of focus for institutions should include:

- **Providing information to understand loan repayment options and obligations.**[99] Higher education institutions should provide simplified explanations of repayment options to make it easier for students to understand and remember the repayment features.[100] When a federal student loan exits the grace period, the student will automatically be enrolled in a standard 10-year repayment plan that may not be the best financial fit for all student loan borrowers. Higher education institutions can provide a student with the different repayment options, including income-driven

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96. "A Financial System That Creates Economic Opportunities Nonbank Financials, Fintech, and Innovation," U.S. Department of the Treasury, July 2018, available at: *https://home.treasury.gov/sites/default/files/2018-08/A-Financial-System-that-Creates-Economic-Opportunities---Nonbank-Financials-Fintech-and-Innovation.pdf*.
97. Serido, Joyce and Shim, Soyeon, "Approaching 30: Adult Financial Capability, Stability and Well-Being", National Endowment for Financial Education and Great Lakes Higher Education Corporation & Affiliates, May 2017, available at: *https://static1.squarespace.com/static/597b61a959cc68be42d2ee8c/t/598a844ecd39c31515c51c7f/1502250072075/APLUS_WAVE4.pdf*.
98. Over a third, 35%, of student loan holders believe they have a loan where the monthly payments are determined by their income. However, nearly one in five, 19%, did not know whether they had these types of loans. See: Lin, Judy T. et al., "Financial Capability in the United States 2016", FINRA Investor Education Foundation, 2016, available at: *http://www.usfinancialcapability.org/downloads/NFCS_2015_Report_Natl_Findings.pdf*.
99. See, Consumer Financial Protection Bureau, Repay Student Debt, website, available at *https://www.consumerfinance.gov/paying-for-college/repay-student-debt/*.
100. "Making Informed Choices about Loan Repayment: Valencia College", ideas42, 2016, available at: *https://www.ideas42.org/wp-content/uploads/2016/12/I42-718_Brief_Valencia_Repayment_4.pdf*; See also: "Insights and Opportunities: College Student Financial Health and Behavioral Science", ideas42, August 2018, available at: *http://www.ideas42.org/wp-content/uploads/2018/08/ideas42_StudentFinHealth-1.pdf*.

repayment plans and the difference among the plans and possible loan forgiveness options.

- **Building a budget to set a repayment goal.** Students close to graduation who are deciding among jobs and career options may need guidance to develop a budget that considers their projected salary. Creating a budget and identifying all fixed and variable expenses and discretionary spending can assist a student loan borrower with developing a realistic view of their financial situation. Assessing a borrower's discretionary income to put toward student loan payments can also help inform the borrower's choice of repayment plan.
- **Helping students to identify and connect with their student loan servicer.** It's important for students to establish a relationship with their student loan servicer and provide updated contact information to ensure that they receive timely information on their loans. Higher education institutions can help student loan borrowers identify the type of loans they have, the student loan servicer for each of their loans, and where to find out about how to submit payments. Higher education institutions should also inform students about the role and services offered by a student loan servicer,[101] including information such as that students never need to pay for help with student loans from their servicer.[102] Information on how to spot the warning signs of a debt relief scam can prevent financial harm for students.[103]
- **Enabling students to assess the costs and benefits of graduate and professional studies.** Deciding on whether or not to pursue a graduate degree involves many of the same considerations as an undergraduate degree, including where to go, what degree to attain, and how much to spend.[104] Graduate students who borrowed as undergraduates are twice as likely to borrow for their graduate degree.[105] Students should understand the costs and resources available for post-graduate degrees, especially in light of significant outstanding debt.

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101. See, Consumer Financial Protection Bureau, "What is a Student Loan Servicer?," available at *https://www.consumerfinance.gov/ask-cfpb/what-is-student-loan-servicer-en-583/.*
102. See, Department of Education, "Beware: You never have to pay for help with your student loans," available at *https://studentaid.ed.gov/sa/repay-loans/avoiding-loan-scams.*
103. See, Consumer Financial Protection Bureau, "Consumer Advisory: Student loan debt relief companies may cost you thousands of dollars and drive you further into debt," available at *https://www.consumerfinance.gov/about-us/blog/consumer-advisory-student-loan-debt-relief-companies-may-cost-you-thousands-of-dollars-and-drive-you-further-into-debt/.*
104. Lee, Vivien and Looney, Adam, "Headwinds for Graduate Student Borrowers: Rising Balances and Slowing Repayment Rates," The Brookings Institution, October 18, 2018, available at: *https://www.brookings.edu/research/headwinds-for-graduate-student-borrowers-rising-balances-and-slowing-repayment-rates/.*
105. Denecke, Daniel, et al., "Financial Education: Developing High Impact Programs for Graduate and Undergraduate Students", Council of Graduate Schools, 2016, available at: *https://cgsnet.org/publication-pdf/3929/CGS_FinancialEdPub16_web.pdf.*

Exhibit A:

Participants in the Engagement Process

Nonprofits and Professional and Trade Associations

ACCION NY

Achieving the Dream

American Association of State Colleges and Universities

Association for Enterprise Opportunity

Association of Community College Trustees

American Bankers Association

American Benefits Council

Association for Financial Counseling & Planning Education

Atlanta University Center Consortium

Career Education Colleges and Universities

Center for Financial Services Innovation

Center for Responsible Lending

Cities for Financial Empowerment Fund

Clarifi

Coalition of Higher Education Assistance Organizations

Council for Economic Education

Credit Builders Alliance

EARN

Earn to Learn

Education Finance Council

Family, Career and Community Leaders of America

Florida Prosperity Partnership

Higher Education Financial Wellness Association

Homeownership Preservation Foundation

Hugh O'Brian Youth Leadership

The Institute for College Access and Success

Insured Retirement Institute

International Foundation of Employee Benefits Plans

Jumpstart Coalition

Junior Achievement USA

Justine Peterson

Local Initiatives Support Corporation

Lumina Foundation

MOHELA

National Association of Financial Aid Administrators

NASPA Student Affairs Administrators in Higher Education

National College Access Network

National Council of Higher Education Resources

National Endowment for Financial Education

NeighborWorks

Next Gen Personal Finance

Pacific Community Ventures

Parents Step Ahead

Pension Rights Center

Society for Financial Education and Professional Development

SourceLink

Stewards of Affordable Housing for the Future

Uaspire

Women's Institute for A Secure Retirement (WISER)

State and Local Government

City of San Francisco, Office of Financial Empowerment

Indiana Treasurer and Secretary of State

Mississippi Treasurer

Nevada Treasurer

Tennessee Treasurer, Financial Literacy Commission

Vermont Treasurer

Washington Department of Financial Institutions

Wisconsin Department of Financial Institutions

Other Private Sector Entities

Azim Premji Foundation

Bank of America

Charles Schwab Foundation

Discover Financial Services

Edward Lowe Foundation

EverFi

Fidelity Investments

FICO

FINRA Investor Education Foundation

Ideas42

iGrad

Kauffman Foundation

LendEDU

Meredith Corp.

PayforEd

Pepsico

Prudential

Ramsey Education

Savingforcollege.com

Trellis Group

Vanguard

Think Tanks

Aspen Institute

New America

Urban Institute

Academics and Institutions of Higher Education

Alamo Colleges District, Palo Alto College

Babson College/Goldman Sachs 10,000 Small Businesses

Boston College, Center for Retirement Research

Cabarrus College of Health Sciences

Center for Allied Health Education

Champlain College

Clark Atlanta University

Cloud County Community College

Cuyahoga Community College

Duke University, Common Cents Lab

Front Range Community College

George Washington University, Global Financial Literacy Excellence Center

Georgia State University

Harvard College

Indiana University

Indiana Wesleyan University

Iowa State University
Kansas State University
Lancaster Bible College
Loyola University Chicago
Maricopa Community College
Michigan State University
Milwaukee School of Engineering
Minnesota State University Mankato
Montana State University
Morehouse College, School of Medicine
Ohio State University
Oregon State University
Portland State University
Prairie View A & M University
Ramapo College of New Jersey
Rutgers University
Seton Hall University
Skyline College
Southern Utah University
Southwestern College & New Earth Institute
Southwestern Illinois College
Spelman College
State University of New York
Erie Community College
State University of New York Oneonta
Stockton University
Syracuse University
Texas Tech University
University of Colorado, Center for Research on Consumer Financial Decision Making
University of Kentucky
University of Maryland
University of Miami
University of Montana
University of Montevallo
University of North Texas
University of South Carolina
University of Texas - Austin
University of Virginia
University of West Georgia
University of Wisconsin-Madison, Center for Financial Security
Utah State University
Valencia College
Washington University in St. Louis, Center for Social Development
Western Governors University
William & Mary, Raymond A. Mason School of Business
Worcester Polytechnic Institute

Government-related Entities (other than FLEC members)

Federal Reserve Bank of Boston
Federal Reserve Bank of St. Louis, Center for Household Financial Stability
National Science Foundation – iCorps

Exhibit B:

Summary of Recommendations

Best Practices for Delivery of Financial Literacy to the Public

Recommendation	Responsibility
The FLEC recommends that financial literacy programs adopt CFPB's "Five Principles of Effective Financial Education", which include: • Know the Individuals and Families to be Served • Provide Actionable, Relevant and Timely Information • Improve Key Financial Skills • Build on Motivation • Make It Easy to Make Good Decisions and Follow Through	Financial Literacy Programs
The FLEC recommends that financial literacy programs add these three best practices to the CFPB "Five Principles of Effective Financial Education" • Develop Standards for Professional Educators • Provide Ongoing Support • Evaluate for Impact	Financial Literacy Programs

Best Practices for the Delivery of Financial Literacy and Education at Institutions of Higher Education

Recommendation	Responsibility
Providing Clear, Timely, and Customized Information to Inform Student Borrowing	
Institutions of higher education should adopt the following best practices to ensure that their financial aid offer letters are clear, timely, and customized, and provide students with a clear sense of their borrowing obligations. • Present an itemized and sub-totaled cost of attendance • Differentiate aid offers by type • Highlight critical details and distinctions by aid type • Calculate the cost after grants and scholarships are applied • Do not include Parent PLUS loans as part of a student's aid package • Provide actionable next steps	Institutions of Higher Education
Institutions of higher education should provide students with annual debt letters, which incorporate the following best practices, to ensure that students have a clear sense of their total borrowing obligations. State lawmakers should consider broader adoption of debt letters and a standardization of requirements. • Provide information tailored to the student • Make it easy to find additional information and support • Time it right • Debt letters should be paired with other financial literacy strategies.	Institutions of Higher Education

Best Practices for Higher Education, continued

Recommendation	Responsibility
Effectively Engaging Students in Financial Literacy and Education	
In addition to the general best practices in Section 1, institutions of higher education should adopt the following specific best practices to engage students in financial literacy and education. • Mandatory financial literacy courses • Peer educators • Integration of financial literacy into core curricula • Enhance the frequency and timing of communication with students	Institutions of Higher Education
Targeting Different Student Populations by use of National, Institutional and Individual Data	
Institutions of higher education should use national, institutional and individual data to determine specific financial literacy needs of their students. The use of data can allow the institution to meet the actual needs of students, identify students most at risk and deploy resources effectively using an evidence-based approach. Institutions should also continue to collect and assess performance data to measure impact and reinforce a culture of continuous improvement.	Institutions of Higher Education
Communicating Importance of Graduation and Major on Repayment of Student Loans	
Institutions of higher education should adopt the following best practices to: 1) clearly communicate the importance of graduation and major on ability to repay debt; and 2) help students overcome obstacles to graduation. • Provide incentives to complete on time (or earlier) • Dedicate staff to advise students on loans, majors and obstacles to graduation. • Provide emergency financial assistance.	Institutions of Higher Education
Preparing Students to Meet Financial Obligations upon Graduation	
Institutions of higher education should address student financial needs prior to leaving the institution. The key areas of focus for institutions should include: • Providing information to understand loan repayment options and obligations • Building a budget to set a repayment goal • Helping students to identify and connect with their student loan servicer • Enabling students to assess the costs and benefits of graduate and professional studies	Institutions of Higher Education

Exhibit C:

Section 603 P.L. 115-174

The Economic Growth, Regulatory Relief, and Consumer Protection Act

May 24, 2018

Section 514(a) of the Financial Literacy and Education Improvement Act (20 U.S.C. 9703(a)) is amended by adding at the end the following:

"(3) BEST PRACTICES FOR TEACHING FINANCIAL LITERACY.—

"(A) IN GENERAL.—After soliciting public comments and consulting with and receiving input from relevant parties, including a diverse set of institutions of higher education and other parties, the Commission shall, by not later than 1 year after the date of enactment of the Economic Growth, Regulatory Relief, and Consumer Protection Act, establish best practices for institutions of higher education regarding methods to—

"(i) teach financial literacy skills; and

"(ii) provide useful and necessary information to assist students at institutions of higher education when making financial decisions related to student borrowing.

"(B) BEST PRACTICES.—The best practices described in subparagraph (A) shall include the following:

"(i) Methods to ensure that each student has a clear sense of the student's total borrowing obligations, including monthly payments, and repayment options.

"(ii) The most effective ways to engage students in financial literacy education, including frequency and timing of communication with students.

"(iii) Information on how to target different student populations, including part-time students, first-time students, and other nontraditional students.

"(iv) Ways to clearly communicate the importance of graduating on a student's ability to repay student loans.

"(C) MAINTENANCE OF BEST PRACTICES.—The Commission shall maintain and periodically update the best practices information required under this paragraph and make the best practices available to the public.

"(D) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed to require an institution of higher education to adopt the best practices required under this paragraph."

U.S. Financial Literacy and Education Commission

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