

For Students, the New Kind of Literacy Is Financial

Colleges offer programs in managing money

By BECKIE SUPIANO

Eight years ago, Texas Tech University started a financial-literacy program to help its students master the basics of budgeting, saving, and not buying what they can't afford. Now, as colleges grapple with rising costs and an economic downturn, the university has found itself at the forefront of a growing effort to sharpen students' financial know-how.

"We have a responsibility as a university to help students in this area," says Dorothy Bagwell Durband, who directs the program. Financial literacy affects more than students' wallets, she says. It also has an impact on retention, productivity, even wellness.

Texas Tech's Red to Black program offers students one-on-one financial counseling and presents tips to campus groups on how to manage their money. When it started, only a handful of colleges tried to provide broad education in money management. But the idea is catching on. Twenty-six colleges have contacted Ms. Durband about starting similar programs, and others are going ahead on their own.

Over the past few years, interest has grown along with college costs and student debt. And in recent months, that momentum has been further fueled by a souring economy. The new Higher Education Act, which became law in August, requires colleges that run federal TRIO programs for disadvantaged students to connect them to financial counseling. The law also says guarantee agencies must work with colleges to develop financial-literacy programs for students.

The programs also may generate good will at a time when colleges are being criticized for repeatedly raising tuition, fees, and housing costs.

One-on-One Counseling

Texas Tech's program trains undergraduate and graduate students studying personal finance to act as peer counselors in free and confidential one-on-one sessions. The volunteers might help a freshman develop a budget, a student on a scholarship stretch the money through the semester, or a graduating senior weigh different employers' benefits.

Ms. Durband is a big believer in peer counseling, which she says helps students feel more comfortable discussing sensitive personal information.

As Red to Black has grown, community members who are not students have asked for access to its services. Ms. Durband obliged. Those sessions are led by graduate students.

Gary D. Bloys and his wife, Anthea, are undergraduates at nearby colleges. They turned to Texas Tech for help designing their budget and a plan for tackling their student loan, credit card, and automotive debt.

Working with a graduate-student counselor was comfortable, says Mr. Bloys, who learned that "you can be flexible with a budget" and use it as a resource rather than a prescription.

The counselor also refined the couple's approach to paying down their debt, convincing Mr. Bloys that it was all right to wait until after their grace period ends to begin paying back their federal student loans.

Even so, he says, "the hard part, I think, is not knowing what to do. It's doing it."

Before the counseling session, Mr. Bloys, 29, based his financial decisions on books he read, a money-management radio show, and advice from his family. "I think everybody should be taught this," he says of the information. It would make more sense, he thinks, for students to learn it as early as high school. "It could save young people a lot of heartache."

What's at Stake

There's a lot of heartache to be had. Just ask Norah J. Al-Wetaid, a recent graduate of the University of Oregon, who worked for four years between high school and college. When she returned to classes, she didn't make a budget, and she overused her credit cards. Now she carries \$14,000 in credit-card debt in addition to \$40,000 in student loans.

Ms. Al-Wetaid wishes she hadn't even had a credit card when she started college: "Shred them right away. There's no need for them."

The solution isn't always so drastic, but many college students clearly run into trouble managing their money. About a quarter of dependent undergraduates have used credit cards to pay tuition. Many students may do so simply out of convenience, but federal studies have shown that students who charge their tuition are more likely than others to carry a balance on their cards. And a recent survey found that fewer than half of high-school seniors knew that card holders are hit with finance charges if they pay the minimum balance rather than the full balance.

That survey, by the nonprofit Jumpstart Coalition for Personal Financial Literacy, an advocacy group, suggests that at least some students are setting themselves up for lingering debt.

For many students, college brings financial decisions they had never had to think about. But not all of them know where to go for good advice. And the stakes are getting higher. Over the past decade, tuition and fees at private and public institutions have increased faster than inflation. And students are borrowing more to pay those bills. From 1993 to 2004, debt levels for graduating seniors who used loans have more than doubled. And the current economic climate has thrown off some families' plans for paying for college.

Of course, there's more to money management than handling debt. Sally J. Lelong is financial-aid director at the Ailey School, in New York, which trains aspiring professional dancers. She tries to convey to students that managing money can become a kind of empowerment. "I feel wrong to just be teaching them about debt and not about money," she says.

Not all of that information is particularly flashy. One of Ms. Lelong's big projects is getting students to keep a journal of their spending. Once they realize they are spending \$200 a month on bottled water, it's easier to persuade them to go through the hassle of making a budget.

Trying to Help

It's clear that students need financial education. What's less clear is who is responsible for providing it.

Things would certainly be easier at the college level if students learned how to handle money in school, or from their parents. But that doesn't always happen. Once they get to college, most students' main contact for money matters is the financial-aid office. The only advice it is required to provide is loan counseling for those students who take out their first federally guaranteed loans.

Financial-aid offices are rarely equipped to offer a broader education in financial literacy, but that doesn't stop aid professionals from trying to help.

At El Paso Community College, students with federal loans are required to come in for loan counseling each year, not just the first time. Linda A. Gonzalez-Hensgen, the financial-aid director, reaches out to students in other ways as well.

She passes along educational materials from Wells Fargo, which offers the student debit cards used by the college. The packets go to instructors in a required course for freshmen, Education 1300.

Some colleges refuse to give out materials from banks, but Ms. Gonzalez-Hensgen thinks it's all right, as long as they do not push a product. "It's a tough situation," she says. "I feel a responsibility, but it's hard to take it on and get resources."

El Paso's financial-aid office doesn't have enough staff members to provide anything more extensive. "In one sense, I want to go out and tell the faculty of [Education] 1300 we're available," she says. "But if all 50 call us, I spend my time in their classrooms and not in my office."

Boise State University, too, wanted to provide more money-management training to students but had limited resources, says Maureen K. Sigler, a senior financial-aid counselor. She settled on an online course, Financial Literacy 101, which is produced by a nonprofit financial-literacy group called Decision Partners Inc.

The company sells the course to colleges, which can then offer it to students at no charge. The interactive course allows students to store financial information and return to it later. It takes only an hour to complete, and administrators are able to check which students have done the course work. Decision Partners' status as a nonprofit group, and not a bank, was a major selling point for Ms. Sigler.

Financial-aid offices aren't always in charge of teaching students to manage money. At the University of Washington, the student fiscal-services office provides training and tips, through its multimedia Web site. Some colleges offer a basic elective academic class. Others have a program or center run by the student-affairs office.

Attracting Students

The greatest challenge in teaching students financial literacy is getting them to show up. That came as a surprise to Duane E. Whitmire, who used to run Bowling Green State University's information-technology department and came out of retirement to lead the new Student Money Management Center. When students needed computer help, he says, they would seek it out. After all, it's hard to get through the day without a working computer.

But not so with the financial-literacy program. "We got contact information for 100 students and only saw 35," says Mr. Whitmire. Some made appointments and failed to keep them.

Colleges have tried all the usual things: pizza, prizes, going into the dorms. Paul Goebel, who directs the money-management center at the University of North Texas, has his staff members work beyond normal business hours. They once held a session for a fraternity at 11:30 p.m.

Mary H. McKinney, executive director of the student financial-assistance office at the University of Central Florida, is developing incentives for her financial-literacy training program. She'd like to offer students small scholarships for attending a session put on with the student credit union. And she wants to add other lessons on money to an existing program in which freshmen can earn prizes by attending helpful workshops on various subjects.

Another option, of course, is to make financial-literacy training mandatory. That's what Austin Jackson, chief executive of Decision Partners, would like to see. If students aren't forced to use available resources, he says, they'll ignore them.

But that is easier said than done, says Ms. Sigler, of Boise State. "Our campus is so large, it'd be difficult to make it a requirement for everyone. What happens if you don't do it? Are you not going to graduate them?"

That notion is unpopular on campuses. Still, Anne Walker, director of student financial services at Rice University, did manage to make exit loan counseling a graduation requirement there.

Financial Illiteracy

Mary K. Morrison took another approach: offering a for-credit class. As director of funds management in Stanford University's financial-aid office, she's been asked some silly questions over the years. One student wanted to know where to cash her W-2. Another was convinced that the money withheld from her paychecks was being stolen by the payroll department. Some enlightenment was called for, and Ms. Morrison believed that students wouldn't take the information seriously unless they were graded on it.

She decided to teach a course, but she wasn't on the faculty. So she asked around and found a faculty sponsor. The university was initially skeptical, but Ms. Morrison persevered. "If you get a unit for learning tennis, why not?" she says.

Nine years later, the course is quite popular with students — and administrators have come to see its value, too.

If she had her way, Ms. Morrison would call her course "How to Live Without Your Parents' Money." For one class exercise, she brings in bags of groceries and has students guess what the contents cost. The students, most of whom live on the campus all four years, usually have no idea, she says. "You really have to spend money on boring things like light bulbs and getting your car washed."

The University of Oregon offers a one-credit class, "Money Management," taught by the assistant director of financial aid. Ms. Al-Wetaid, the recent graduate, took it, although not until her senior year, when she was already deep in debt. Getting a course up and running has proved difficult elsewhere. The fiscal-services office at the University of Washington, which offers training in financial literacy, has advocated for an academic class for years, to no avail.

If a college does offer financial-literacy information just once, it will almost certainly be at freshman orientation. Unfortunately that means the advice is squeezed in with information on nearly every other aspect of college life. Ms. Morrison, of Stanford, thinks that's the wrong time. "Lots of people think freshman-orientation week is a teachable moment," she says. "I disagree." Her own course is geared toward graduating seniors. Their big project is designing a budget based on the average Stanford graduate's starting salary.

But waiting too long can exacerbate the problem. For a student like Ms. Al-Wetaid, early intervention could have helped reduce thousands of dollars of debt. There are pros and cons of offering the training at a given point, says Ms. Durband, of Texas Tech. But any of the options are much better than doing nothing, she says. If the calls she has been fielding from other colleges are any indication, more administrators are beginning to agree.

5 DOLLAR-WISE EFFORTS TO EDUCATE STUDENTS

Bowling Green State University: The student money-management center uses staff and peer counselors to help students make their own budgets. Thirty-five students have gone through counseling since the center started offering sessions, in January, and officials plan to reach out more aggressively to low-income students.

Texas Tech University: The Red to Black program offers students peer counseling as well as educational sessions in a variety of settings. The program sees about 40 new students for one-on-one counseling each semester.

University of Kentucky: It provides financial-literacy information in orientation and in an introductory course that 60 percent of freshmen take. A more in-depth elective class is offered, and the financial-aid office provides one-on-one counseling to students.

University of North Texas: The student money-management center runs a Web site and offers one-on-one meetings and group educational sessions. The center did 149 consultations last semester.

University of Washington: The fiscal-services office runs a Web site on which students can learn about money management through multimedia presentations and tools.