

Financial Education & Debt Management:

The need for a continuum of services to help students and alumni manage their education debt, and how you can help.

Caroline Menendez – American Student Assistance,
Northeast District Manager

Gina Lucente Cole – American Student Assistance,
Financial Education Consultant



Agenda

- Exploring the data
 - Understanding the condition of borrowers in the real world
 - Understanding the implications for the college and university
- Sharing the opportunity
 - Financial Education and Debt Management: “It takes a campus”
- Discussion

Student Loan Debt is a national issue

CBS money watch .COM

Log In | Follow via [Twitter] [Facebook]

Long View | Your Career | Saving | **Spending** | Investing | Retirement | More

Find a Quote **Get**

DOW: 12811.00 (+48.59) S&P 500: 1361.77 (+1.29) NASDAQ: 2870.50 (-2.03) EAFE: 2870.50 (-0.07%)

2 out of 3 Student Loan Borrowers Are Struggling

By Lynn O'Shaughnessy | Mar 24, 2011 | 3 Comments

Here is the ugly side of runaway college costs: A frightening number of student loan borrowers can't repay their federal college debt on time.

According to a new report by the Institute for Higher Education Policy, nearly two out of five student loan borrowers were delinquent on their payments at some time during their first five years of college.

Los Angeles Times | BUSINESS

LOCAL U.S. WORLD BUSINESS SPORTS ENTERTAINMENT HEALTH LIVING TRAVEL

MONEY & CO. TECHNOLOGY PERSONAL FINANCE SMALL BUSINESS COMPANY TOWN

IN THE NEWS: LAKERS-HORNETS | NFL DRAFT | DAVID PETRAEUS | SOUTHERN STORMS | MICHAEL

Hollywood's new diet secret... How to convince the brain to stop over-eating

Who gets to use unsold cruise cabins at huge discounts

More college graduates are delinquent on repaying student loans

Statistics typically show how many students simply fail to make payments. But a recent study has found that for every person who defaults on student loans, at least two more are late short on payments.

Tweet Share (209)

UCLA students move their tassels from right to left during commencement ceremonies last year. The number of college graduates with debt increased from less than half in 1993 to two-thirds in 2008. (Luis Sinco, Los Angeles Times / June 11, 2010)

THE CHRONICLE of Higher Education

Friday, April 29, 2011

HOME NEWS OPINION & IDEAS FACTS & FIGURES TOPICS JOBS ADVICE FORUMS EVENTS

Faculty | Administration | Technology | Community Colleges | Global | Special Reports | People | The Ticker | Current Issue | Archives

HP Compaq 8200 Elite Ultra-slim Desktop PC with the 2nd generation Intel Core i5 vPro Processor

Government

Home > News > Administration > Government

March 15, 2011

Study of Delinquent Borrowers Finds Many Student-Loan Recipients 'in the Middle'

By Kelly Field

For every borrower who defaults on a student loan, there are at least two who become delinquent without defaulting, according to a report released on Tuesday by the Institute for Higher Education Policy.

HUFFPOST COLLEGE

Like 279K

FRONT PAGE POLITICS BUSINESS ENTERTAINMENT MEDIA TECH COMEDY SPORTS COLLEGE EDUCATION THE MIDWEST THE NORTHEAST THE SOUTH THE WEST

Student Charged In Tyler Clementi Suicide Wants Record Expunged

Top 10 Post-Grad Regrets

Amanda M. Fairbanks

GET UPDATES FROM AMANDA

RSS EMAIL Like 54

amanda.m.fairbanks@huffingtonpost.com

Become a fan of this reporter

Newly Graduated And Drowning In Six Figures Of Student Loan Debt

HOME PAGE TODAY'S PAPER VIDEO MOST POPULAR TIMES TOPICS

The New York Times | Education

WORLD U.S. N.Y. / REGION BUSINESS TECHNOLOGY SCIENCE HEALTH SPORTS OPINION

POLITICS EDUCATION BAY AREA CHICAGO TEXAS

Spring Celebrations

ROASTED VEGETABLE MATZO LASAGNA

Loan Study on Students Goes Beyond Default Rates

By TAMAR LEVIN

Published: March 15, 2011

For each student who defaults on a loan, at least two more fall behind in payments on their student debt, a new study has found.

The Institute for Higher Education Policy, a nonprofit organization, said in a report that two out of five student loan borrowers were delinquent at some point in the first five years after they started repaying their loans.

Almost a quarter of the borrowers used an option to postpone payments to avoid delinquency.

The institute said the goal of its study was to develop a fuller picture of the debt burden that students face by compiling data on students who have trouble repaying their loans, but do not default.

TWITTER SIGN IN TO E-MAIL PRINT REPRINTS SHARE

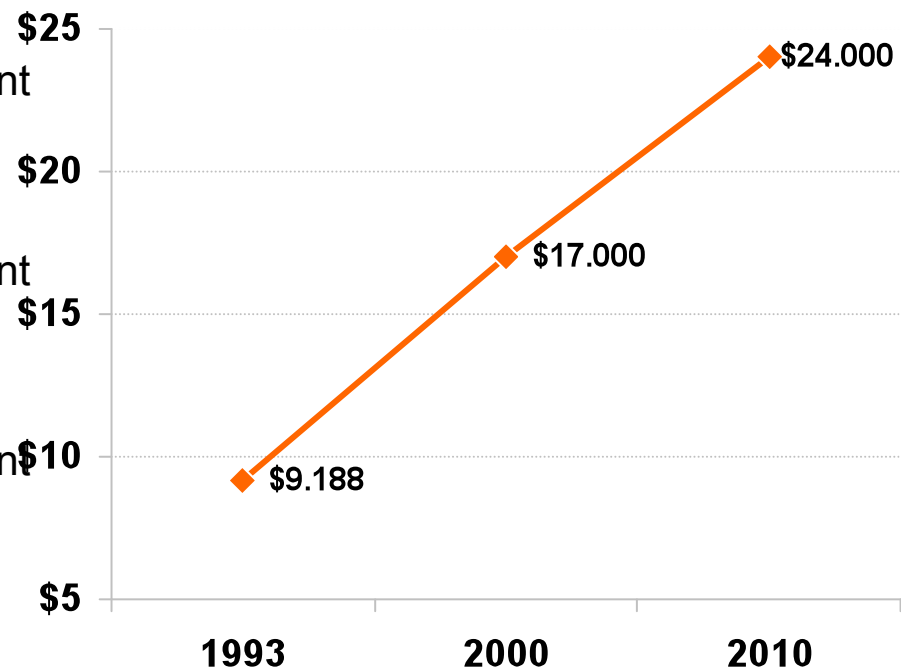
From the director of 'The Visitor' and 'The Station Agent'

Recent College Graduate Budgets

- Recent graduates face an uncertain job market
- Salaries remain stagnant
- Loan payments comprise a greater portion of their net income

Average Debt – 1993 to 2010

- 1993 – **Average Debt = \$9,188**
 - \$105 per month standard repayment
- 2000 – **Average Debt = \$17,000**
 - \$195 per month standard repayment
- 2010 – **Average Debt = \$24,000**
 - \$275 per month standard repayment



*Data excludes private loan debt, institutional loans debt and credit card debt

Starting Salaries for Recent Graduates

- 2011 Employment Data according to the National Association of Colleges and Employers (NACE)
 - Business Majors Average - \$48,089 (Avg loan pymnt = 9% net monthly salary)
 - Accounting Majors - \$49,022
 - Finance Majors - \$50,535
 - Business Administration - \$44,171
 - Marketing Majors - \$41,948
 - Technical Disciplines Average \$61,783 (7% net monthly salary)
 - Computer Science - \$61,783
 - Engineering - \$59,435
 - Civil Engineering - \$48,885
 - Liberal Art Majors Average \$35,633 (12% net monthly salary)

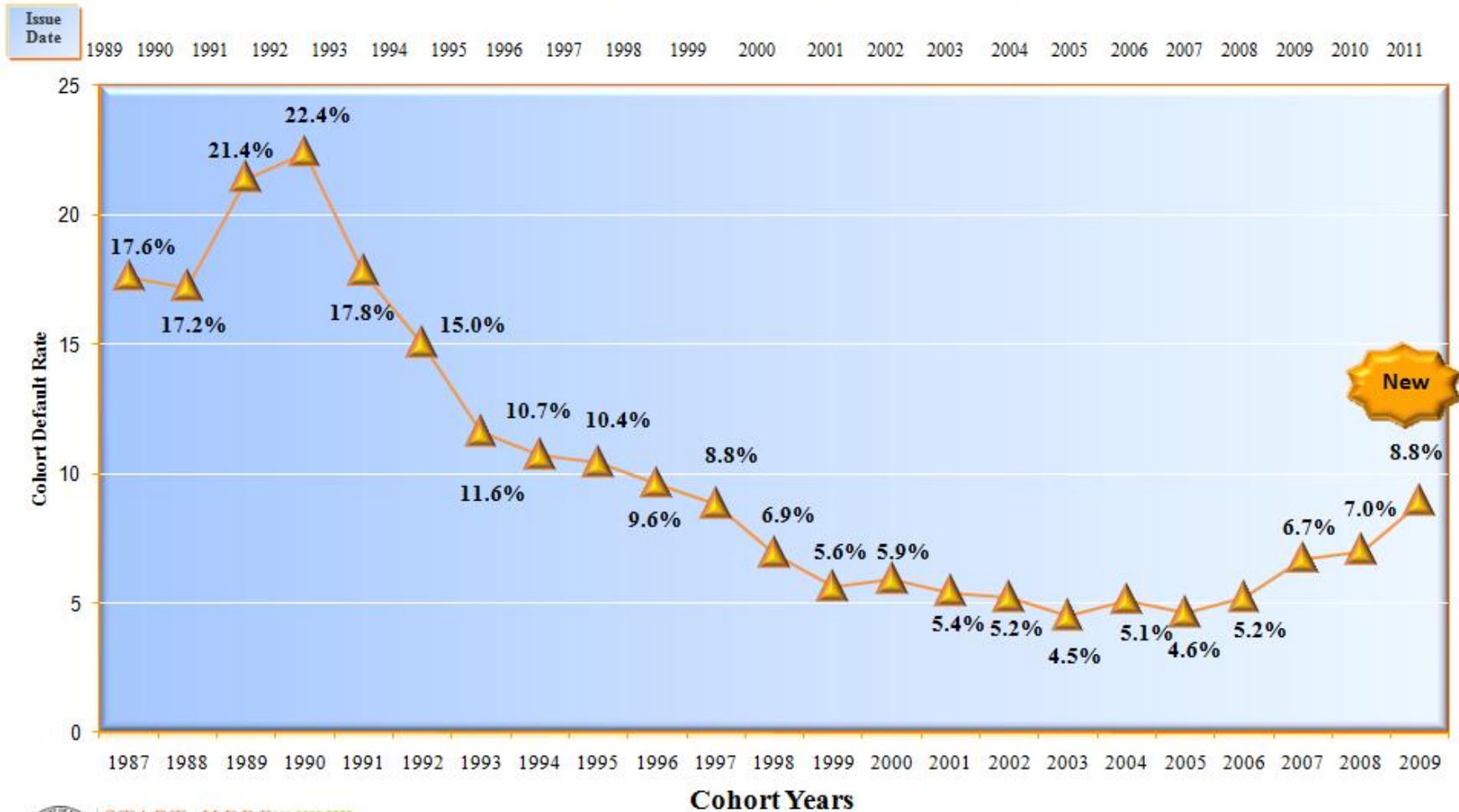
[*Source Data – NACE Winter 2011 Salary Survey](#)

Default Rates on the Rise

- Default rates have increased steadily since 2005
 - 4.6% to 8.8%
- Three year default rates assumed to double
 - 7.0% - 12% - 14%
- What does this mean for schools?
 - Increased Federal Scrutiny regarding cost and value
 - Net Price Calculator
 - <http://collegecost.ed.gov/> (College affordability and transparency)
 - Gainful Employment – Ensure schools are providing access to the job market
 - Consumer Fraud Protection Bureau is looking at the disclosure practices of schools to students

Default Rates are on the Rise

National Student Loan Default Rates



Department of Education 3 Year CDR Projections by School Type

School Type	Fiscal Year 2009 2-Year	Fiscal Year 2008 3-Year
Public	7.2%	10.8%
Private	4.6%	7.6%
For - Profit	15%	25.0%

IHEP Delinquency Study

- Study details that two out of five student loan borrowers are delinquent at some point in the first five years after entering repayment. Of those borrowers studied,
 - only 37% of borrowers are repaying their loans on time.
 - 15% had already defaulted, and
 - 26% had become delinquent on their loans without defaulting yet, but still face the consequences of damaged credit reports, restricted ability to purchase cars and homes, higher interest charged on other consumer borrowing .

*IHEP Data based on FFELP Borrowers entering repayment in 2005

Alumni Giving

- Donations to higher education rose .5% in 2010
- American Colleges and Universities raised \$28 Billion in 2010 – the same level as 2006
- The percentage of “giving alumni” dropped to a record low 9.8%
- Colleges and Universities will need to increase the giving rate and the dollars raised to offset declines in Federal and State higher education spending
- A key factor for increasing giving may be assisting students and alumni with managing their education debt and helping them become more financial savvy.

Alumni Debt Studies

- 2006 Alumni Debt Study
 - Alumni giving study showed that the amount an alum was willing to give to their alma mater has a direct correlation to how they felt about paying back their student loan debt
 - Students that experience repayment challenges fault the school and their propensity to give is dramatically reduced
- 2011 Alumni Debt Study
 - Only 31% fully understood their student loan obligations after graduation
 - 49% of alumni surveyed didn't think about the affordability of their education loan obligations until they started repayment
 - 26% of alumni believe that education debt has negatively shaped their perceptions of their college
 - 74% of student loan borrowers believe that the school has an obligation to provide basic financial literacy

It Takes a Campus

- Institutions need to think about a student's post graduation financial realities
 - Do they understand basic financial terms
 - Can they manage their education debt incurred
 - Can you convert loan payers to alumni givers
- Multiple campus offices can play a significant role and can help you achieve your goals

Admissions – Partner # 1

- Conversations with parents and prospective students should:
 - Discuss average loan debt
 - Discuss graduation rates and placement rates
 - Promote acceptance rates for graduate or other programs
 - Position financial literacy and debt management programs as a differentiator for the school

Residence Life – Partner # 2

- Hall programming should include topics related to personal finance, such as:
 - Credit cards and building a credit history
 - Basic budgeting and financial literacy
 - Identity theft

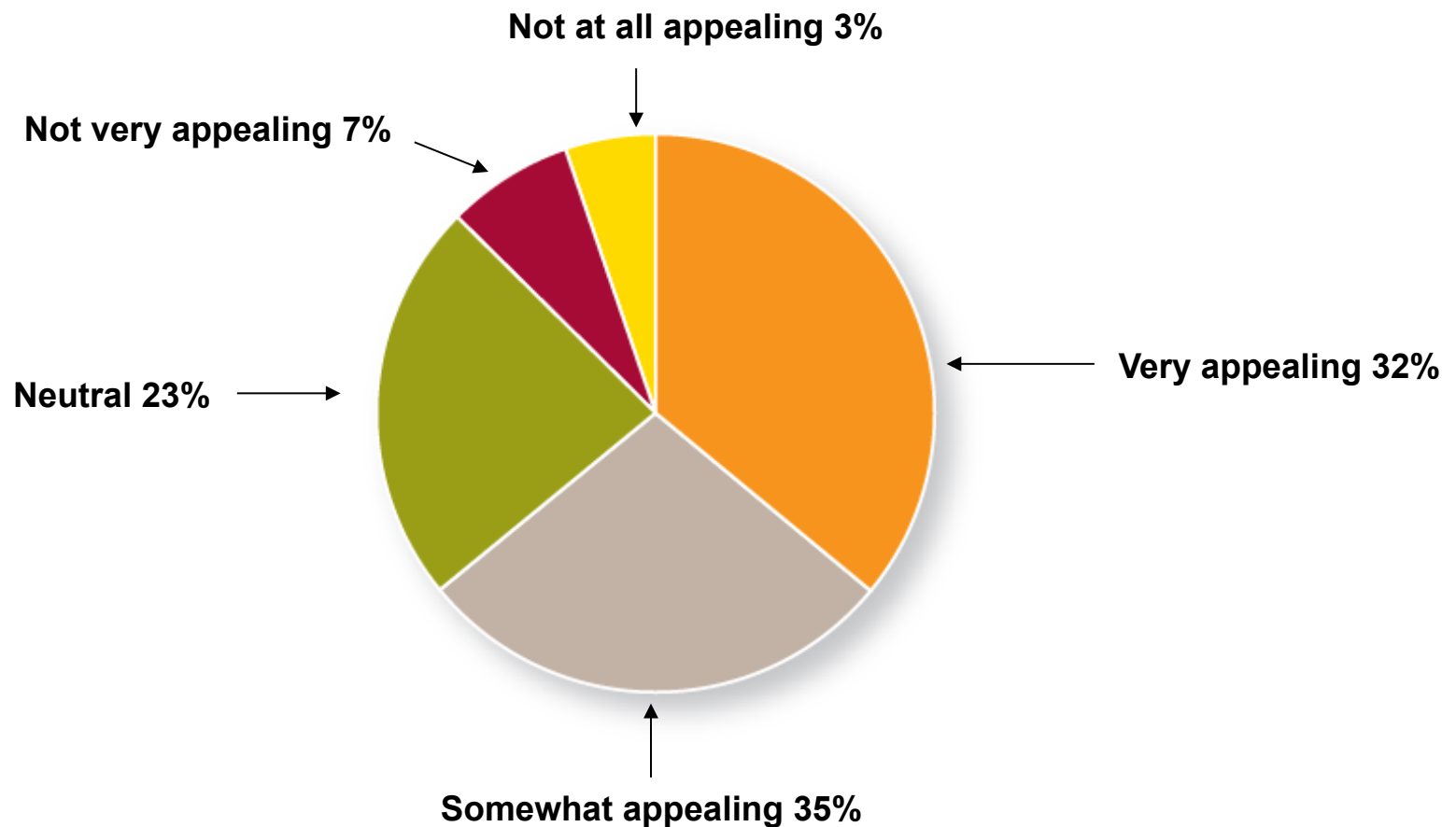
Business Office – Partner # 3

- Determine what role they currently have with students, parents, and alumni. What are the opportunities to improve service and communication?
- Leverage this financial hub, look at each function
 - Student Billing
 - Accounts Receivable
 - Perkins and Institutional Loan repayment

Alumni and Development – Partner # 4

- Benefits to outreach
 - Alumni satisfaction
 - Facilitated giving process
 - Opportunity to advocate for the school and school brand
 - Students who experience good repayment are more likely to give back

Appeal of Having College/University Offer Programs or Courses on Financial Literacy or Wellness to Graduates



Career Services – Partner # 5

- Messages about placement rates and starting salaries should be augmented with additional information
 - Average and actual student indebtedness
 - Loan repayment begins with a good job
 - Services and information available post-graduation

Alumni and Development – Partner # 4

- Alumni satisfaction
- Facilitate the giving process
- Advocate for the school and school brand
- Students who experience good repayment are more likely to give back

Senior Administration – Partner # 6

- Navigating through high-level issues
 - Changes in regulation affecting the institution
 - Student loan default rates
 - Increases in loan volume and indebtedness
 - School brand



Other Offices

- Registrar
- Faculty
- Student advisors

Discussion

- NASFAA 2010 Administrative Burden Survey
 - 2 out of 3 respondents indicated a moderate to severe resource shortage
 - 90 percent indicated the shortage directly affects:
 - Face to face counseling
 - Outreach efforts
 - Focus on target populations
 - Loan counseling

Sources

- 7 - (Source: The National Association of Colleges and Employers (NACE), *The Winter 2011 Salary Survey*)
- 9 – (Source: www.bundle.com, 2011)
- 12 – (Source: Department of Education, year??)
- 13 – (Source: Institute for Higher Education Policy (IHEP), *Delinquency: The Untold Story of Student Loan Borrowing*, 2011)
- 15 – (Sources: ASA, *Report on Student Debt and Giving*, 2005 and The Melior Group, *The Role of Student Loans Post Graduation: A National Study of Undergraduate Alumni from Four-Year Colleges and Universities*, 2011)
- 24 – (Source: National Association of Student Financial Aid (NASFAA), *2010 NASFAA Administrative Burden Survey*)

American Student Assistance®

American Student Assistance
100 Cambridge Street, Suite 1600
Boston, MA 02114

800.999.9080
617.728.4265 F A X
800.999.0923 T D D

www.asa.org