Indiana University Financial Literacy
Office of the Treasurer

Jack Tharp
Senior Director of Financial Literacy
Indiana University

Phil Schuman
Director of Financial Literacy
Indiana University
“Student Debt has become the defining feature of their lives----the millstone around the necks that holds them back from a full financial future.”

Richard Cordray, Federal Consumer Financial Protection Bureau (May 9, 2013)
The Alarming Growth of Student Loans

Change in U.S. Household Debt, 2003-2012
Student Loans vs. All Other Debt
(Note, amounts adjusted to 2003 dollars)

Source: Federal Reserve Bank of New York
Student Debt Affecting More Households

Percentage of Households with Outstanding Student Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
<th>Average Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>9%</td>
<td>$9,634</td>
</tr>
<tr>
<td>1992</td>
<td>11%</td>
<td>$11,086</td>
</tr>
<tr>
<td>1995</td>
<td>12%</td>
<td>$11,714</td>
</tr>
<tr>
<td>1998</td>
<td>11%</td>
<td>$17,942</td>
</tr>
<tr>
<td>2001</td>
<td>12%</td>
<td>$17,562</td>
</tr>
<tr>
<td>2004</td>
<td>13%</td>
<td>$20,022</td>
</tr>
<tr>
<td>2007</td>
<td>15%</td>
<td>$23,349</td>
</tr>
<tr>
<td>2010</td>
<td>19%</td>
<td>$26,682</td>
</tr>
</tbody>
</table>

Source: Pew Research Center Tabulation of Federal Reserve Survey of Consumer Finances Data
## College Costs

### 2012-13 Average Annual Costs

<table>
<thead>
<tr>
<th></th>
<th>4-Year Public*</th>
<th>4-Year Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition</td>
<td>$7,526</td>
<td>$24,256</td>
</tr>
<tr>
<td>Room &amp; Board</td>
<td>$8,652</td>
<td>$8,980</td>
</tr>
</tbody>
</table>

* +5.6% per yr. '01-02 – ‘11-12

### 2013-2014

<table>
<thead>
<tr>
<th></th>
<th>IUB</th>
<th>PU-WL</th>
<th>IUK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition</td>
<td>$10,208*</td>
<td>$9,401*</td>
<td>$6,674*</td>
</tr>
<tr>
<td>Room &amp; Board</td>
<td>$9,162</td>
<td>$10,360</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*Fees not included

### How America Pays for College 2013

- Grants & Scholarships: 30%
- Parent Income/Savings: 18%
- Student Borrowing: 27%
- Student Income/Savings: 11%
- Parent Borrowing: 9%
- Relatives & Friends: 5%
Why Students Do Not Persist

- Financial Pressure: 38%
- Academic Disqualification: 28%
- Poor Social Fit: 13%
- Family Support: 9%
- Health Problem: 5%
- Distance From Home: 4%
- Mental/Emotional Issues: 3%

College Affordability

KEEPING AN INDIANA UNIVERSITY EDUCATION AFFORDABLE In both the short and long term is essential for our students’ success and for the well-being of their families. To that end, we’ve worked to keep tuition costs low and increase the amount of financial aid available.

We’ve also launched three initiatives designed to help control student debt levels.

MoneySmarts
This multifaceted financial literacy program provides students with the knowledge they need to make smart financial decisions. Beginning in the fall of 2013, all incoming students will be required to take an online financial literacy course. A peer counseling program is also in the works. In addition, all IU students are encouraged to complete the interactive learning modules available on the MoneySmarts website.
Test your money smarts now.

25% OFF Summer Tuition Discount
This program offers students a significant discount on summer classes. Indiana residents get a 25 percent discount, and nonresidents receive the equivalent reduction on their tuition. Students can take classes at any IU campus and easily transfer them to their home campus for credit. By taking advantage of the discount, students can save money and stay on track to graduate on time.
Find out how to get started.

Finish in Four
Set to launch in the fall, this exciting new program provides juniors and seniors who are on track to graduate in four years with a financial award that offsets any increase in tuition and fees for their final two years. Because this is a pilot program, only students who have achieved junior (60 hours in two years) or senior (90 hours in three years) status by Fall 2013 will be eligible. It is a university-wide program, so students from all seven campuses can qualify.
Learn more about the award.
IU Financial Literacy Deliverables

- Required piece for new first-year students: Buttonwood
- Online presence: moneysmarts.iu.edu
- Creation of Visible and Engaging Programming
- Changes to “Business Practices”
- Student Advisory Board
- Campus Liaisons & Targeted Funding
- For-Credit Courses
- Peer-to-Peer Financial Advising
Changes to “Business Practices”

- Cost of attendance
- Annual Award Letter
- Annual Debt Letter
- Adjust part-time budgets
- Loan Disbursement
• Identify campus champions
  – With 7 campuses, impossible to create something that works perfectly for everyone
    • Each campus knows their students better
  – Trained via CPFM program to establish baseline knowledge at every campus
  – Encourages Campus Collaboration

• Help connect the dots
  – Established a grant fund to support campus financial literacy
    • Encourages staff at each campus to propose financial literacy ideas
    • Allows the tailoring of events to meet individual campus needs
    • Increases chances for “outside the box” ideas

• Seek cross-department collaboration:
  – Student, academic, & financial affairs
The Personal Planning Process

Assessing the Cost of College Life

Setting Financial Goals & Expectations

Constructing a Budget

Analyzing Income & Expenses

Checking Accounts & Demand Deposits

Cash Management

Establishing & Maintaining Creditworthiness

Products & Services

Understanding Credit Terms & Costs

Saving: Options & Objectives

FAFSA, Stafford Loans, & Student Loans

Payment Budgeting, Deferral & Options

### Current F151 Enrollment

<table>
<thead>
<tr>
<th>Institution</th>
<th># Enrolled</th>
<th>Max Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>IUPUI</td>
<td>91</td>
<td>129</td>
</tr>
<tr>
<td>IUK</td>
<td>5</td>
<td>30</td>
</tr>
<tr>
<td>IUN</td>
<td>10</td>
<td>25</td>
</tr>
<tr>
<td>IUS (FYS)</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>IUSB</td>
<td>68</td>
<td>75</td>
</tr>
</tbody>
</table>

F151

**PERSONAL FINANCES OF THE COLLEGE STUDENT**

BUS F151 • 1 credit hour • Fall 2013

Two sections: Online (#33846) and Fridays 10am-Noon (#33767)
Both meet Sept 13-Oct 11 for five weeks.

Speak to an advisor:
317.274.2147

The Personal Planning Process

Assessing the Cost of College Life

Setting Financial Goals & Expectations

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Cash Management

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Products & Services

Understanding Credit Terms & Costs

Saving: Options & Objectives

FAFSA, Stafford Loans, & Student Loans

Payment Budgeting, Deferral & Options
Peer to Peer Financial Advising

- Allows for more personalized financial literacy assistance
- Other universities launched successful “Peer” programs
  - Ohio State’s is part of their Student Wellness Center
- Online portal enables commuter students to have same access as residential students
  - Lessens chances of inability to utilize program due to “personal” conflicts
- Basing program in residence halls to act as a “financial RA” to students
  - Increases opportunity to impact students near point-of-sale
- Options for delivery
  - 1 on 1
  - Group Presentations
Student Advisory Board

• Link with already-formed organizations, such as student government
  – Provide you with opportunity to utilize students who have the most connections on campus
• Have them be the marketers and the brains behind marketing
  – Administration should determine the “what,” but students should be responsible for the “how”
• Should be one of the first steps in your efforts
  – Without feedback from students, you can’t be certain you’re maximizing your reach
• Student leadership desires being a part of value-added programming
## Indications of Learning

### Knowledge Gain

<table>
<thead>
<tr>
<th>Campus</th>
<th># Assigned</th>
<th># Complete</th>
<th>% Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>IUB</td>
<td>7,063</td>
<td>5,811</td>
<td>82.3%</td>
</tr>
<tr>
<td>IUPUC</td>
<td>290</td>
<td>67</td>
<td>23.1%</td>
</tr>
<tr>
<td>IUE</td>
<td>394</td>
<td>48</td>
<td>12.2%</td>
</tr>
<tr>
<td>IUPUI</td>
<td>2,929</td>
<td>2,203</td>
<td>75.2%</td>
</tr>
<tr>
<td>IUK</td>
<td>500</td>
<td>435</td>
<td>87%</td>
</tr>
<tr>
<td>IUN</td>
<td>820</td>
<td>567</td>
<td>69.1%</td>
</tr>
<tr>
<td>IUSB</td>
<td>880</td>
<td>640</td>
<td>72.7%</td>
</tr>
<tr>
<td>IUS</td>
<td>1,017</td>
<td>740</td>
<td>72.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,893</strong></td>
<td><strong>10,511</strong></td>
<td><strong>75.7%</strong></td>
</tr>
</tbody>
</table>

**Student Participation High**

Buttonwood
Weekly Tip #1

Goals, Objectives, & Priorities

START NOW

What matters. Where it matters.
Financial Need

Cost of Attendance minus EFC = Financial Need

$20,000 Cost of Attendance
$5,000 EFC
$15,000 max eligibility for need-based aid

Source: 2013-14 Federal Student Aid Handbook
Cost of Attendance

- Cost of Attendance
  - Defined by federal regulation
    - Tuition and Fees
    - Books and Supplies
    - Room and Board
    - Transportation
    - Personal Expenses

—Source: 2013-14 Federal Student Aid Handbook
Sample Freshman Aid Package

EFC: $ 2,360 (Parents’ AGI - approx $45,000, two children)

| 2013-14 IUB Cost of Attendance | $23,832 |
| Estimated Family Contribution   | $2,360  |
| Financial Need                  | $21,472 |

**Financial Assistance**

- Federal Pell Grant: $3,295
- Federal Supplemental Opportunity Grant: $500
- Indiana Grant: $600
- Federal Work Study: $1,500
- Subsidized Stafford Loan: $3,500
- Federal Perkins Loan: $1,500
- Unsubsidized Stafford Loan: $2,000
- Total Assistance: $12,895
- Unmet Need: $8,577

Out-of-pocket cost = $ 2,360 EFC + $8,572 Unmet Need = $9,255
First year student loan total = $7,000
Questions?
Appendix

• **Student Loan Borrowing Limits**
  - Dependent Maximum - $31,000
  - Independent Maximum - $57,500

<table>
<thead>
<tr>
<th></th>
<th>Dependent</th>
<th>Independent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; Year</td>
<td>$5,500</td>
<td>$9,500</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt; Year</td>
<td>$6,500</td>
<td>$10,500</td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt; Year +</td>
<td>$7,500</td>
<td>$12,500</td>
</tr>
</tbody>
</table>

• **Standard Student Loan Repayment: 10 Years**

<table>
<thead>
<tr>
<th>Debt</th>
<th>Monthly Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>$115.08</td>
</tr>
<tr>
<td>$20,000</td>
<td>$230.16</td>
</tr>
<tr>
<td>$30,000</td>
<td>$345.24</td>
</tr>
<tr>
<td>$40,000</td>
<td>$460.32</td>
</tr>
</tbody>
</table>
What would be the most reasonable payment plan if you’re starting a new job that pays $30,000/year and you have student loan debt of $25,000?

a) Standard Payment @ $345 for 120 months $41,429
b) Extended Payment @ $266 for 180 months $47,934
c) Graduated Payment between $172 and $342 for 240 months $51,554
d) Income-Based Repayment @ between $165 and $345 for 226 months, $58,087