NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION

Quick Takeaways

The Effects of State Mandated Financial Education on College Financing Behaviors
Montana State University
Principal Investigator: Carly Urban, Ph.D.
Primary Purpose: To examine how personal finance graduation requirements in high school change whether or not young adults attend college, the types of institutions attended and the methods by which individuals finance their post-secondary educations.
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Key Findings

- State-mandated financial education graduation requirements:
    - Increase the likelihood that students will apply for financial aid
    - Increase acceptance of both grants and subsidized federal loans
    - Decrease private loan amounts for borrowers
    - Decrease the likelihood of carrying a credit card balance
- On average, exposure to financial education:
    - Increases applications for aid by 3.5 percent
    - Increases the likelihood of having a grant by 1.4 percent
    - Decreases the likelihood of carrying a credit card balance by 21 percent
    - Reduces private loan balances by roughly $1,300 for borrowers
- Beyond averages, there are important differences in borrowing based on students' family backgrounds and relative levels of affluence as determined by the family's expected financial contribution (EFC) to college. Graduation requirements reduce more costly forms of borrowing, including credit cards (for students from less affluent backgrounds) and private loans (for students from more affluent backgrounds).
- Students with a lower EFC increase their acceptance of subsidized Stafford loans at a rate that is three times larger than more affluent students; exhibit a decrease in holding a credit card balance; and exhibit a decrease in working while enrolled.
- Students with a higher EFC decrease private loan borrowing by roughly $2,400 (among those who borrow loans) and are no more or less likely to hold a credit card balance or work while enrolled.
- Personal finance education requirements do not affect the most basic decision about college. Students exposed to financial education are no more or less likely to go to college, choose a college with a different tuition level. Choose a different type of education, choose a more selective college, or choose a different financing plan based on the initial college choice.

For more information and to read the executive summary and final report, visit www.nefe.org.