

# Financial Literacy and College Success at Minority-Serving Institutions

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## *Model Programs*

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Retention & Financial Literacy  
Research & Consulting

**2009 IHEP Symposium**  
February 26, 2009  
San Antonio, Texas

# Today's Agenda

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- **Best Practices in Student Financial Literacy**
    - **First year and entering students**
    - Second year students and beyond
    - Assessment the effectiveness
  
  - **Model Financial Literacy Programs**
    - **South Mountain Community College – Counselor and Faculty**
    - **Sitting Bull Tribal College – Financial Aid Director**
    - Prairie View A & M University – Associate Provost and Financial Aid Director
    - Spelman College - Students
  
  - **Your Questions**
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# FYI

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- ❑ Observing **Save the Trees** philosophy, thus PowerPoint presentations will be available on the IHEP website.
  - ❑ Structure of sessions
  - ❑ Incorporating your best practices
  - ❑ The panelists will be available throughout the day for any questions you don't get answered during the discussions.
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# Why Financial Literacy?

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“While freshmen and their parents are likely thinking more about tests and academics during orientation, the fact is that after graduation **a student's credit rating is arguably far more important to his or her future than grade point averages.**”

Robert D. Manning, Ph.D., Author - *Credit Card Nation*  
Research Professor and the Director of the Center for  
Consumer Financial Services at Rochester Institute of  
Technology.

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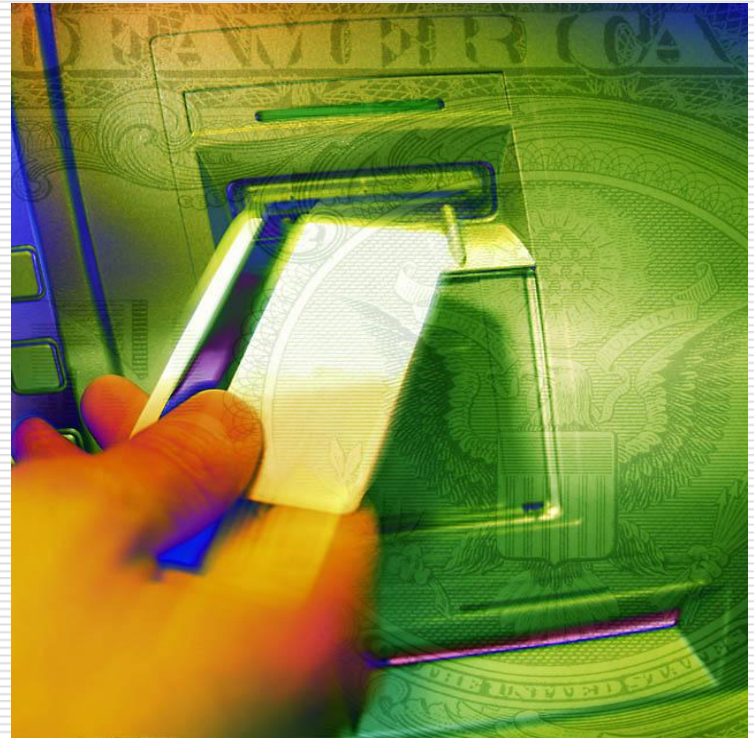
# What is financial literacy?

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**Money**



**Debt**



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**Those who believe that the only  
certainties in life are death and taxes  
can now add a third to the list:  
personal debt.**

Karen Krebsbach  
US Banker  
February, 2006

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# Current State of Financial Literacy

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- ❑ College students are not prepared to manage their personal finances
- ❑ Parents are not providing the financial experiences students need
- ❑ Higher education is slow in responding to students' need for financial education
- ❑ There is uneven delivery and availability of personal finance services

# Student Preparedness: Jump\$tart Financial Literacy Survey

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Percentage of questions answered correctly by:

## High School Seniors

- 1997 – 57.3%
- 2000 – 51.9%
- 2002 – 50.2%
- 2004 – 52.3%
- 2006 - 52.4%
- **2008 - 48.3%**

# Student Preparedness: Jump\$tart Financial Literacy Survey

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Percentage of questions answered correctly in 2008 by:

High school seniors

■ **2008 - 48.3%**

\*College students

■ **2008 – 62.0%**

College freshmen

■ **2008 - 59.4%**

College seniors

■ **2008 – 65.0%**

\*College scores increased with students' rank in school.

# Key Research Finding

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Finance classes help more in college than high school.

Jonathan Fox at The Ohio State University,  
August 10, 2007.

# Parental Influences

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## How America Pays for College

- ❑ 70 percent of students and parents said a student's expected post-graduation income did not make a difference on their borrowing decisions?
- ❑ With so many students and their parents not considering cost in the college selection process, the stage is set for student success issues.

# Focus on the Goal:

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## Financial Fluency

- Knowledge
- Behavior



# **Model Programs Part 1**

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**Entering and first-year student  
financial literacy programs**

# Best Practices in Financial Literacy

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- Entrance counseling
  - Exit counseling
  - Student orientation
  - Parent orientation
  - Student success courses
  - Seminars/workshops
  - Money management counseling
  - Peer financial counseling
  - Career development
  - Alumni programs
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# Nationally-Recognized Programs

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## Participants

**Brigham Young University** →

**University of Arizona** →

**University of Georgia** →

**Iowa State University** →

**Montana State University** →

**Ohio State University** →

**Texas Tech University** →

**Wright State University** →

## Programs

**Financial Path to Graduation**

**Credit Wise Cats**

**Peer Financial Counseling**

**Consumer & Financial  
Management Publications**

**Family Financial Literacy Project**

**Freshmen Success Series**

**Red to Black**

**Wright Financial Path**

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# Brigham Young University

## *Financial Path to Graduation*

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### **Strength:** *Positioning/Infrastructure*

- Academic planning and financial planning proceed on parallel tracks.
- Students must file a financial plan with the Financial Aid Office before their loan eligibility is certified.
- This process informs how much students will need to borrow to finance their education and the impact on their lives after graduation.

**Website:** <http://saas.byu.edu/depts/finaid/documents/fp2g.pdf>

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# University of Arizona

*Credit Wise Cats*

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## Strength: *Peer-to-Peer Program*

- Credit Wise Cats is a student-run group on a mission to educate students about smart spending and financial planning.
- UA's Credit Wise Cats said they counsel people with practically any financial woe through a series of group workshops or one-on-one meetings.

**Website:** [http://wildcat.arizona.edu/papers/98/32/01\\_8.html](http://wildcat.arizona.edu/papers/98/32/01_8.html)

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# Iowa State University

## *Consumer & Financial Management*

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### **Strength: *Use of Technology***

- The Internet is used to offer select information to individuals
- One creative example of using technology to spread financial literacy is the weekly financial tips.
- Over 40,000 individuals signed up to receive weekly financial tips during a three-year period.

**Website:** <http://www.joe.org/joe/2004october/tt5.shtml>

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# Iowa State University

## *Government of the Student Body (GSB)*

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### **Strength:** *Student Initiated and Funded*

- Funded a financial information campaign in response to press coverage about excessive student debt.
- A recession calls for us to make tough choices, but a recession is exactly the time when economic and financial education is so critical.
- Will promote existing programs: Tip of the Week, financial literacy classes, and a Financial Counseling Clinic.

**Websites:** <http://www.joe.org/joe/2004october/tt5.shtml>  
[http://www.iowastatedaily.com/articles/2009/01/28/  
opinion/todays\\_editorial/doc498131b7bc49d601484826.txt](http://www.iowastatedaily.com/articles/2009/01/28/opinion/todays_editorial/doc498131b7bc49d601484826.txt)

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**Get Financially Fit:** a list of websites for college students.

[http://www.consumerinterests.org/files/public/Get\\_Financially\\_Fit\\_Education\\_Program\\_List.pdf](http://www.consumerinterests.org/files/public/Get_Financially_Fit_Education_Program_List.pdf)

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# Panelists

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## **South Mountain Community College**

- Cori Washington
- Cynthia Walston

## **Sitting Bull Tribal College**

- Donna Seabord
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  - **Your Questions**
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# **Financial Literacy and Retention**

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What is the relationship between financial literacy and student retention?

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# Retention Issues: Your List 2006

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- Institutional commitment
  - Sophomore slump
  - Time management
  - Adjusting socially
  - Affordability
  - Parent roles
  - Financial literacy
  - Customer service
  - Career planning
  - Graduation vs. goal completion
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# Common Institutional Goals of Financial Literacy Interventions

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- Lower loan default rate
  - Lower average credit card debt
  - Decrease number of credit cards
  - Increase first-year retention rates
  - Increase graduation rates
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Where would you look to find the relationship between retention and financial literacy on your campus?

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- Loan Default
  - Student Attitudes
  - DOE: Retention Data
  - Affordability
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# Predicting Loan Default

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Student loan default studies indicate overwhelmingly that student success plays a bigger role in predicting who will default than either borrower background or institutional characteristics.

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# Freshman Attitudes Report

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## 2008 Report

- 18.2% of students are in a bad financial position, and the pressure to earn extra money will probably interfere with studies.
- 28.7% have financial problems that are very distracting and troublesome.

Would like to talk with someone

- 30.2% getting loan
- 45.7% getting part-time job
- 41.5 summer employment

## 2009 Report

- 18.2% of students are in a bad financial position, and the pressure to earn extra money will probably interfere with studies.
- 29.3% have financial problems that are very distracting and troublesome.

Would like to talk with someone:

- 31.5% getting loan
- 47.3% getting part-time job
- 44.3 summer employment

# Department of Education Statistics

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- 9,000 students surveyed from 800 postsecondary institutions
    - approximately 3,300 did not successfully complete the program in which they were enrolled
    - 14 percent of students who left cited financial reasons
    - Only 2 percent cited academic reasons
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# Affordability and Retention

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**Students who take longer to graduate are the least likely to be able to afford it, they are most likely to:**

- Carry a balance on their credit cards.
- Come from a family that cannot afford to pay for college without loans.
- Not have money to participate in the activities they enjoy.
- Have a lower GPA.
- Have reduced their course load because of debt.

# CSRDE 2008 Retention Awards

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- “A Systemic View of Academic Achievement, Academic Progress and Degree Completion: A Longitudinal Study.
  - “SUCCESS CHALLENGE: Placing Student Success at the Center-- Enabling In-State, At-Risk Students to Successfully Earn Baccalaureate Degrees in a Timely Fashion.
  - “The Attack of the Killer Courses: How Course Taking Patterns Affect Retention”
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# A National Call to Action

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## *President Advisory Council on Financial Literacy: 2008 Annual Report*

### *Recommendation*

Conduct additional research into the feasibility of requiring college students to take a course in financial literacy or pass a competency test as a condition of receiving government-backed student loans.

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Successful **financial literacy** and **retention** practices **must** provide students with the tools they need to survive – **before** they know they need them.

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# **Model Programs Part 2**

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**Financial literacy programs for  
second year students and beyond**

# Boston College:

## “Successful Start” Financial Literacy Program

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- ❑ **Sponsored by:** Office of Student Services
- ❑ **Mission Statement:** financial management for life
- ❑ **Workshops:** all aspects of financial management
- ❑ **Are You Ready for the Challenge?** borrowing and using credit responsibly
- ❑ **Did You Know?** credit pitfalls and warnings

# Successful Start (continued)

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- **Are You Ready for Additional Help?** *websites*
- **Upcoming Workshops:** *“Are you ready for that job offer?”*
- **Past Workshops:** *Example “How will I survive?”*
- **What People Are Saying:** *testimonials*

# University of North Texas

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- ❑ Student Money Management Center
  - ❑ Runs a Web site and offers one-on-one meetings and group educational sessions.
  - ❑ Targets workshops to certain groups – freshmen, graduating seniors, and many more
  - ❑ Money management topics, such as budgeting, apartment leases, credit cards and credit reports, college and living expenses, car buying, student loan repayment strategies and affording study abroad programs.
  - ❑ Administered by Division of Student Development
  - ❑ Works closely with Office of Financial Aid
  - ❑ **Administers two loan programs to help students with unanticipated expenses that endanger their re-enrollment**
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# Stanford University

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- ❑ Mary Morrison, director of funds management in financial aid office
- ❑ “How to live without your parents’ money”
- ❑ Enlightenment called for when student asked, “Where do I get my W-2 cashed?”
- ❑ One student convinced that the payroll department was stealing money withheld from her check.
- ❑ Uses practical approach: bag of groceries
- ❑ Best taught to seniors
- ❑ Big project is planning budget to match average starting salary of Stanford graduate.

# Panelists

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## □ **Prairie View A&M University**

- Dr. Carlos Clark

## □ **Spelman College**

- Michelle Jenkins

- Jocelyn Mason-Saffold

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-

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**“What gets measured gets done!”**

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# Recent survey at professional development conference

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- What are your goals related to financial literacy activities?
- What are your financial literacy activities?
- How are you evaluating your activities?
  - Surveys to monitor progress
  - Track student debt loads
  - Wondering how to evaluate
  - Use suggestions students make
  - # of users
  - Students themselves help me evaluate
  - We just launched the program.....
  - Mmmmm good?

# What Do We Measure?

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- Changes in student engagement scores
  - Motivation levels of freshmen
  - Academic success goals of students
  - Changes in student expectations and satisfaction
  - Changes in student achievement
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# Measurement Tools of Choice

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- Surveys
  - Focus groups
  - Interviews
  - Case studies**
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# **Model Programs Part 3**

**Assessing the effectiveness of  
financial literacy programs**

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# A Simple Approach to Assessment

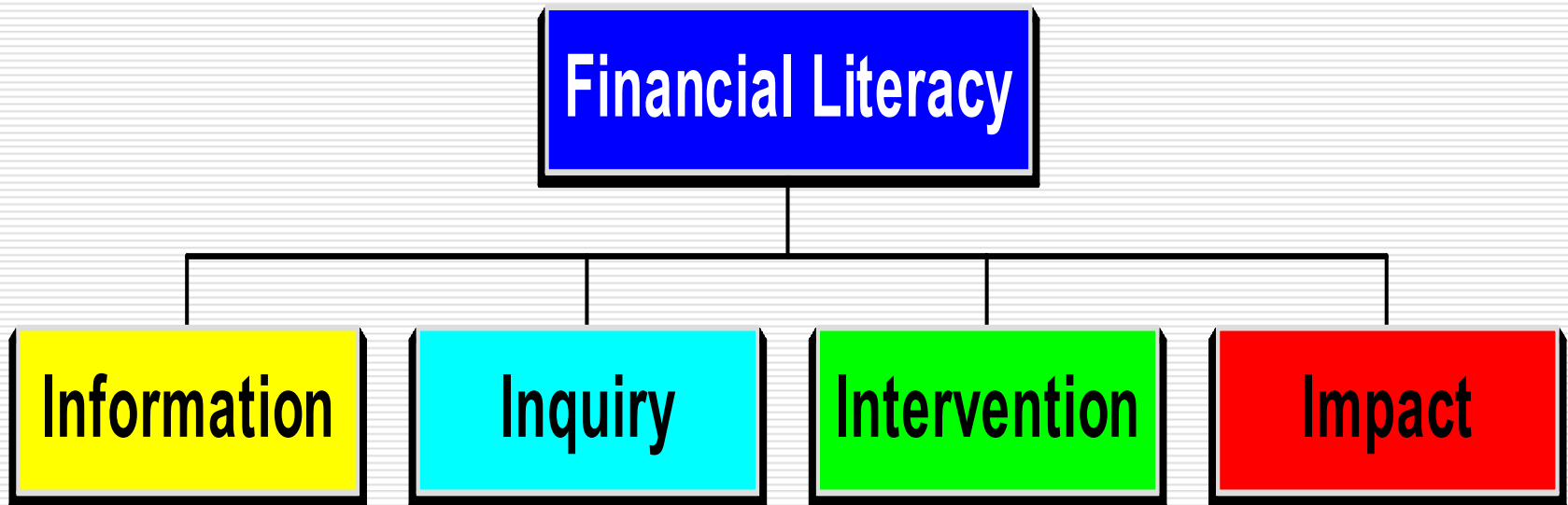
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## A Case Study: The University of Hawaii at Manoa

Source: *Journal of Family and Consumer Science*, 2007, Vol. 99, No 3. Financial Information Project: Assessing the Financial Interests of College Students.

# The “I – 4” Paradigm

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# Financial Literacy

```
graph TD; A[Financial Literacy] --> B[Information]; A --> C[Inquiry]; A --> D[Intervention]; A --> E[Impact]; B --> F[Red Bar]; F --> G[What do we know about financial literacy?]; F --> H[What do we know about our students?]; F --> I[What do we know about our institution?];
```

Information

Inquiry

Intervention

Impact

- What do we know about financial literacy?
- What do we know about our students?
- What do we know about our institution?

# UH Manoa: **Information**

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- ❑ Two out of three students leave college with debt.
  - ❑ The effects of college debt are far-reaching.
  - ❑ There has been a significant increase in bankruptcy filings by the under age 25 group.
  - ❑ 80% of undergraduate students have between one and four credit cards.
  - ❑ High school students have limited access to financial education other than what they learn from parents.
  - ❑ 81% of parents rated their money practices as poor.
  - ❑ Only 10% of students in the Family and Consumer Sciences upper division classes had any formal money management coursework
-

# Financial Literacy

```
graph TD; FL[Financial Literacy] --> I[Information]; FL --> IN[Inquiry]; FL --> INT[Intervention]; FL --> IMP[Impact];
```

Information

Inquiry

Intervention

Impact

- 
- What do we **need** to know?
  - How do we find out?
  - What will we do with the information?
-

# UH Manoa: **Inquiry**

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## **Students were asked to complete a survey:**

- What kind of financial information would be of interest to college students?
- How would students prefer the information be delivered?

## **Faculty and staff completed parallel survey:**

- Included those who counsel or teach students in the area of money management.
  - Questions focused on interest, preferred presentation, and delivery
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# UH Manoa: Inquiry (continued)

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## **Financial information of interest to students:**

- Investing for the future.
- Getting ahead financially after graduation.
- Avoiding credit problems.
- Budgeting income and expenses.

## **Information of interest to faculty staff:**

- Budgeting
  - Avoiding credit problems
  - Making the most of student loans
  - Avoiding ID theft, fraud, and scams
-

# UH Manoa: Inquiry (continued)

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## **How students prefer to receive financial information:**

- As part of a financial aid interview
- As part of special event with free food
- As part of extra credit in a university class
- Through a website
- At the university's New Student Orientation program

## **Faculty and staff choices for delivery of information:**

- As part of special event with free food
  - Through a website
  - As part of extra credit in a university class
  - As part of a financial aid interview
  - At the university's New Student Orientation program
-

# Financial Literacy

Information

Inquiry

Intervention

Impact

- 
- What did we learn?
  - What can/should we do about it?
-

# UH Manoa: **Intervention**

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- ❑ Validated student interest in a variety of financial topics and they have definite ideas on how they would like to receive the information.
  - ❑ Concluded that students are interested in learning about financial futures; faculty and staff focus on the present.
  - ❑ Identified a cadre of faculty and staff to collaborate on delivery of programs that reach a wider college student audience.
  - ❑ Recognized the importance of surveying intended audience and their teachers before selecting a program.
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# UHM: Intervention (continued)

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- ❑ Began with a pilot financial education project.
  - ❑ Peer financial educators were selected.
  - ❑ Utilized common interests indicated by students and faculty/staff in the selection of a curriculum.
  - ❑ Twelve curricula were reviewed for relevance and quality of materials.
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# Financial Literacy

Information

Inquiry

Intervention

Impact



- What worked? What didn't?
- What's the payoff for the student?
- What's the payoff for the institution?

# UHM: **Impact**

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## **Workshop Participation**

- 20 sessions for 500 students offered
  - new-student orientation workshops,
  - dormitory programs
  - freshman seminars
  - ad hoc requests

## **Workshop Evaluations**

- 471 students gained new knowledge and understanding of basic personal financial management.
  - When compared with non-participants, workshop attendees had increased their awareness of money management practices.
    - Workshop participants demonstrated greater awareness on 13 of 20 indicators, with significant differences on five of those indicators.
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# UHM: Impact (continued)

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## Program Growth:

- Shilder College of Business faculty now incorporate the materials in training peer educators and other students pursuing financial planning as a career.
    - Students can get class project credit for developing, offering and assessing financial education units for their peers
  
  - Offering program online
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# Where is your focus?

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