



The Critical Role of Financial Aid in Enrollment Management: Financial Literacy and Retention

Spirit of Success

NHHEAF/NHASFAA Annual Conference

North Conway, NH

November 3, 2006



Agenda

Financial Literacy

- What do we know about the relationship between student finances and retention?

Retention

- What do we know about who stays, who leaves and what makes the difference?

Retention and Financial Literacy

- Your questions



Financial Myths

- Paying the minimum on your credit card(s) is okay
- Bad credit is wiped when you turn 21
- They won't let you borrow more than you can afford
- Keeping a credit card with a zero balance doesn't affect your credit
- Student loans are the same as grants - they don't have to be repaid



Retention Myths

- Dropouts are flunkouts
- Students bring a cogent map of college success to campus
- Finances, work and family are sole reasons for students dropping out
- Retention is not my responsibility



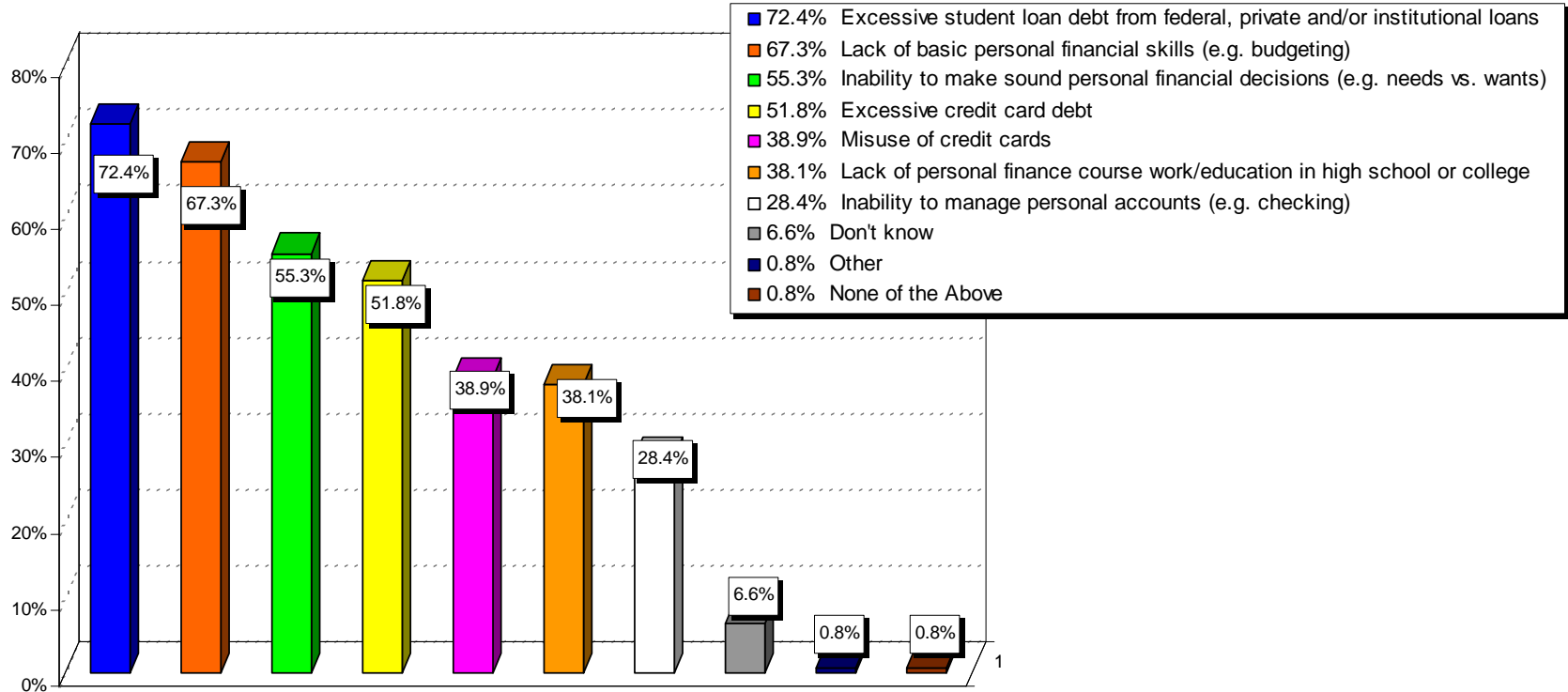
Student Challenges

Students don't know what they don't know!

Your Challenges

Chase Survey Highlights

Personal Financial Management Issues Confronting Students (1.1)





Student Risk Factors

Characteristics that place students at risk of dropping out

- Demographic and socioeconomic
- Academic
- Financial
- Timing, lifecycle and motivational



Financial Literacy - 2005

76% of college students have credit cards

- Average number of cards per college student is 4.09
- 43% have four or more cards
- 43% obtained first card as a freshman
- 72% of sophomores had credit cards (71% growth rate)
- 16% owe between \$3,000 and \$7,000
- 7% owe more than \$7,000



Student Financial Knowledge - 2006

- Only **22.7%** of high school seniors understand that interest on savings accounts may be taxable if one's income is high enough
- **40.3%** realize that they could lose their health insurance if their parents become unemployed.
- **16.7%** reported having taken an entire course in money management or personal finance
- **50.1%** knew you could check your credit record once a year for free
- **55.8%** believe that you cannot be forced to pay anything if your credit card is stolen and the thief runs up a debt of \$1,000.



Financial Literacy and the Family

- **40%** of Americans live beyond their means
- Average credit card debt per household rose to **\$8,562** in 2002 -- up from \$2,985 in 1990
- **87%** of college students rely on their parents for financial guidance
 - 70% say their parents have not given them tips or advice about spending wisely
 - 80% of parents believed schools provided classes on money management and budgeting



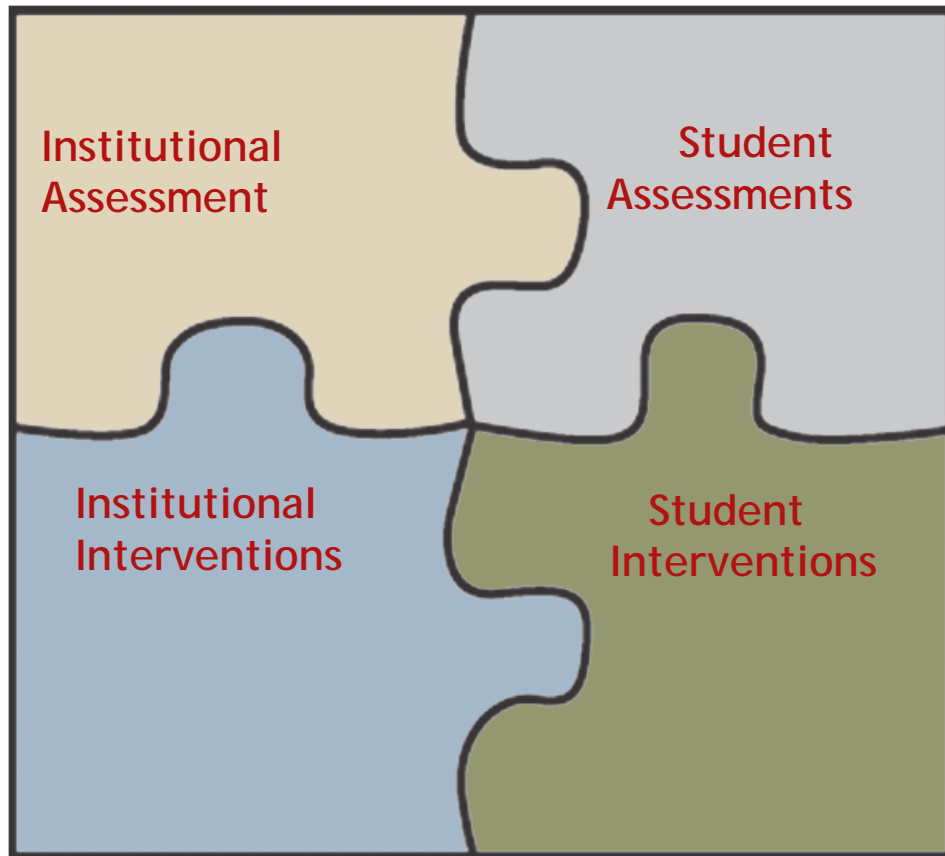
Key Questions

What are the links between retention and financial literacy?

- Who stays?
- Who leaves?
- What makes the difference?
- What can we do about it?

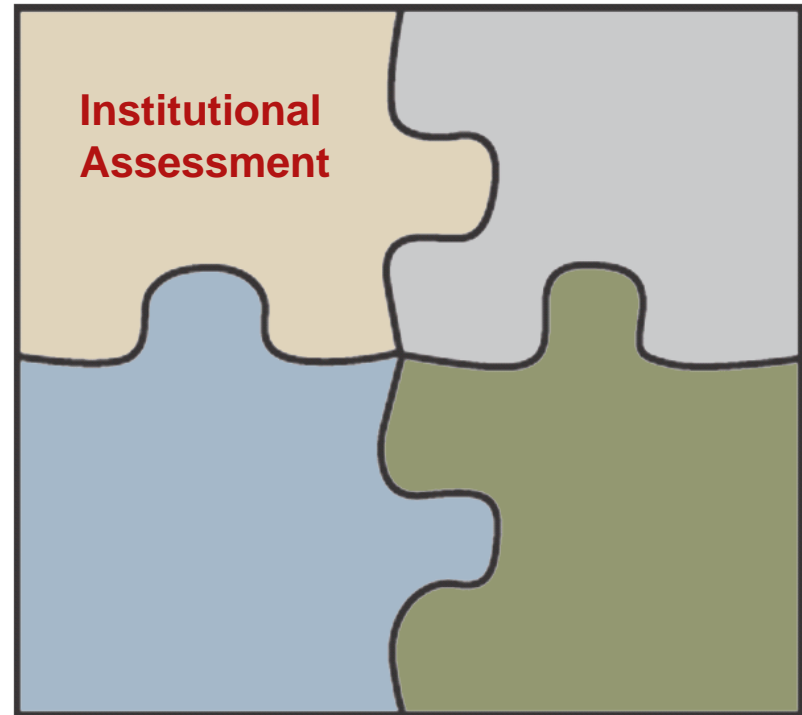


Retention Puzzle



Who Are You?

- First-year retention rates
- Graduation rates
- Student achievement
- Performance gaps
- **Financial aid impact**
- **Indebtedness**
(loans and credit cards)
- **Loan default rates**





GPA of First-Year Dropouts

GPA	#	%
<2.00	689	46.1
2.00 - 2.49	248	16.5
2.50 - 2.99	256	17.1
3.00 - 4.00	300	20.1

4,915 students; 46 institutions; 1,493 dropouts

Financial Guidance

Survey Item: This institution provides helpful information on the appropriate use of credit cards.

	Importance – Student	Importance – Faculty, Staff, Administrators	Satisfaction – Student	Agreement – Faculty, Staff, Administrators
4-year institutions	5.73	4.76	4.09	3.32
2-year institutions	5.26	4.98	4.48	3.34
Career schools	5.66	N/A	4.94	N/A

Scale: 1 (low) to 7(high)

Source: USA Funds Retention Project - 2002

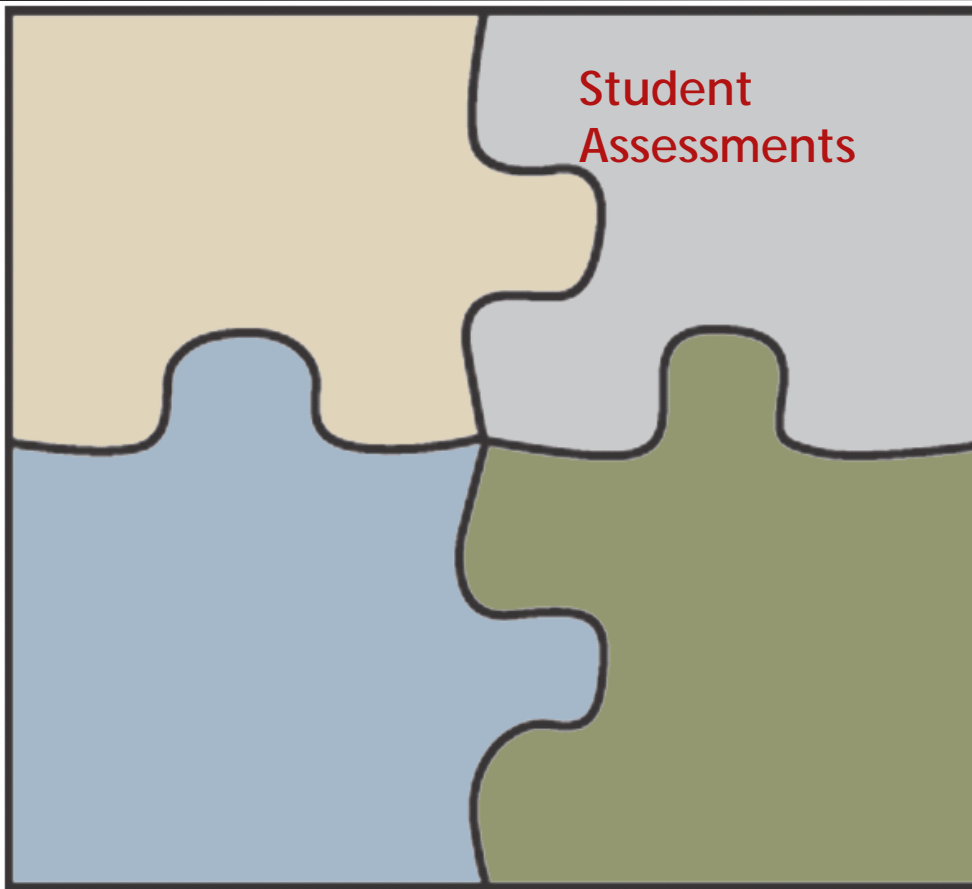
Financial Aid and Retention

Academic Preparation

Need Level	1	2	3	4	5	Total
V. High Need	89%	86%	73%	74%	63%	71%
High Need	98%	85%	82%	78%	67%	77%
Med. Need	96%	85%	82%	78%	69%	79%
Low Need	93%	79%	88%	79%	72%	80%
Merit Aid	95%	88%	89%	81%	74%	87%
Full Pay	00%	93%	80%	80%	77%	79%
Totals	94%	86%	83%	79%	71%	79%

Source: Noel-Levitz, 2002

Who Are Your Students?



- Entering risk factors
- Motivation risk factors
- Integration risk factors



Conceptual Model of Retention

Entering + Student + Student = Student's
Student Motivation Integration Likelihood
Variables Variables Variables to Persist



Entering Student Variables

- Academic history
- Geo-demographic variables
- Test scores
- Initial impressions of institution
- Enrollment factors
- Financial aid information
- Financial history
- Financial literacy scores



Jump\$tart Coalition Survey

Percentage of questions answered correctly

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

Student Motivation Variables



- Freshman survey data
- Academic and social motivation data
- Placement tests
- Academic plans/goals
- **Family support system**
- **Sense of financial security**
- **Receptivity to financial guidance**

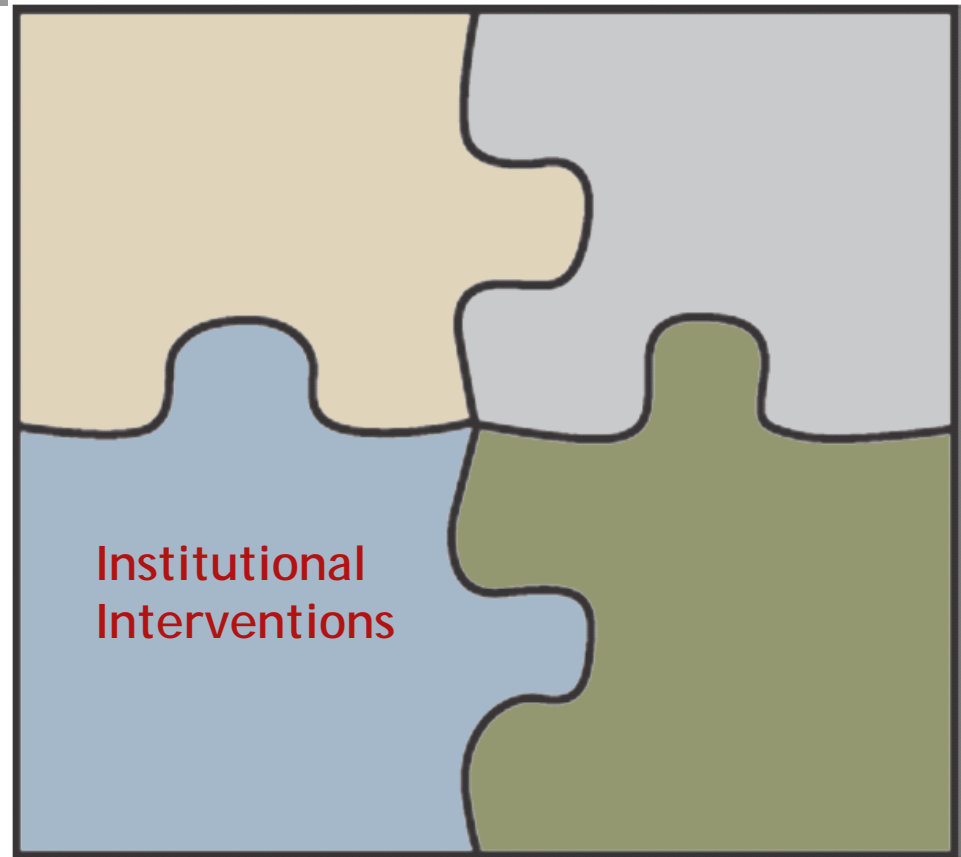
Student Integration Variables



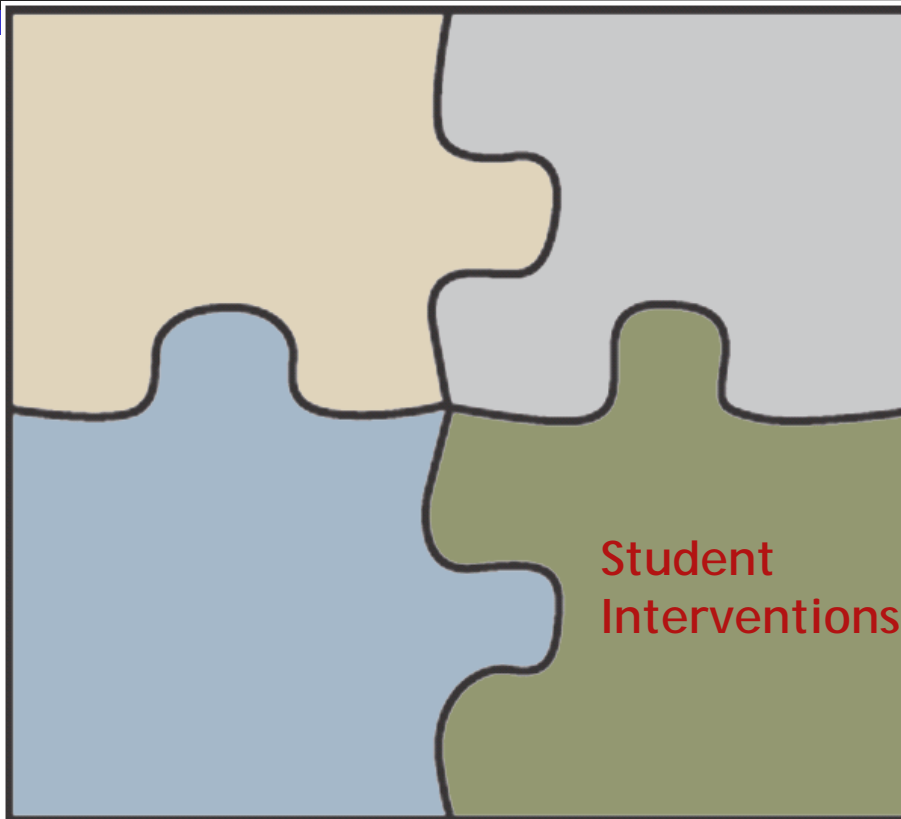
- Residence status
- Predicted GPA
- End-of-term grades
- Affiliations
- Credit hours attempted/completed
- Academic status
- Major
- Residence hall assignment
- **Credit card debt**
- **Student loan debt**
- **Work hours**

How Proactive Is Your Institution?

- Retention committee
- Student success goals
- Student tracking
- Student feedback plan
- Staff training
- Faculty development
- Faculty/staff awards
- **Financial literacy programs**

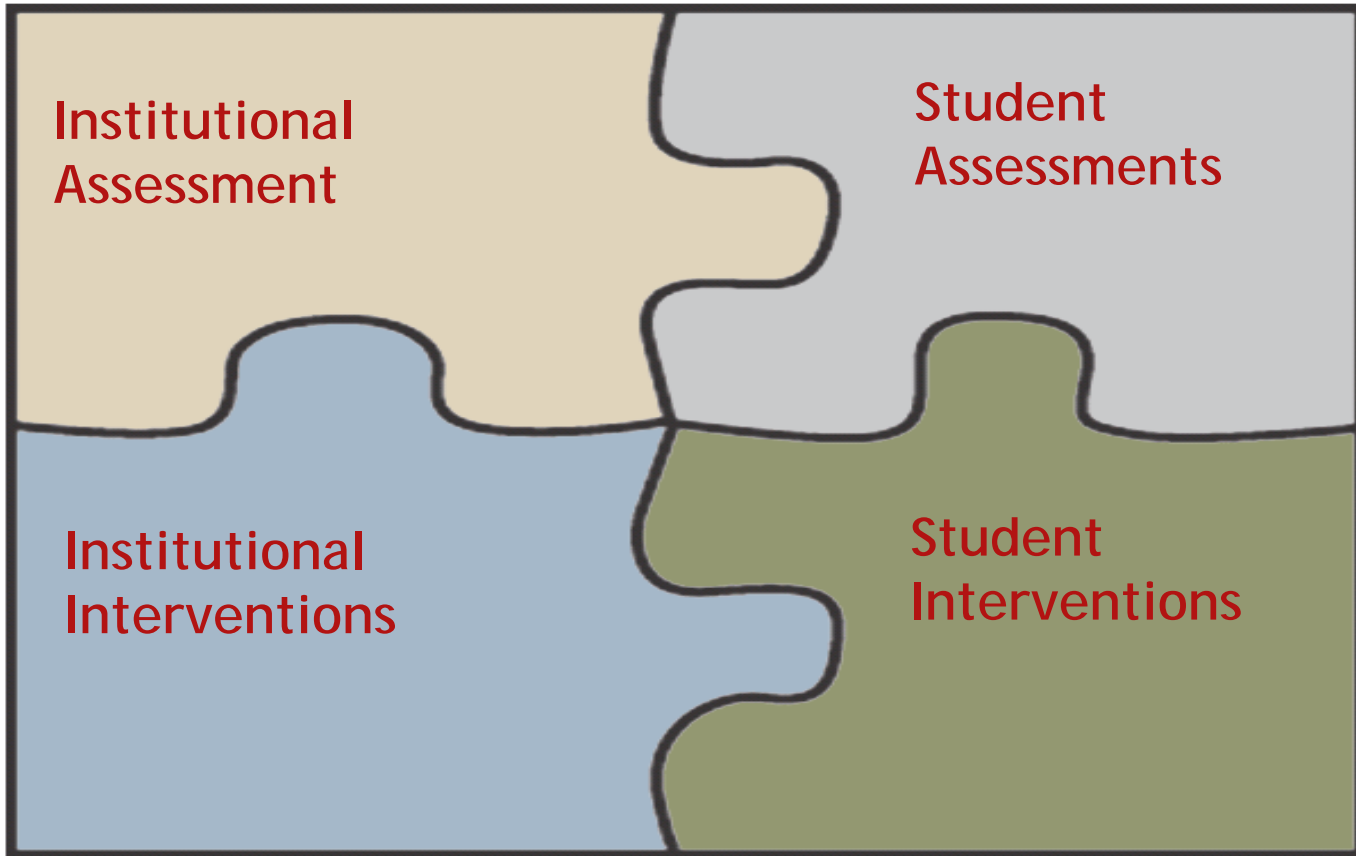


Commitment to Student Success



- How do you show students you're serious about their success?
 - Intrusive advising
 - Extended orientation
 - Student success plans
 - Mentoring
 - Wellness
 - **Financial guidance**

Student Success = *Weaving the Pieces Together*



The Solutions

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





A Study of Best Practices in Financial Literacy

- 100+ colleges and universities interviewed
- Executive summaries
 - Campus buy-in
 - Specific implementation strategies
 - Staffing
 - Results (quantitative and/or qualitative)
 - Recommendations



Financial Literacy – Implementation Strategies

- Entrance counseling
 - Exit counseling
 - Student success courses
 - Seminars/workshops
 - Money management counseling
 - Student orientation
 - High school outreach
- Student probation
 - TRIO programs
 - Training
 - Peer financial counseling
 - Career development
 - Financial aid awareness
 - Parent orientation



Financial Literacy – Target Audiences

- First-year students
- Second-year students
- Third-year students
- Graduating students
- Parents
- High School Students
- Student athletes
- Staff
- TRIO participants



Financial Literacy – Delivery Units

- Academic affairs
- Student affairs
- Financial aid office
- Lenders/guarantors
- Career services
- Student support services



Programs to Review Online

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 and Financial
Management Publications**

Family Financial Literacy Project

Freshmen Success Series

Red to Black

Wright Financial Path



Brigham Young University

Financial Path to Graduation

Strength: Positioning/Infrastructure

- Academic planning and financial planning proceed on parallel tracks.

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

University of Arizona

Credit Wise Cats

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.**

http://wildcat.arizona.edu/papers/98/32/01_8.html

Iowa State University

Consumer & Financial Management

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 have signed up over a three-year period to receive weekly financial tips.

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



Texas Tech University

Red to Black

Strength: Campus Partners

- Financial Aid
- Student Business Services
- Housing and Dining
- Student Health Services
- Parents Office
- Honors College
- Health Sciences
- Center/Med School
- Freshman Seminars
- Extended Studies
- Counseling Center
- Student Legal Services
- Credit Union

<http://www.orgs.ttu.edu/r2b/>



What Can You Do?

Choose an issue and decide:

- What do you know already?
- What else do you need to know?
- How can you find out?
- What will you do with the information?



Final Thought.....

Do something!



Thank you for allowing me to
be a part of your Spirit of
Success Conference.

Contact



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Questions
