Higher Education Financial Capability Forum

Discussion Summary

December 3-4, 2018
Kimpton Hotel Monaco
Denver, CO

The National Endowment for Financial Education
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The National Endowment for Financial Education® (NEFE®) hosted a forum presenting two NEFE-funded research studies and discussing implications and future actions in financial education. To explore selected aspects of financial capability in higher education, the 34 invited experts represented diverse roles and levels of experience across the United States. In addition to researchers, several postsecondary educators and administrators represented individual institutions, small community college districts and statewide community college systems, and state and national specialized boards and organizations. Attendees also included front-line practitioners, government representatives and financial education innovators.

Katherine Sauer, Ph.D., NEFE's senior director of education, research and strategic impact, facilitated the discussion covering findings from Montana State University and Ohio State University research, successes and barriers in postsecondary financial education, needs for future research, and broader themes in financial capability for young Americans. This discussion summary outlines the scope and selected themes of the forum.

Better Borrowing: How State-Mandated Financial Education Improves College Financing Decisions (Grant awarded to Montana State University)
Carly Urban, Ph.D., and Christiana Stoddard, Ph.D., presented research showing that students in states where financial education is required to graduate from high school make better financial aid decisions as college freshmen, shifting from higher-cost to lower-cost borrowing options. On average, the research found increases in applications for grants and scholarships and acceptance of federal loans. Lower-income students increased acceptance of subsidized federal loans, decreased credit card balances and decreased the amount they worked while in school. Higher-income students took on smaller amounts of private loan debt.

Diverging Paths: Youth Debt, College and Family Background
(Grant awarded to Ohio State University)
Rachel Dwyer, Ph.D., presented findings of her research on student and household debt of the oldest Millennials (born in the early 1980s) segmented by educational achievement. Dwyer focused on two-year degree holders and financial precarity, noting that these "strivers" are under the greatest financial burdens, and yet have the most to gain from education. While debt is prevalent among all segments of young adults, by age 30 associate degree holders' incidence of the riskiest consumer debt is higher than all other educational segments, including those who never finished high school.

Research summaries are available at www.nefe.org > What We Provide > Primary Research.

DISCUSSION
Forum attendees addressed a wide range of factors both contributing to and challenging the financial capability of young adults on individual and systemic levels. Interventions beyond student-focused financial education are needed to overcome many systemic problems, said attendees, raising discussion of policy changes and choice architecture.

College financing, student debt and the business model of U.S. higher education
Attendees outlined the multiple characterizations of student debt in public opinion—"good," "bad," "tool" or "resource"—and noted the unique characteristics that distinguish student loans from other types of consumer debt, including forbearance and the inability to discharge them with bankruptcy.

Several attendees discussed how using loans to cover expenses instead of working while in college is attracting the attention of the higher education field because of its impact on retention and graduation. And considerable concern was expressed over the "broken" nature of the economic model of higher education. When tuition has been rising much faster than the cost-of-living index, financial aid doesn't cover the gap, and state and federal financial support continues to decrease. Federal loan limits—which have not increased at the same rate as tuition—force students into the private loan market at less favorable terms.

Realities of students' financial need and the role of families
Building from the discussion of inadequate loan limits, attendees discussed how emergency aid is critical for many students, making the difference between staying in school and dropping out. Emergency aid does not always have to take the form of money: Mitigating transportation crises by working with auto parts stores to offer discounts on car batteries is one example.

Attendees also emphasized that students aren't "alone in their own bubbles" but connected to their families and their financial decision making, raising specific concerns. First, students and families misunderstand "Expected Family Contribution" (EFC); they believe it means the amount of money they should contribute to college costs, but actually it is an index number for institutions to allocate financial aid. Second, some students are sheltered from the teachable moments of college financial education. For example, parents complete the online counseling required for acceptance of federal loans rather than allowing their children to do so. And many students simply hand over their financial aid award letters to their parents.

To involve students more deeply in the process of paying for college and to prepare them for independence as adults, the group agreed that more financial education and financial coaching services on campuses are needed.

Personal finance differences compared to other academic subjects
Attendees celebrated evidence of financial education successes, but discussed at length how personal finance is treated differently from other academic subjects. "It lives everywhere and is accountable nowhere," one expert noted. Attendees discussed how personal finance suffers between math and social studies as its academic home. The judgment/decision-making aspect "slows down" teaching within math courses, while the math aspect "slows down" decision-making teaching within social studies courses.

Despite state standards and mandates, teachers have relative freedom to teach what they want in personal finance, unlike regimented curricula in subjects like math, English and social studies. Attendees also noted that no other academic subject fixates on proving return on investment like personal finance. Tracking student participation also suffers. For example, the Montana State University researchers know that 41 percent of students in Montana attend schools that offer a personal finance class, but could not find out how many students took those classes. "The math people would laugh at that," noted one attendee. Statistics on student attendance in other disciplines is readily available.

Opportunities for positive messaging

One attendee encouraged all financial educators to reframe personal finance as aspirational and engaging, to position it "as the most important thing we are going to offer." Those experts who work directly with young people cited the intense interest in learning how to manage their money. Personal finance is unfairly and inaccurately characterized as boring, attendees agreed, with significant opportunities to describe it more positively.

Shortcomings and barriers to useful data

Researchers in attendance discussed how the lack of historical data on state mandates reduces the ability to track successful policies over time. They noted that collecting state- and school-level data (such as personal finance course offerings in Montana for the NEFE study) is time-consuming and not academically rewarded—but critical for relevant research.

When asked, attendees offered **suggestions for future research inquiries**, including:

- How does getting a degree help with financial precarity in adulthood? What type of debt burden exists when people are in their 40s and at the top of their careers? Are they still paying down student debt?
- What would happen if financial aid was available in larger amounts?
- Is there a correlation between student outcomes and how well trained the teachers are in the MSU research?
- What do financial educators know? How good is the training?
- What pedagogy works?
- What is the impact of student debt on families who co-sign loans?
- What has succeeded in other fields to change behavior, e.g., looking for interdisciplinary opportunities with fields such as public health.
- Does financial education improve retention and graduation rates in college?
- Do student loans improve retention in college?

Throughout the forum, attendees made several **recommendations for action**, including:

- Work with the U.S. Department of Education to make financial aid letters easier to understand.
- Reverse the decline of public support for college. Make it important again for the government to underwrite public education.
- Approach financial education on a continuum—K-20 or P-20.
- Improve understanding of loans among all stakeholders, including high school counselors. Make sure they are providing accurate information to students and parents.
- On college campuses, coordinate personal finance services with communications from the financial aid office. Working together improves student take-up of services.
- Be consistent in referring to this subject area. Settle on one term; don't change it every few years (e.g., financial education, financial literacy, financial capability).
- Develop a menu or checklist of what data points are needed for research. The field needs more good data sets and longitudinal data.
- Develop a standard assessment exam.
- Develop consistent education standards.
- Build on effective programs that already exist rather than continually building new ones that then need testing and evaluation.

CONCLUSION

By disseminating and promoting the ideas, suggestions and discussion of these experts, NEFE intends to drive forward the collective impact of individuals and organizations committed to improving the financial capability of young adults. NEFE encourages all contributors in this field to use these specific recommendations for research and action as springboards for their own work and to share their findings broadly. NEFE offers reassurance to those who experience setbacks along with successes, for valuable lessons can be learned from the interventions that fall short in addition to those that succeed. NEFE aims to move the needle, and recognizes the collective power of working together with colleagues in the field to do so.

About NEFE and NEFE Forums

The National Endowment for Financial Education® (NEFE®) is an independent, nonprofit foundation committed to educating Americans on a broad range of financial topics and inspiring empowered financial decision making for individuals and families through every stage of life. For more than 30 years, NEFE has been providing funding, logistical support and personal finance expertise to develop a variety of materials and programs.

Additionally, NEFE funds research and awards research-based development grants that advance innovative thinking and contribute to the field's understanding of financial behavior. Periodically NEFE convenes invitation-only forums of experts to learn about current research and explore topics relevant to the advancement of financial capability in the United States. NEFE provides the framework for discussion as a service to the field, without predetermined agendas or outcomes, allowing the experts to freely examine relevant themes, identify gaps in research and practice, and make recommendations.

The views stated by forum attendees are their own and do not necessarily reflect the views of NEFE staff or trustees.