




Changing Landscape of Financial Literacy

December 11, 2009

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Changing Landscape of Financial Literacy

A Quiz

-  Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?
- More than \$102
 - Exactly \$102
 - Less than \$102

Changing Landscape of Financial Literacy

A Quiz

- **True or False.** Buying a single company stock usually provides a safer return than a stock mutual fund.

- Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, would you be able to:
 - a. Buy more than today?
 - b. Exactly the same as today?
 - c. Less than today?

Changing Landscape of Financial Literacy

Let's Get Practical

- How do I file the FAFSA?
- What grants/scholarships am I eligible for?
- What are the job prospects and the average wage that I can expect to earn from my degree in ...?
 - Based on this, how much debt can I reasonably take on
- How can I manage my time best in order to balance work, family and school?
- Build a monthly budget
- How can I compare credit card offers?
- Develop a financing plan that includes a transition to a four year institution.

Changing Landscape of Financial Literacy Agenda

- **What is financial literacy?**
- Why we need financial literacy
- What are current federal and state efforts to improve it?
- What are various models for delivering financial literacy?
- What is the state of financial literacy today based on the findings from the SLA Flash survey?

Changing Landscape of Financial Literacy Definitions

“The process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed **choices**, **avoid pitfalls**, know where to **go for help** and take other actions to improve their present and long-term financial well-being.”

OECD, “Improving Financial Literacy: Analysis of Issues and Policies”

Changing Landscape of Financial Literacy Who Says We Need It?

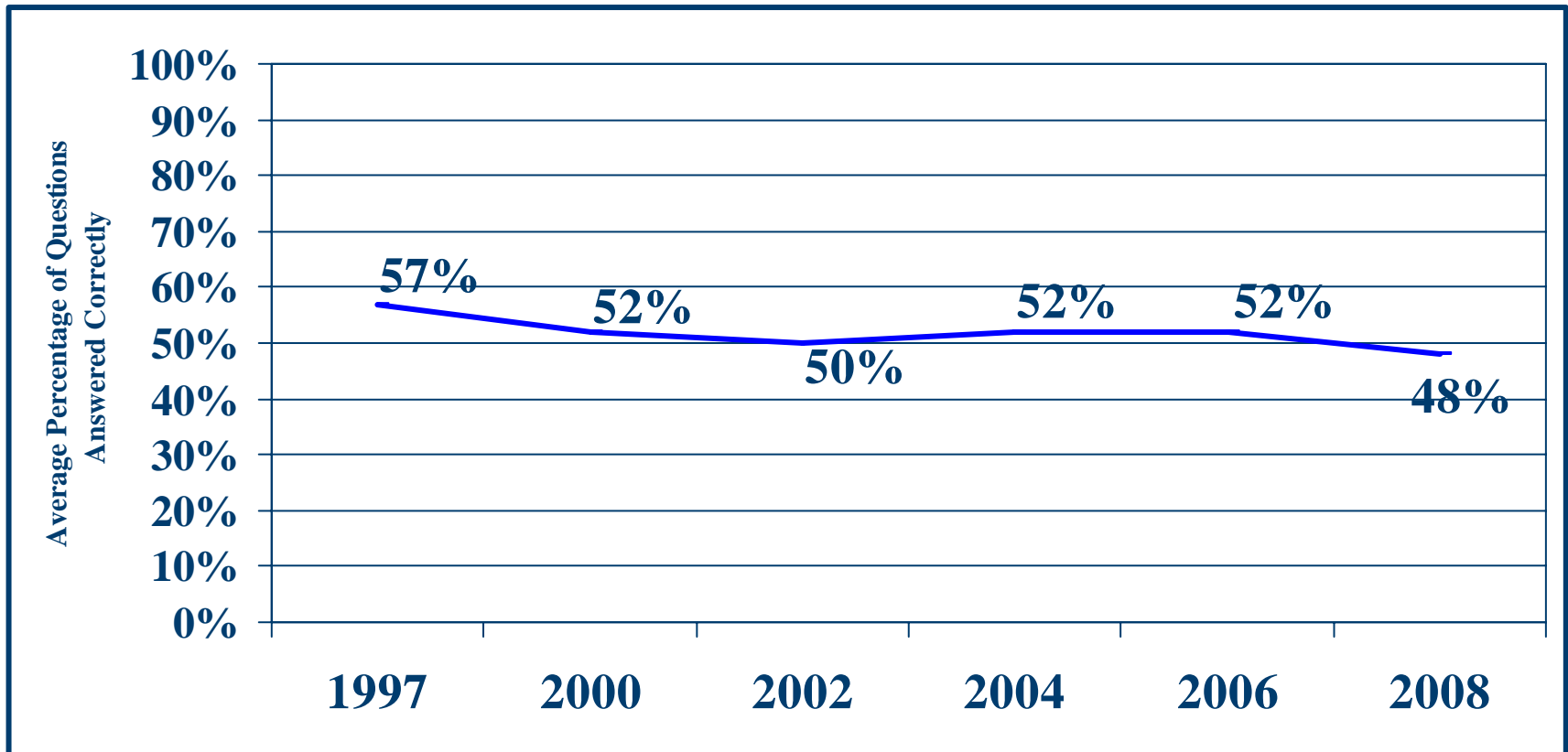
- ④ “The number one problem in today's generation and economy is the lack of financial literacy.”
 - **Alan Greenspan, former Federal Reserve Chairman**

- ④ “In light of the problems that have arisen in the subprime mortgage market, we are reminded of how critically important it is for individuals to become financially literate at an early age so that they are better prepared to make decisions and navigate an increasingly complex financial marketplace.”
 - **Ben Bernanke, Current Federal Reserve Chairman**

- ④ **From Sallie Mae study:**
 - 84% of college students said they need more financial education
 - 64% wish they had received more financial information in high school
 - 40% wished they had such information as college freshmen

Changing Landscape of Financial Literacy

Financial Literacy Scores Have Fallen Over 10 Year Period

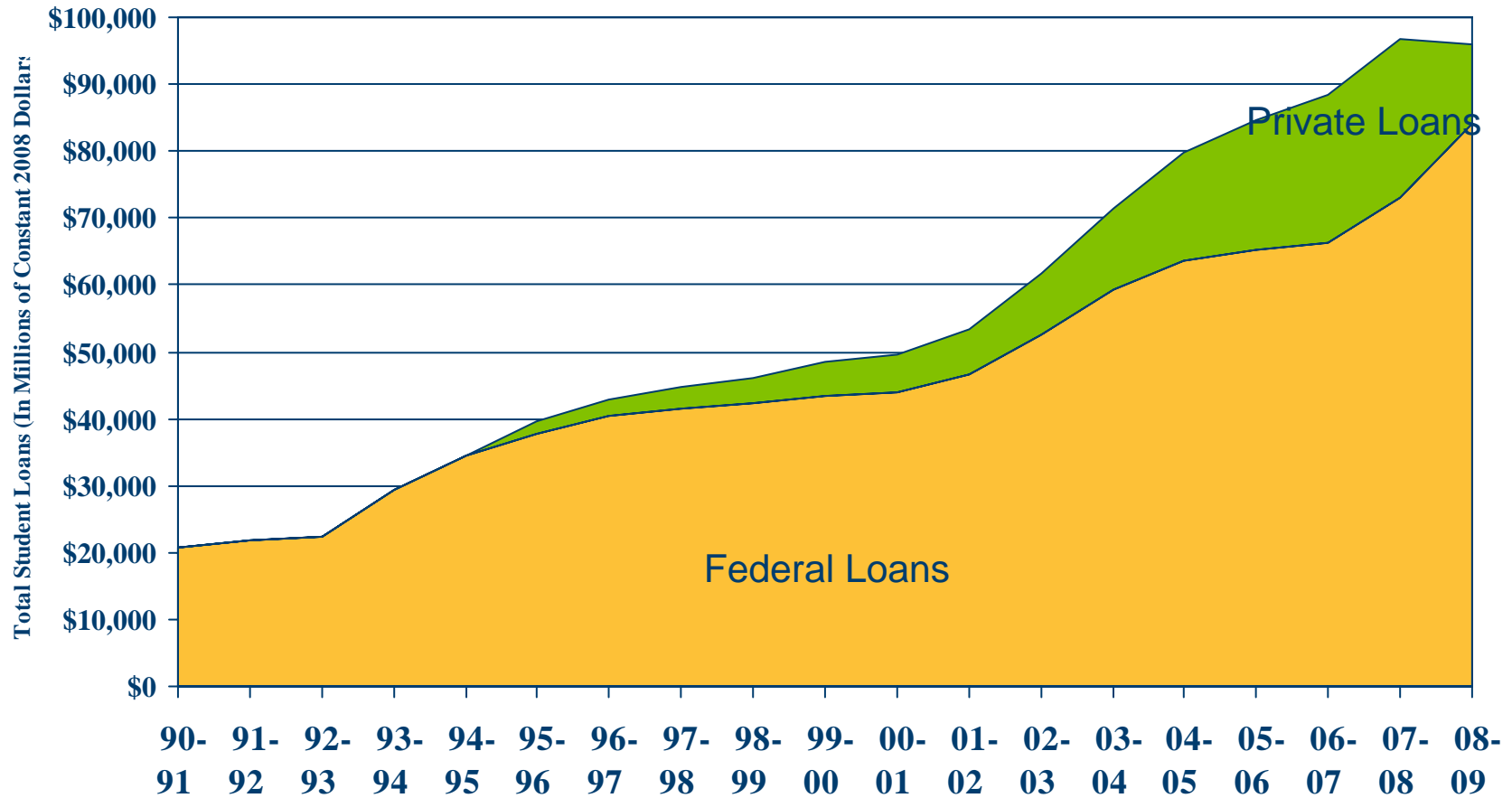


Source: JumpStart Coalition Biennial Test of Personal Financial Literacy given to high-school seniors.

Notes: From 1997 Press Release: "The 1997 survey results provide a baseline measurement by which to gauge progress toward the coalition's goal of financial competency among all 12th graders by the year 2007."

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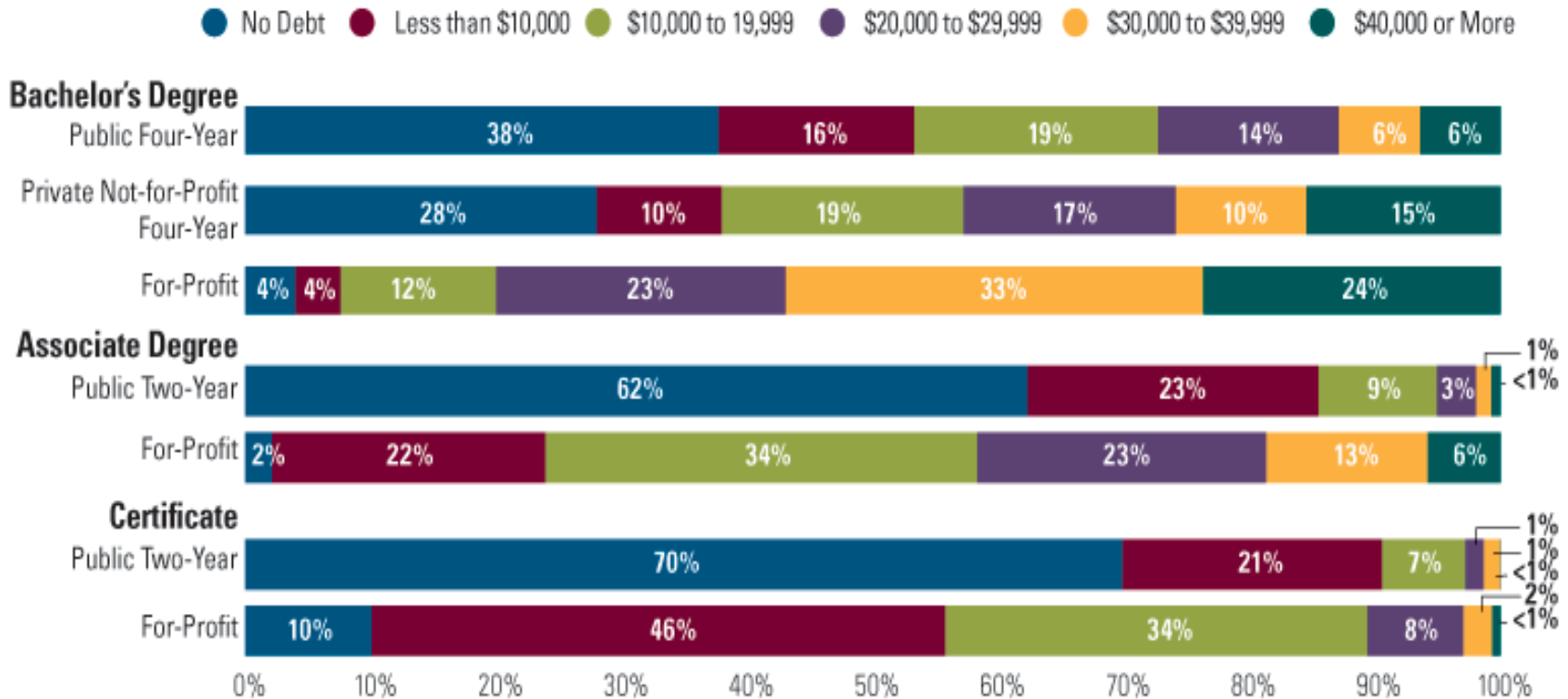
Student Debt Growing By 8.4% Annually



Source: College Board: Trends in Student Aid

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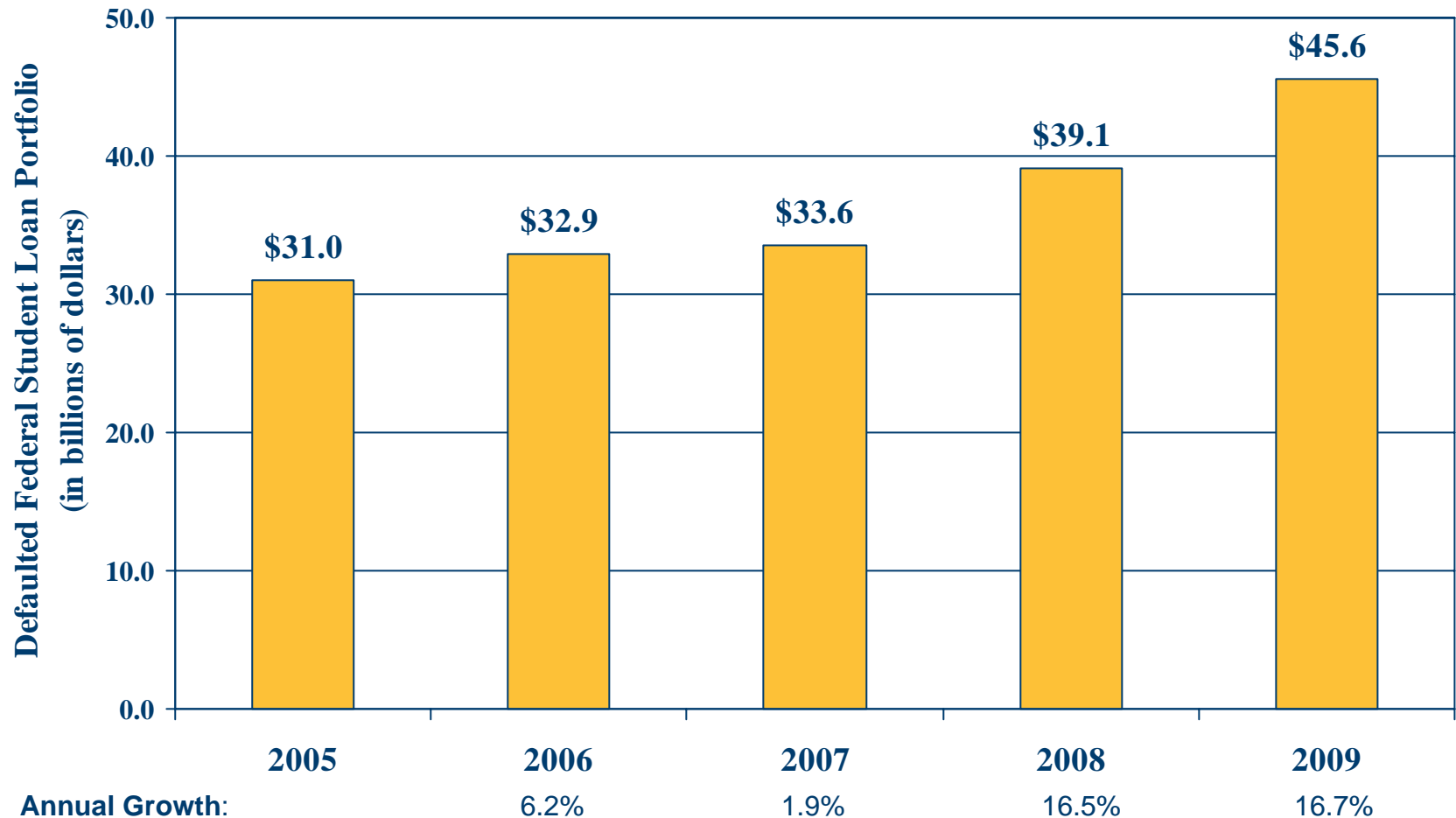
Troublesome Debt Levels Exist In Certain Segments



Source: Reproduced from College Board Trends on Student Aid, 2009

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Defaulted Student Loan Portfolio Balance



Source: SLA Analysis of FSA Collections Report, August 2009

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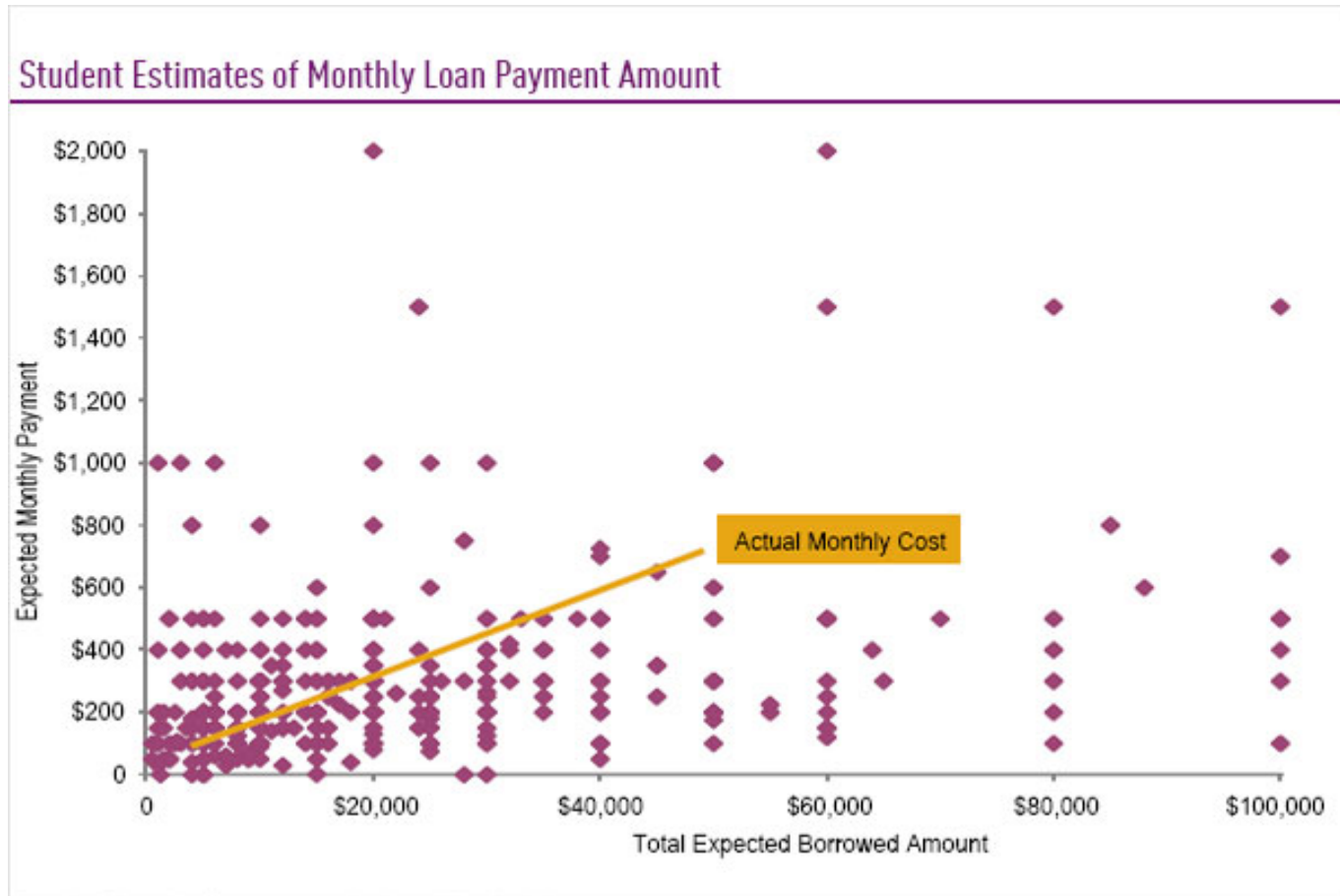
Credit Card Debt

	1998	2000	2002	2004	2008
Percentage with credit cards	67%	78%	83%	76%	84%
Avg. number of credit cards	3.50	3.00	4.25	4.09	4.60
Percentage with 4 or more cards	27%	32%	47%	43%	50%
Average credit card debt	\$1,879	\$2,748	\$2,327	\$2,169	\$3,173
Median credit card debt	\$1,222	\$1,236	\$1,770	\$946	\$1,645
Balances between \$3K-\$7K	14%	13%	21%	16%	21%

Source: Sallie Mae report “How Undergraduate Students Use Credit Cards”

Changing Landscape of Financial Literacy

Exhibit A: Need For Financial Literacy Programs

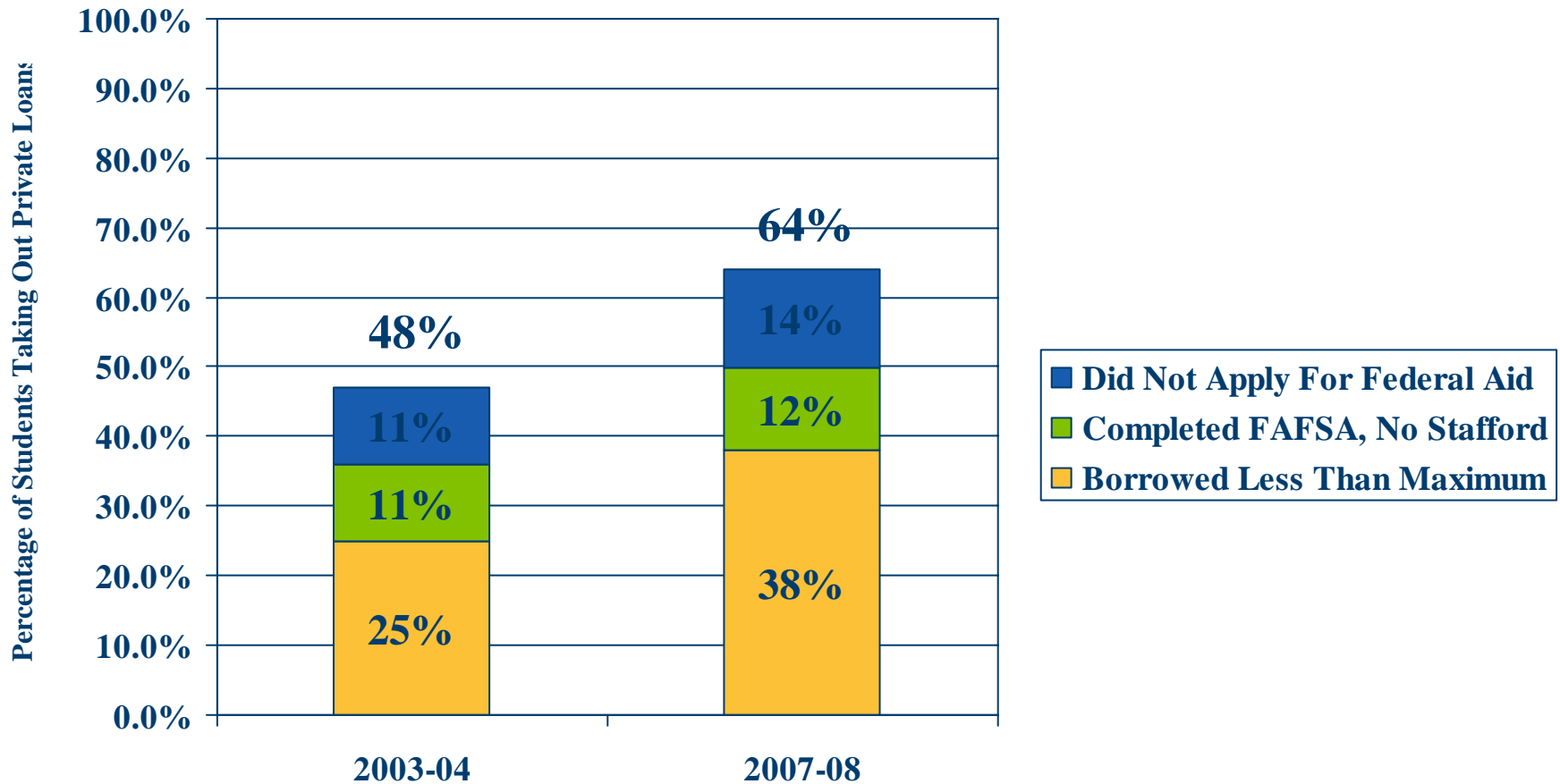


Source: Sallie Mae/Gallup survey on How America Pays For College, 2009.

Note: 27% of survey respondents could not answer the question.

Changing Landscape of Financial Literacy

Exhibit B: PEL Borrowers Not Maximizing Federal Aid



Source: Project on Student Debt analysis of NPSAS data, August 2009

Changing Landscape of Financial Literacy Agenda

- What is financial literacy?
- Why we need financial literacy
- **What are current federal and state efforts to improve it?**
- What are various models for delivering financial literacy?
- What is the state of financial literacy today based on the findings from the SLA Flash survey?

Changing Landscape of Financial Literacy Current Proposals in the Congress

	State Innovation Completion	College Access and Completion	Senate Bill
Decider	State Higher Ed. OR Governor	Secretary of Ed.	Secretary of Ed.
Annual Appropriation	\$300 million + \$150 million match	\$138 million	\$250 million
Term	5 years	5 years	5 years
Eligibility	Non-profits	Institutions States Non-profits	States Non-profits (incl. teacher ed.)
Services	Loan counseling Default aversion Reduce debt Financial literacy	Financial literacy for groups historically under-represent.	Financial literacy Evaluation Clearinghouse

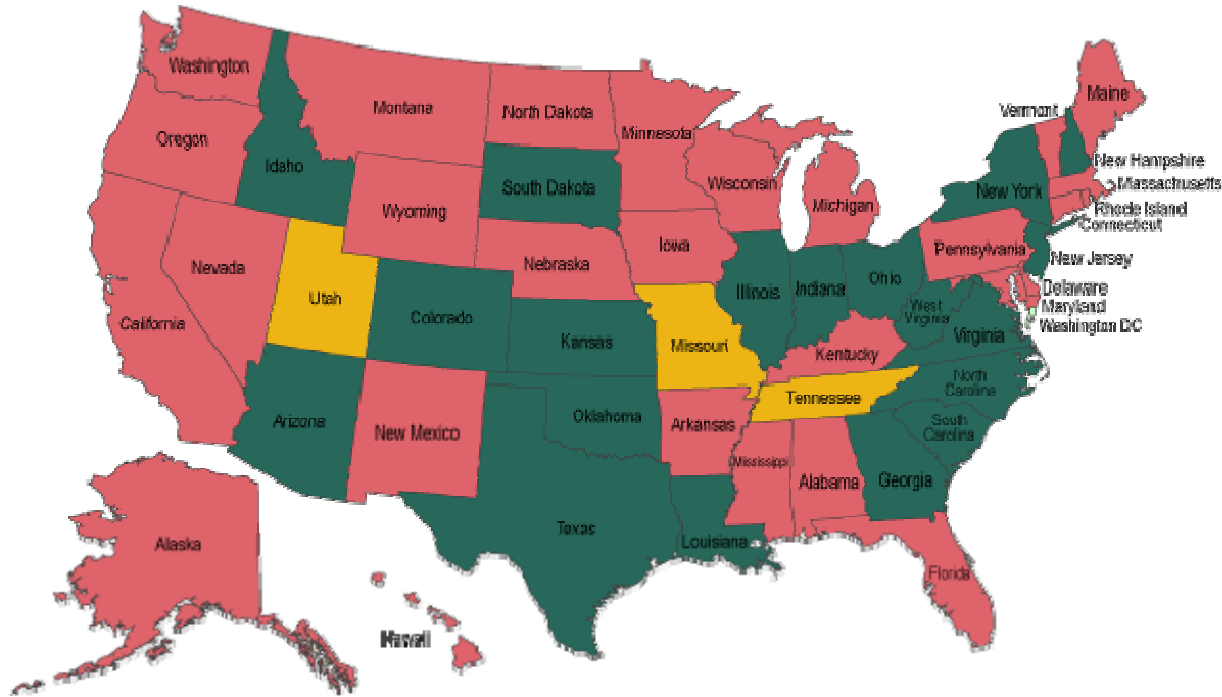
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Credit Card Bill Asks For Report on Financial Literacy

- Due nine months after enactment of bill
- Report on current state of federal efforts in financial literacy
 - K-12
 - Postsecondary
 - Adults, particularly low and moderate income
- Plans to disseminate best practices and high quality curricula
- Recommend source of revenue, including credit card transaction fees to fund literacy efforts on ongoing basis
- Six months after report is delivered, strategic plan to be developed by:
 - Secretary of Education
 - Director of the Office of Financial Education of the Department of the Treasury
 - President's Advisory Council on Financial Literacy

Changing Landscape of Financial Literacy

State of Financial Literacy Programs



Color code:

Yellow = Requires at least one semester course

Green = Requires personal finance incorporated into other subject matter

Red = No requirement

Source: JumpStart Coalition

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Changing Landscape of Financial Literacy

Financial Literacy Delivery Options

Delivery Method	One on One	Group	Online
Brochures/Handouts			
Videos			
Lectures			
Dialogue			
Exercises			
Experiments			
Simulations/Games			

Source: Adapted from MoneyU Pedagogy slide

Changing Landscape of Financial Literacy Financial Literacy Curriculum Development

-  Great Lakes Financial IQ
-  EdFund Building Futures
-  USA Funds Life Skills
-  TG Positive Balance

Changing Landscape of Financial Literacy

NEFE's CashCourse

- Developed by National Endowment for Financial Education
- Available at no charge to schools; over 300 schools registered
- Five modules with over thirty sub-modules:
 - Financial Basics
 - Paying for College
 - College Life
 - World of Work
 - Economic Survival Tips
- Tools include interactive budget, financial calculators and worksheets
- Self-paced program delivery with links to series of articles
- Lists most popular topics for given school
- Participating California schools include Los Angeles Harbor College, UC system, Stanford University and Scripps College

Changing Landscape of Financial Literacy Virginia Tech Program

- Introduced to freshman class who are strongly encouraged to complete
- Online class administered through their Blackboard system
- Each module has learning objectives, presentation, activities, resources and a quiz
- Seven modules on following topics (20-30 minutes per topic):
 - Budgets
 - Account management
 - Credit cards
 - Debt management
 - Other benefits available
 - Loan management
 - Consumer rights and responsibilities
- Final exam is 25 true/false questions drawn from pool of 100 questions

Changing Landscape of Financial Literacy Community College Programs

- Terra Community College offers Financial Literacy 101 Course
- South Mountain Community College
 - Collaborated with Joyner Walker Foundation
- Doorways To Dream Fund seeking 5 community colleges to test financial literacy games
- Elgin Community College uses Financial 101 curriculum developed by Decision Partners
- IHEP Symposium on Financial Literacy

Changing Landscape of Financial Literacy

Texas Tech University “Red to Black” Program

- Peer counseling program that offers free financial planning, counseling and workshops
- Focused on topics such as:
 - Creating a budget
 - Establishing credit
 - Saving money
 - Repaying debt
- Peer counselors are juniors, seniors or graduate students in TTU Personal Financial Planning Program
- Walk-in appointments available as well as scheduled appointments
- Collaborates with financial aid, student wellness center, resident life
- Serve both school and surrounding community

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Successful Attributes

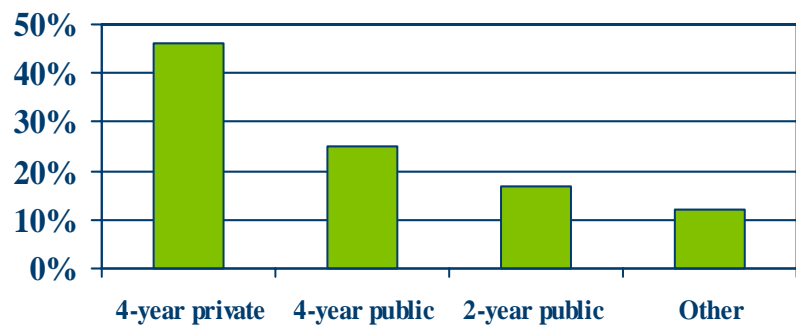
- Relevance with rigor
 - Financial products change
 - Financial products have complexity
- Focus on application and problem solving, not just “book learning”
 - Let students make mistakes when they don’t matter
- Actively engages students through variety of media
- Sustained efforts vs. one-shot deal
- Zeal for evaluation...please, please, please measure results
 - Pre- and post-test results
 - Self-reported progress
 - Most important lessons learned
 - Behavioral: debt levels?

Changing Landscape of Financial Literacy Agenda

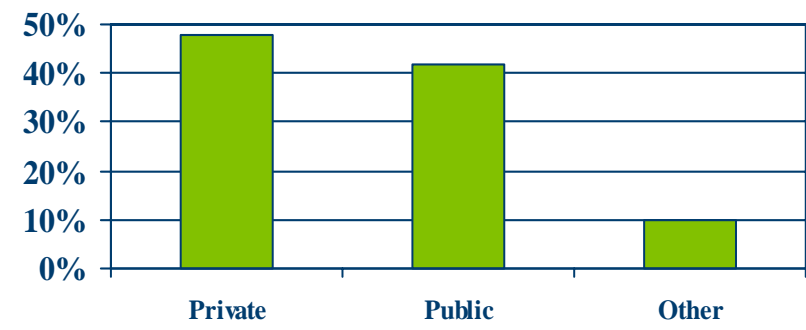
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Changing Landscape of Financial Literacy Profile of Survey Participants

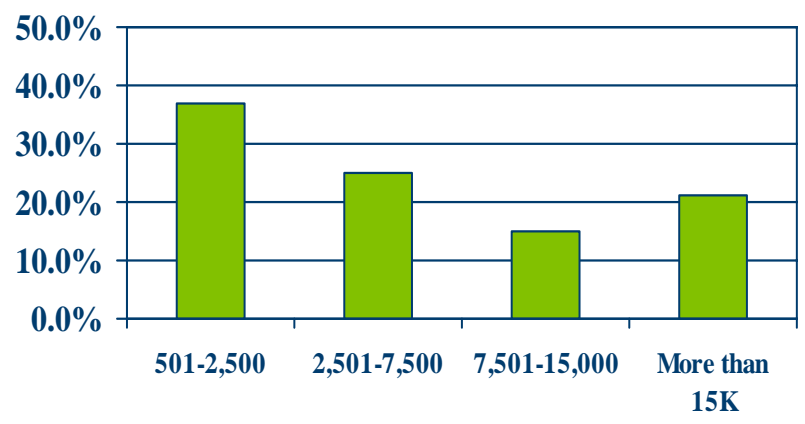
School Type



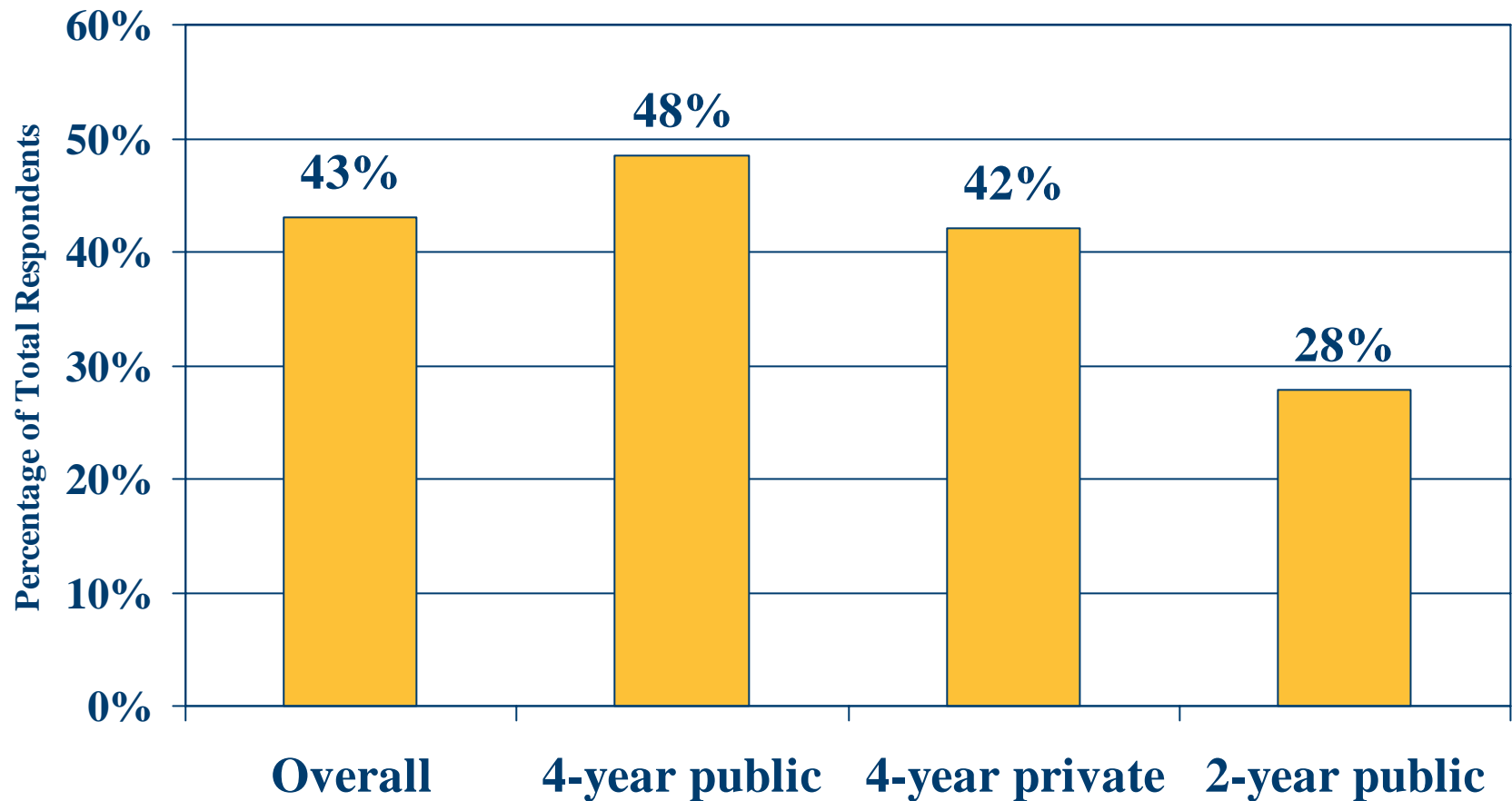
School Ownership



School Size



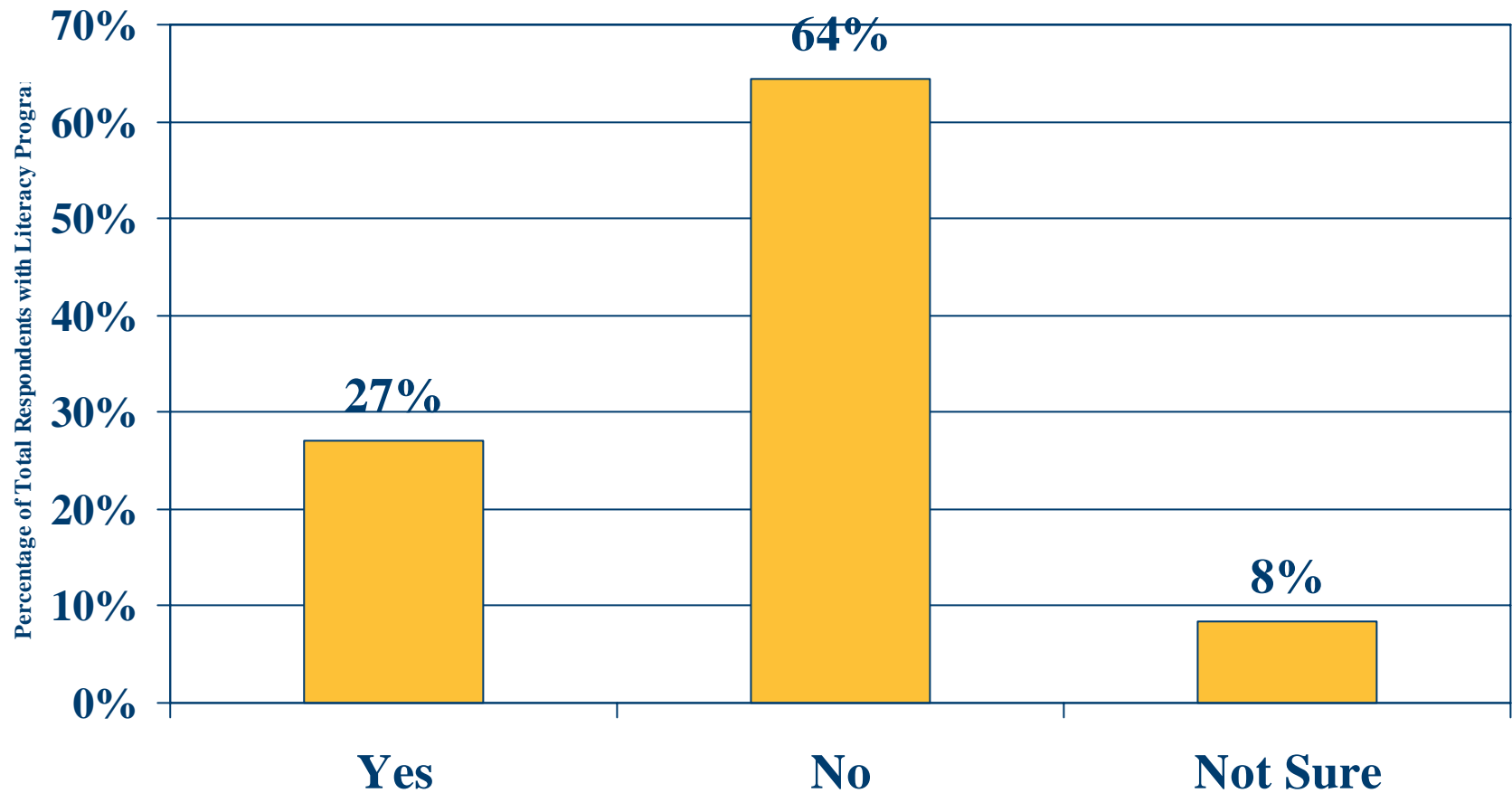
Changing Landscape of Financial Literacy Prevalence of Programs



Survey question #1: Does your institution currently offer a financial literacy program beyond standard entrance and exit loan counseling to your students?

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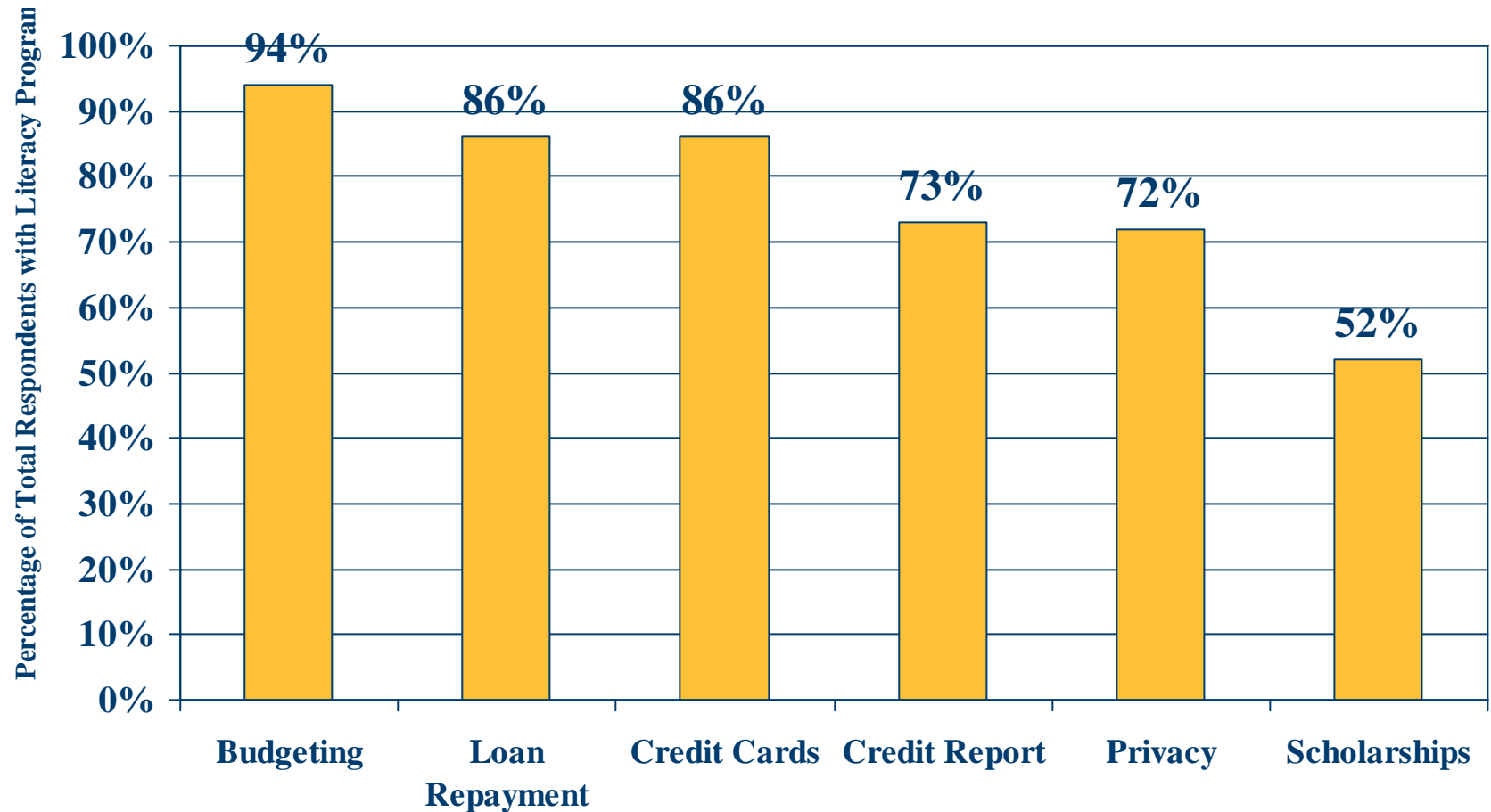
Budget For Financial Literacy?



Survey question #4: Does the financial aid office currently have any budget for financial literacy activities?

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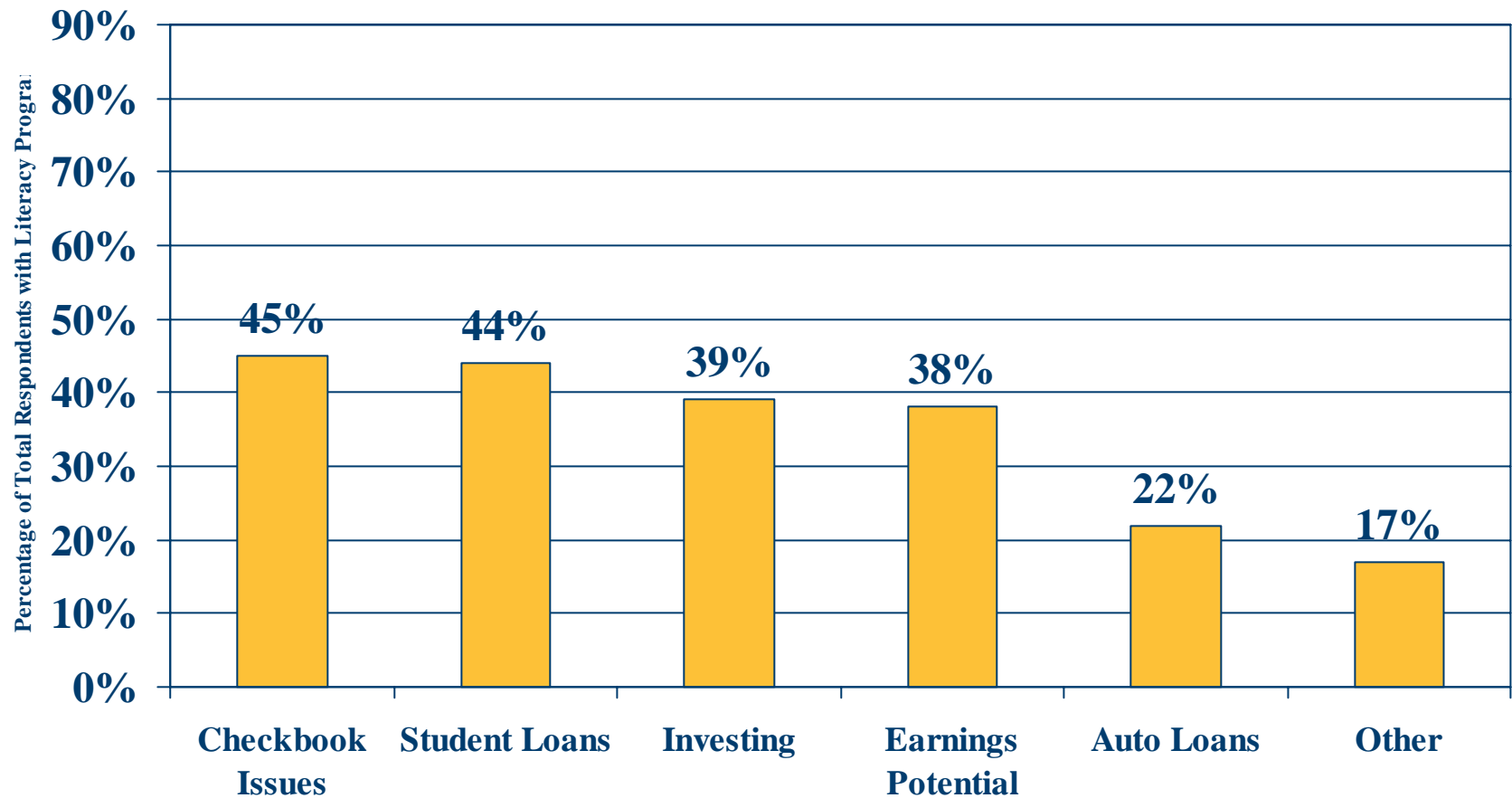
Financial Literacy Topics



Survey question #9: What are the topic(s) covered by your financial literacy training? Please select ALL that apply.

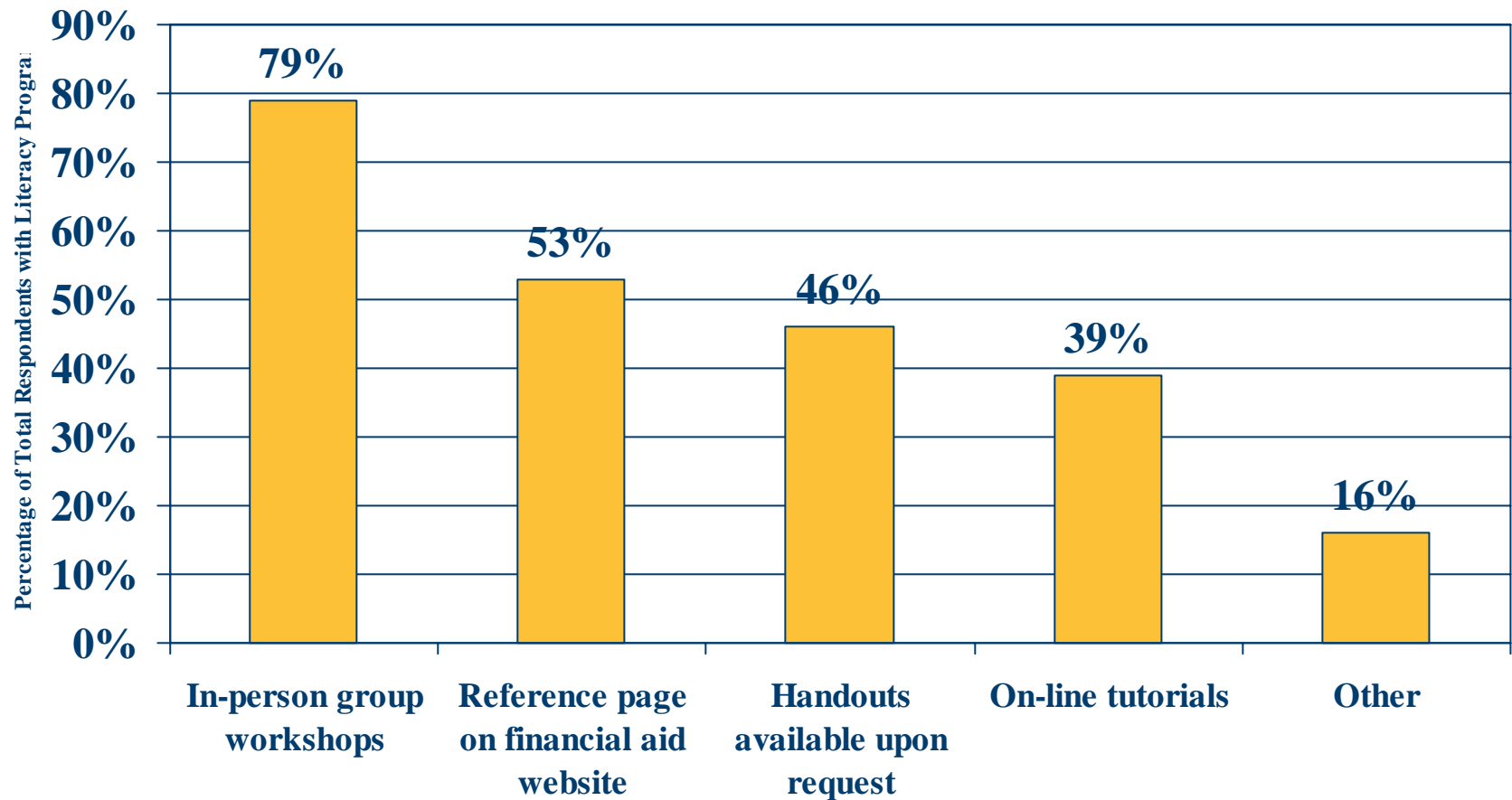
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Financial Literacy Topics (Continued)



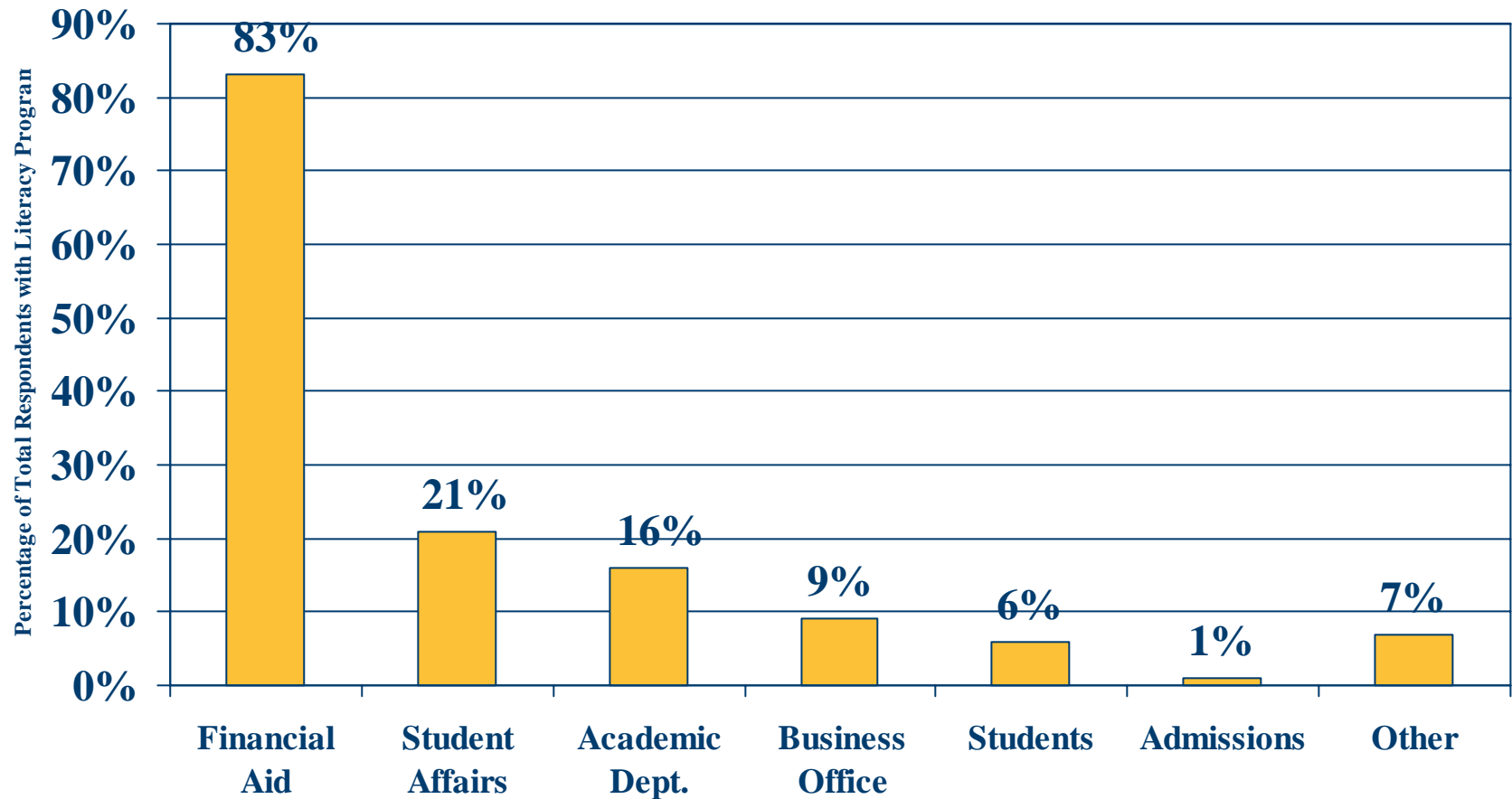
Survey question #9: What are the topic(s) covered by your financial literacy training? Please select ALL that apply.

Changing Landscape of Financial Literacy Program Delivery



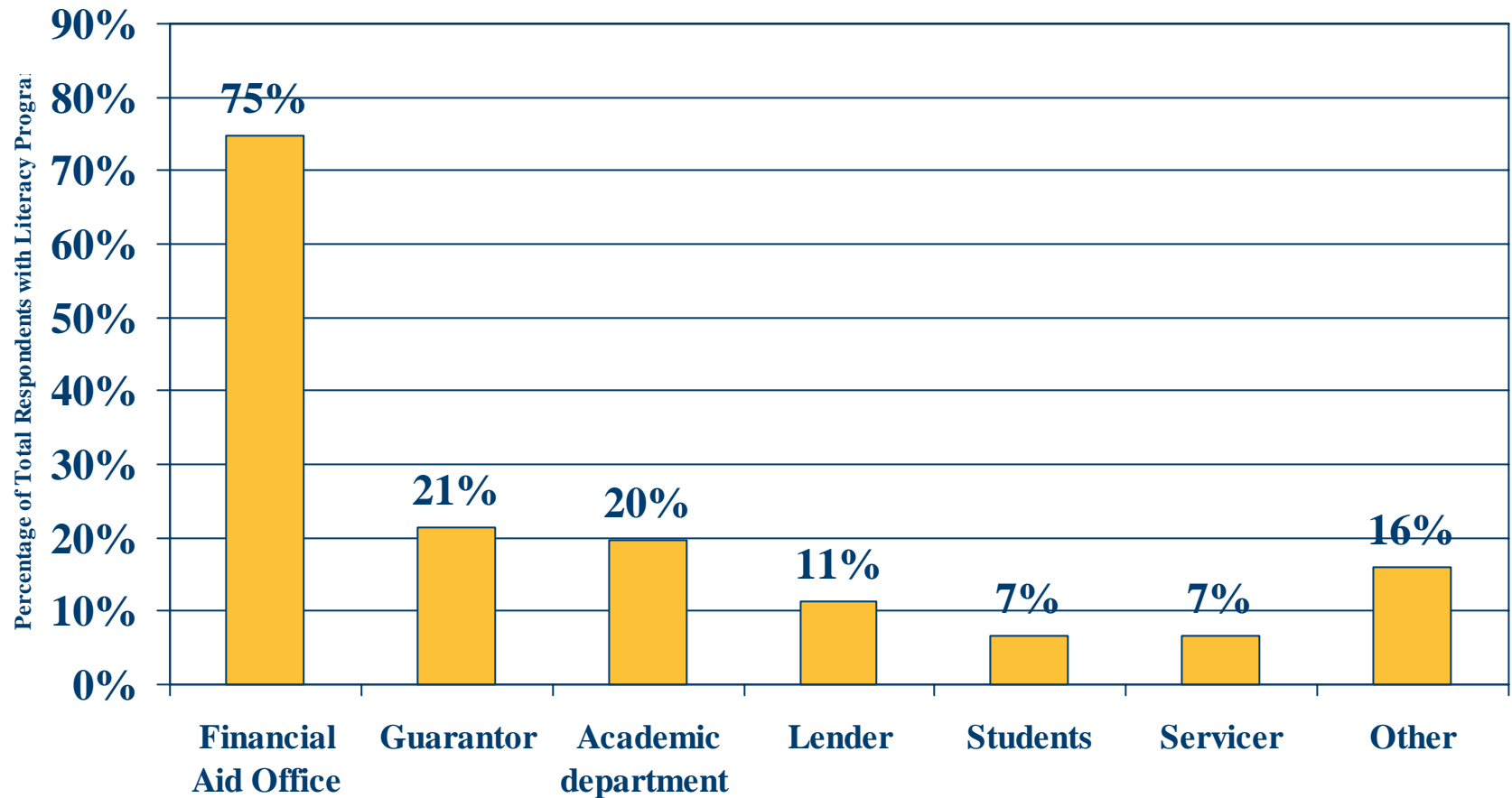
Survey question #6: How does your institution administer the financial literacy program?

Changing Landscape of Financial Literacy Responsibility for Program



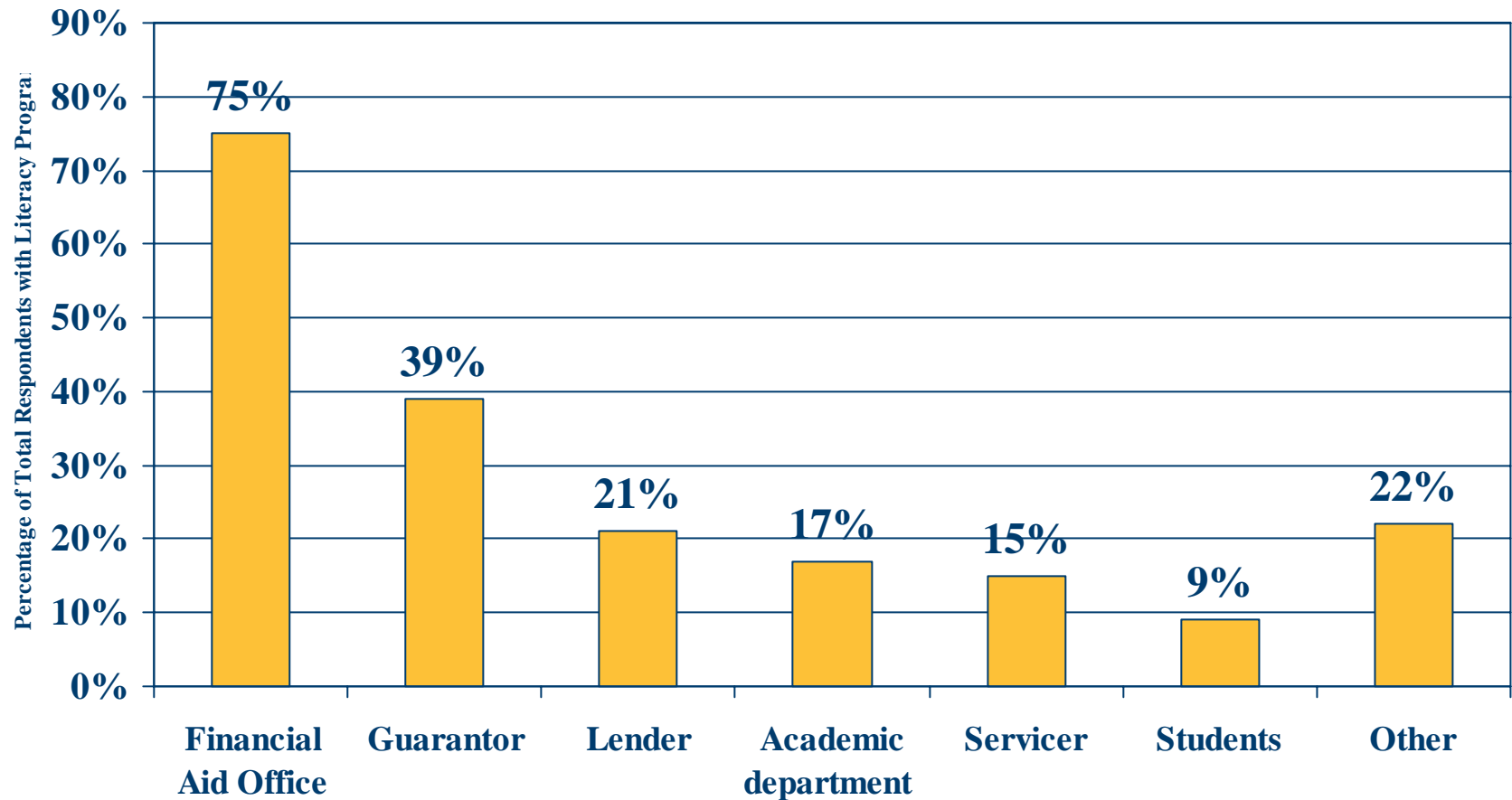
Survey question #5: Which department at your institution is responsible for the financial literacy program?
Please select ALL that apply.

Changing Landscape of Financial Literacy Conducts Financial Literacy Sessions



Survey question #8: Who is responsible for conducting the financial literacy workshops? Please select ALL that apply.

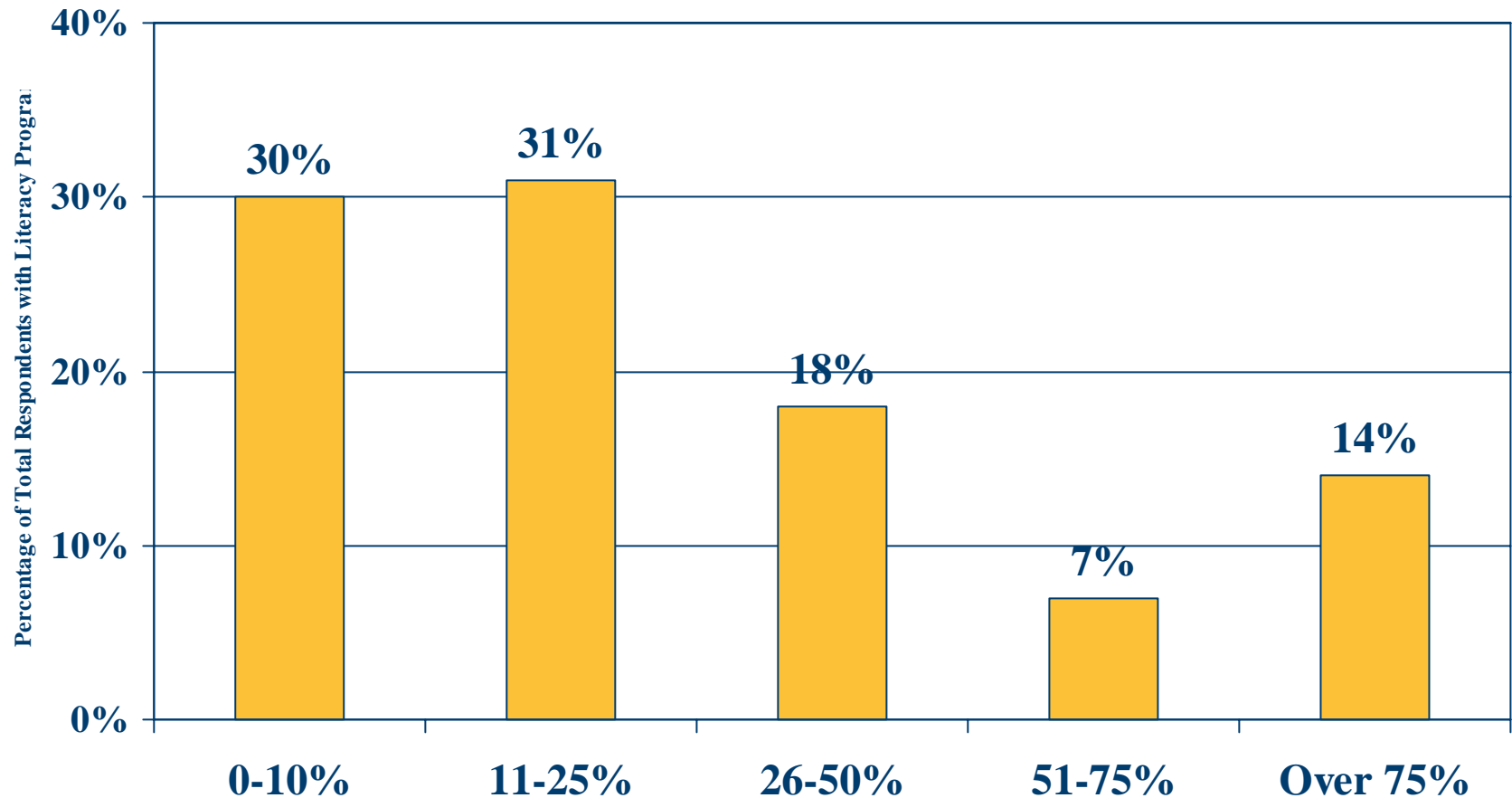
Changing Landscape of Financial Literacy Content Development



Survey question #7: Who develops the content for your financial literacy program? Please select ALL that apply.

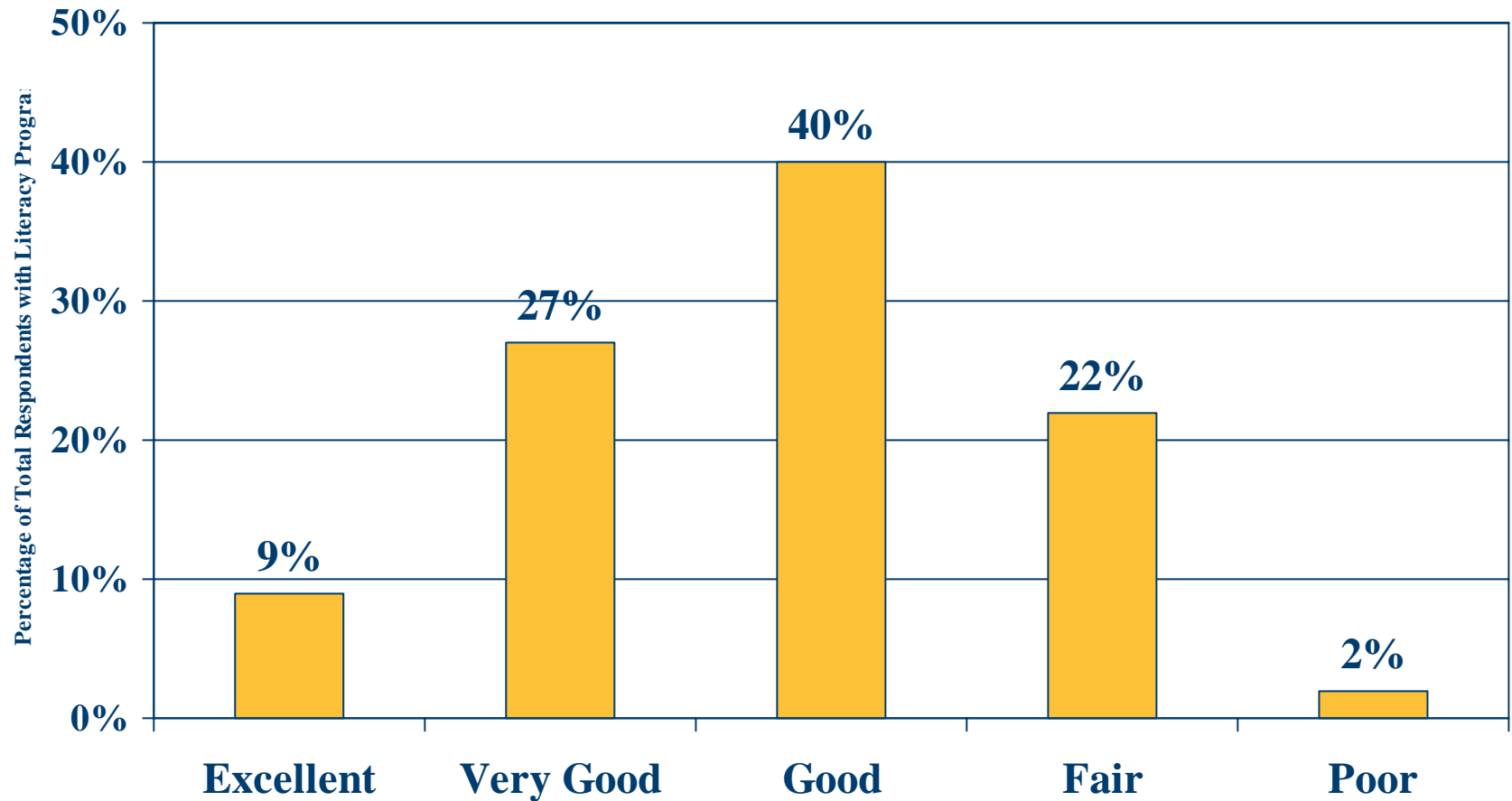
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Percentage of Students Impacted



Survey question #10: What do you estimate is the percentage of students served by your institution's financial literacy program?

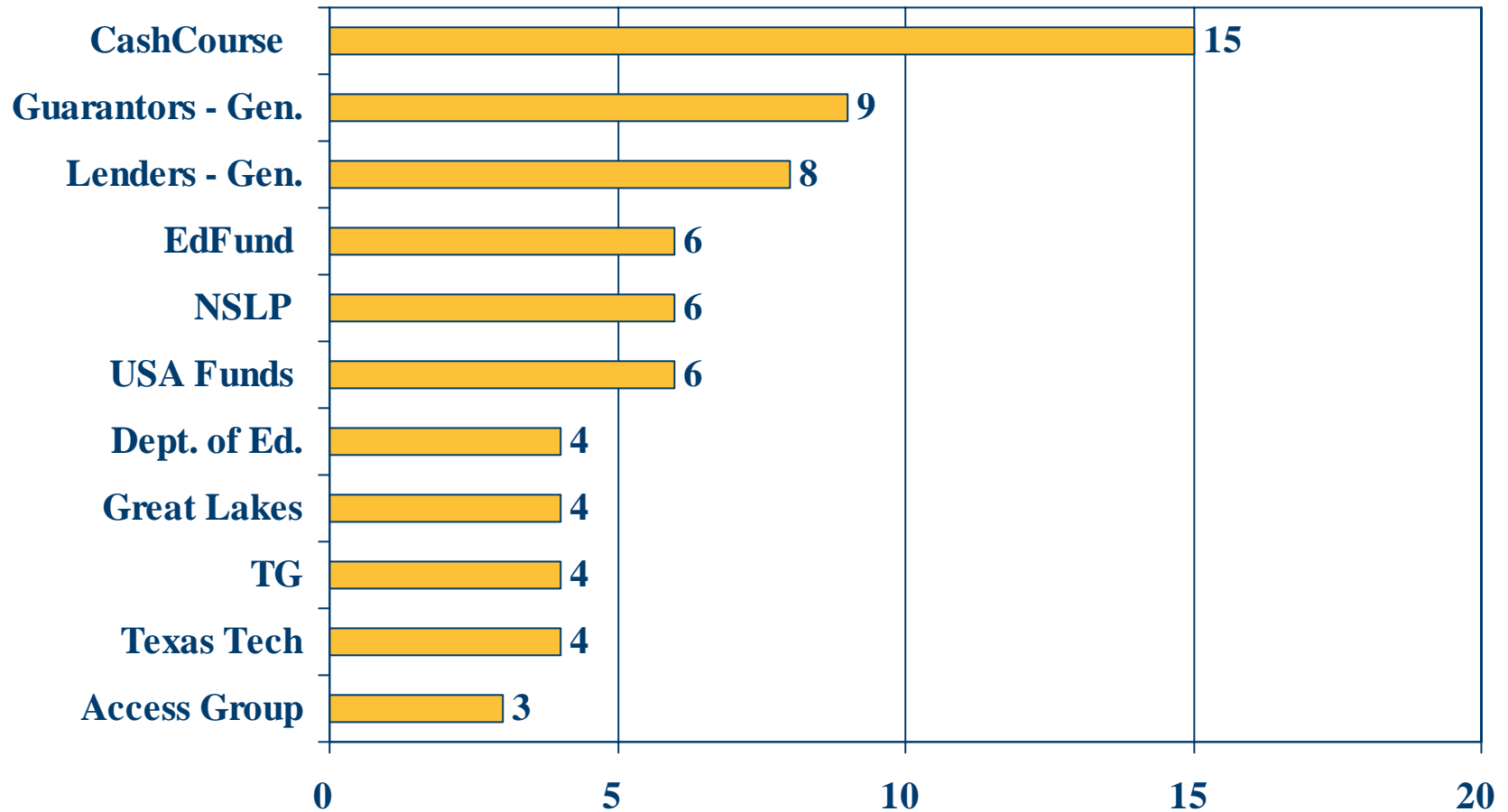
Changing Landscape of Financial Literacy Self-Evaluation



Survey question #12: How would you rate the current financial literacy program at your institution?

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Popular Financial Literacy Programs



Survey question: What source(s) would you recommend for a financial aid administrator interested in developing a financial literacy program for his/her institution?

Changing Landscape of Financial Literacy Recommended Sources

- Fifty sources for financial literacy content identified by one hundred survey respondents
- For complete list of sources recommended, visit the link below:

http://studentlendinganalytics.typepad.com/student_lending_analytics/2009/09/which-financial-literacy-programs-are-most-popular-with-financial-aid-community.html

Changing Landscape of Financial Literacy

SLA Financial Literacy Project

- Phase 1: Develop organized list of available resources targeted to post-secondary students
 - Subject content
 - Method of delivery
 - Include both non-profit and for-profit offerings

- Phase 2: Analyze pros/cons of leading financial literacy programs
 - Include focus group made up of college students from various school types
 - Determine how programs are measuring effectiveness

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Final Thoughts

- Increasing financial education of students a positive...but question remains what is the most effective way to deliver this information?
- You are uniquely positioned to deliver the message
- Good news: Lots of financial literacy programs available
- Bad news: Lots of financial literacy programs available
- Providing effective financial literacy programs to students yield benefits to schools:
 - Higher completion rates
 - Lower default rates
 - More successful students

Changing Landscape of Financial Literacy Questions

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