Journal of Student Financial Aid

Volume 42 | Issue 2 Article 3

8-10-2012

Book Review: Student Financial Literacy: Campus-Based Program Development

David R. Smedley

Book Review: *Student Financial Literacy: Campus-Based Program Development*

By David R. Smedley

David R. Smedley is associate director for compliance and training at The George Washington University, Office of Student Financial Assistance, and a member of the Editorial Board of the *Journal of Student Financial Aid.*

Published in 2012, Dorothy B. Durband (Texas Tech University) and Sonya L. Britt (Kansas State University) present in their new edited volume, *Student Financial Literacy: Campus-Based Program Development,* a wide range of perspectives on how to implement successful financial literacy programs on college campuses. This could not be a timelier book, particularly in light of recent statutory efforts to improve "program integrity" through additional consumer disclosures, along with the creation of college costs "watch lists" and "net price calculators." Despite these national efforts, many students and families may still be unaware about the financial costs of postsecondary education, have limited resources on campus to help them learn about financial literacy, or be unaware of resources available to them from governments, community organizations, professional associations and guaranty agencies (Dodaro, 2011; Government Accountability Office, 2011; Hung, Mihaly & Young, 2010; Smedley, 2011, 2012).

This challenge is amplified when students enter postsecondary education not necessarily cognizant of the practicalities of money, credit and finance. Oftentimes, basic responsibilities are often missing like managing their own bank accounts or knowing the differences between a debit cards and credit cards (let alone more advanced finance matters like consumer loans, automobile loans, and mortgages). In some cases, these challenges are exacerbated when parents continue to handle financial matters pertaining to the tuition bill while the student is enrolled in postsecondary education. Parental involvement in the student's postsecondary education may not only restrict the student's own financial literacy, but it may complicate matters for schools given Family Educational Rights and Privacy Act (FERPA) requirements, where the rights on records revert to the student once the student reaches the age of 18 or starts classes in postsecondary education. Durband and Britt's edited volume highlights the challenges that schools face in the development of financial literacy programs and services. The book makes clear that there are at least two structural impediments to implementing successful financial literacy programming and services on campus: identifying the appropriate office on campus to serve as the financial literacy provider, and the problem of the lack of holistic professional development and training.

Most (but not all) of the authors in this volume assume that a "student affairs" office will be responsible for implementing financial literacy programming. They often discuss this with the assumption that a student aid office is not part of that context. The volume illustrates that there are often firewalls between related units typically called "enrollment management" (e.g., student aid, admissions, and registrar) and units typically included in "student affairs" constructs (e.g., student life, career services, support/oversight of student organizations, student housing, etc.). This bifurcation is typical of traditional student affairs theory. However, a student aid office has natural symmetry with financial literacy because of statutory requirements to provide debt management counseling for federal loans and to provide guidance with respect to private loans (a subject that the authors in this volume glaringly ignore, and which is expected to be included in forthcoming legislative changes). Many student aid offices try to avoid being saddled with the responsibility for financial literacy citing lack of budgetary resources or organizational infrastructure as problems. While these may be barriers, they ignore the reality that the student aid office is especially well-poised to be the program manager of such content.

Regardless of where the financial literacy program is housed on campus, the authors of the various chapters do a very good job of walking through steps that offices could take when developing financial literacy programming. For example, they provide various suggestions regarding types of programming, marketing strategies, formulating justifications for the recruitment of financial infrastructure, assessment of financial literacy programs once implemented, and research opportunities that such programming presents. They often frame these discussions in terms of student development theory, which places a high premium on peer development (Newton, Ender & Gardner, 2010). The use of peer trainers, they note, tends to lead to greater involvement by students, but may not be feasible for smaller institutions with limited budgetary means. I would like to have seen more discussion that tackles the practical challenges aid administrators and student affairs professionals have when navigating a bifurcated organizational context, particularly when an "enrollment management" organizational unit exists separate from other "student affairs" units.

One way to help bridge this gap would be by providing a more detailed description of the programs that are already available for schools to potentially rely upon in the creation of their own financial literacy programming and services. There are references to the highly regarded financial education programs at the University of Georgia and Texas Tech University, as well as some discussion of programming at Kansas State University. The authors also note that Cooperative Extensions of land-grant institutions have historically been involved in this kind of service provision, yet there is no suggestion of a central place to go to for schools who are considering the development of financial literacy programs and services.

The reason for this lack of discussion is likely due to the second structural impediment highlighted in the book: the lack of holistic resources on training and professional development for administrative units in higher education. There is no central clearinghouse where an aid administrator can go to look up information on financial literacy programs and services, yet there are tremendous resources schools could use to develop their own programs. For example, many state governments and agencies and departments of the US government have developed financial literacy programs and services that provide content for various professional audiences, and have curriculum requirements in K-12 education (Council for Economic Education, 2012). While the authors consistently refer to the National Endowment for Financial Education (NEFE) as a main resource, its material is focused on the high-school cohort/first-time college student. Financial education for various students populations (e.g., graduate students, students in professional education programs, married students, students in life partnerships and cohabitating relationships) have specific educational needs that go unexamined in this volume. Similarly, given the heightened attention to postsecondary education for military families (i.e., active duty, veterans, and their families) as a result of the Post 911 Veterans Educational Assistance Act of 2008, and the politics of program integrity in higher education relating to military families, it would have been propitious to develop some attention to resources that governments, the private sector, and schools have developed for military families.

Similarly, the book could have offered a more exhaustive list of resources for consideration. Although the authors provide resources in their appendices, the lists are fairly slim. Since one of the ways to implement a successful financial literacy program rests with the institution's ability to tailor programming and services to meet students' needs, it would have been useful to have included a wider array of resources incorporated into the volume. For instance, the Association of American Medical Colleges has produced excellent material on financial education for students pursuing medical education, but this is not incorporated into the book's resource list.

An egregious omission is that the book does not discuss the tremendous resources available on financial literacy by guaranty agencies. Even though the Health Care and Reconciliation Act of 2010 effectively ceased the Federal Family Education Loan Program (FFELP) after June 30, 2010, FFELP loans continue to be serviced. Some guaranty agencies have also been awarded contracts by the US Department of Education to additionally service Direct Loans. The Higher Education Act was amended in 2008 to require guarantors to work with schools to develop and make available high quality educational programs and materials to provide training to students about budgeting, financial management, and financial literacy, which must be provided before, during, and after the student's enrollment. These efforts often fall within the realm of default reduction activities that may be funded by the guarantor's default reduction/prevention account. Many guaranty agencies are doing extremely good work in this vein (e.g., USA Funds' Life Skills Program and Texas Guaranteed stand out as exemplars) and some resources may even be available through banks as part of their compliance with the Community Reinvestment Act. Since schools have established relationships with guarantors, and since this material is free and often comes with options for "train-the-trainer" provision, these can be valuable resources that are unfortunately not discussed in this volume.

One concluding point is worth highlighting because it will help financial aid professionals bridge the gap with student affairs and other bifurcated units on campus. The author of the foreword makes an erroneous point when she notes that "college students lack an understanding that student aid is really a loan and that they really do not have to take all the money that is made available." Student loans are a loan, of course, but gift aid is not a loan unless there is a stipulation that the gift aid converts to a loan according to some condition(s). Given prevailing angst about the potential of new regulation for "standardization of award letters" and standardization of terminology, it's important to get basic concepts right.

One thing that is evident from this volume is that we lack a centralized clearinghouse of information from which aid administrators can tap into and identify financial literacy resources. This presents an opportunity for the student aid community (e.g., schools, lenders in the private education loan market, guaranty agencies, and philanthropic organizations) to embrace this challenge and become leaders in the development of a coordinated effort for effective financial literacy counseling and teaching services. Through the development of new committees to study this issue in our professional associations (and perhaps establishing cross-association super-committees), there could emerge an opportunity to create a national clearinghouse of financial literacy resources from governments, community-based organizations, religious organizations, professional associations, banking and lending organizations, and educational institutions. Student aid offices have a vested interest in student financial literacy programming and services because it may very well be the avenue by which student aid is rescued from the vagaries of "processing" and "packaging", algorithms of need analysis algebra, and the merit-aid wars, towards a renewed consensus for full resourced counseling so that our social infrastructure is strengthened. Student aid has an interest in financial literacy because student aid is a teaching profession, strengthened and undergirded by effective counseling. Despite some of the limitations noted in this review, *Student Financial Literacy: Campus-Based Program Development* can be a useful resource in facilitating these important discussions and collaborations.

References

Council for Economic Education (2012). *Survey of the States: Economics and personal finance, education in our nation's schools*. New York: Council for Economic Education.

Dodaro, G. (2011). *Financial literacy: the Federal government's role in empowering Americans to make sound financial choices: Congressional testimony*. Testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Government Affairs, US Senate (GAO-11-504T).

Government Accountability Office (2011). *Opportunities to reduce potential duplication in government programs, save tax dollars, and enhance revenue* (GAO-11-318SP). Washington, D.C. Retrieved on July 31, 2012 from http://www.gao.gov/new.items/d11318sp.pdf

Hung, A., Mihaly, K., & Young, J. (2010). *Federal financial and economic literacy education programs, 2009*. RAND Corporation. Retrieved on July 31, 2012 from http://www.eric.ed.gov/ERICWebPortal/detail?accno=ED509841

Newton, F. B., & Ender, S. C. (2010). *Students helping students: A guide for peer educators on college campuses* (2nd ed.). San Francisco: Jossey-Bass.

Smedley, D. (2011). Exploring financial literacy counseling resources. *Student Aid Transcript: The Magazine of NASFAA*. Volume 22, No. 1.

Smedley, D. (2012). *Financial literacy: A list of resources from governments, guaranty agencies, community-based organizations, professional associations, and recent publications.* The George Washington University, Office of Student Financial Assistance. Retrieved on July 31, 2012 from http://gwired.gwu.edu/finaid-g/FinancialLiteracy/