Session Overview

- Debt Letters Defined
- Do Debt Letters Work?
- Case Study: University of Minnesota – Twin Cities
- Debt Letters and Financial Education

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Debt Letters Defined
The Struggle Is Real

48% of student borrowers either don’t know or incorrectly estimate the amount they have borrowed.

28% incorrectly believe they have no federal loans at all.

Source: Are College Students Borrowing Blindly? Brookings Institution
Debt Letters = Loan Summaries

- **Elements**
  - Aggregate Loan Amounts
    - Institutional
    - Comprehensive
  - Estimated Repayment Amount
    - Include interest rate and repayment plan
  - Loan Limits
Debt Letters: Are They Magic?

Well...no.

But there is some science to them:

- JIT Learning
  - Relevant
  - Timely
Debt Letters: Are They Magic?

- Behavioral economics
  - Irrational choices
  - Muddled by length, complexity, experience or timing
- Nudge Theory
  - Point people in the right direction
  - Has to be easy
  - Can include a call to action
Do Debt Letters Work?
Three Schools, Three Studies

- University of Missouri
  - Letters
    - Aggregate borrowing
    - Estimated repayment amounts
    - Average borrowing of peers
    - How to contact the FAO
  - March letter coincided with registration and loan acceptance choices for following year
Three Schools, Three Studies

- **University of Missouri - Results**
  - Did not significantly reduce borrowing
  - Exception: low GPAs and high aggregate balance
  - Increased contact with FAO
    - 2% more likely to seek assistance
    - 3.4% more likely if nearing loan limits
Three Schools, Three Studies

- University of Missouri - Takeaways
  - May need additional support
  - Reduced borrowing may not be top priority
  - Increased FAO contact is a positive

“...there is evidence that the letter induced a positive outcome, namely information seeking among students. There is value to encouraging a more informed student body, even if average short-term borrowing behavior does not demonstrably change. For example, informed students are more likely to actively choose an appropriate repayment plan and engage with their loan servicer, both of which may help students stay current on their educational debt post-college.”

Source: An Experiment on Information Use in College Student Loan Decisions. R. Darolia
Three Schools, Three Studies

- **Montana State University**
  - Targeted students with slow academic progress and higher-than-average borrowing amounts
  - Letters
    - Default warning
    - Block tuition
    - Gift cards for counseling
Three Schools, Three Studies

- **Montana State University - Results**
  - Borrowed an average of 1/3 less ($1,360)
  - Increased GPA and credits completed
  - Increased retention rates
  - 2% points more likely to switch to higher-paying major
Three Schools, Three Studies

- **Montana State University - Takeaways**
  - Additional academic information contributed to positive academic outcomes
  - Early intervention is key

Source: Does Salient Financial Information Affect Academic Performance and Borrowing Behavior Among College Students? Federal Reserve Bank of Philadelphia
Three Schools, Three Studies

- **Indiana University**
  - Letters
    - Aggregate borrowing
    - Estimated repayment amounts
    - Additional school resources
Three Schools, Three Studies

- **Indiana University - Results**

23%

The percentage by which student borrowing has decreased during the first four years ($114 million)

Source: Indiana University initiatives continue to pay off in reduced student borrowing. IU Newsroom

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Three Schools, Three Studies

What can we learn?

- Define your outcomes
  - Reduced borrowing?
  - Increased GPA?
- Measure
  - Control groups?
  - Previous years?
- Support
  - Online resources?
Case Study: University of Minnesota – Twin Cities
UMN Twin Cities

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One Stop Student Services
University of Minnesota-Twin Cities

- Integrates financial aid and academic advising
- Supported by FAO and Registrar
- System upgrade in spring 2015
- MyU Student Portal
Integration of Financial Wellness
University of Minnesota-Twin Cities

- Identified need by students and staff for additional financial education, and growing student loan debt in early 2000’s.

- Initial collaboration between Financial Aid, Student Accounts, and One Stop Student Services.

- Live Like a Student Campaign begins the current iteration in approximately 2008.
Borrowing History
University of Minnesota System

- Initial reports of the Indiana Letter
- Identified need for similar outreach effort at the University of Minnesota
- Pilot of program at University of Minnesota-Duluth in May 2016
- System-wide implementation at all University of Minnesota campuses (Crookston, Duluth, Morris, Rochester, Twin Cities) Fall 2016
Student Feedback
University of Minnesota System

- Name of initiative is important
- Call for more financial wellness outreach at institution
- Educational aspect was great, but still needed to borrow
- Caused students to examine borrowing practices and consider repayment prospects
General Observations
University of Minnesota System

- Desired outcomes can vary depending on University circumstances
- Need for broader financial wellness initiatives on college campuses
- Cross collaborations between institutions can teach valuable lessons
Next Steps for Borrower History
University of Minnesota

- Implementation for graduate and professional programs
- Continual student feedback and usability
- Additional resource and module development
- Integration of Student Degree Progress
Debt Letters and Financial Education
Integration

Group Education
- NSLDS
- www.annualcreditreport.com
- www.StudentLoans.gov
- Canceled classes

One-on-one Education
- Staff talking points
  - www.fsapubs.gov
  - www.consumerfinance.gov/library/resources/
- Track topics

Online Education
- moneysmarts.iu.edu
- www.unl.edu/smmc
- www.heroknowl.org
- www.financialavenue.org

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Additional Resources

• NSLDS Tutorial
  • http://bit.ly/2jnekJDB

• Federal Student Loan Info Sheet
  • http://bit.ly/2kfbsHi

• Student Loan Borrowing 101
  • http://bit.ly/2jOl3Fb

• Inceptia can help
  • Loan Summary
  • Student Loan Knowledge Headquarters
Loan Summaries: Nudging Students Toward Smart Borrowing

by Carissa Uhmer
Vice President of Student Success, Inceptia

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Contact Me

About Inceptia
Inceptia’s mission is very simple: to support schools as they arm students with the knowledge needed to become financially responsible citizens. Moving boldly into the future without accumulating the burden of debt and default.