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A Class to Prepare Students to Manage Educational Debt

by Roberta S. Popik, Juliann S. Bluitt, Mary F. Bushman and Kim L. Moreland

A student's decision to borrow money to finance his or her education, including the determination of what will be a manageable loan debt, is highly individual and personal. The final decision will reflect each student's career goals, schools of preference, and expectations regarding future life style.

In order to determine manageable debt, a student must make an informed financial judgment. This requires self-analysis of personal goals as well as fiscal analysis of current and future financial obligations. For many students, the financial aid officer is the first person with whom they have contact on personal financial matters. Therefore, we become accountable for beginning the students' financial educations.

Introduction

Dennis (1983) suggested that the financial aid officer's role should be expanded to include responsibility for financial counseling, debt management and debt counseling. Counseling should begin in high school, when decisions prior to matriculation impact college and career choice, and continue through college, graduate and professional school. Its focus should not be limited to the education years since students must understand the post-school impact of current financial decisions. An example of one counseling program, outlined in NASFAA's monograph on financial counseling and debt management (1984), is the Riggs National Bank Lecture Series on Financial Planning, prepared for Georgetown University School of Dentistry. It trains students in concepts associated with short- and long-term financial planning, banking relationships, credit, business planning and structuring debt into an individual student's lifestyle.

Training materials prepared by the Bureau of Health Professions (1985) supported the idea of extensive coverage in financial counseling. They included the following as some objectives of a financial management training program: explanation of fiscal obligations associated with loan debt, budgeting, and marketing principles; introductions to bankers and other financial resource personnel. Similarly, Orr (1985) argued for the systematic education of students and their families to develop an appropriate borrower attitude and a willingness to compromise in order to repay obligations.

The key concept distinguishing these suggestions is that each stipulates that debt counseling must not be restricted to standard entrance/exit interview procedures. Appropriate counseling spans years before and after the college period and includes financial planning in its broadest sense — i.e., it extends beyond student loans into banking, budgeting, credit and other financial principles.

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The purpose of this paper is to describe an elective class on financial planning offered for credit at a Dental School. Although the class is taught to health professions students, its scope is appropriate for undergraduates and students enrolled in other professional programs. In addition, although it was developed as a formal part of the curriculum, portions may be readily adapted to individual seminars offered by the Financial Aid Office.

Stages in Class Development

The class was developed in response to a concern by the Dental School and the Financial Aid Office that many students did not fully understand the implications of borrowing educational loans. This concern resulted from two concurrent trends. First, changes in the financial aid environment resulted in higher debt levels of graduates than had occurred in prior years. Repayment obligations were complicated by the fact that some students borrowed from multiple loan programs. These students would manage complex loan repayment portfolios without the benefit of loan consolidation.

Second, as student debt increased, changes in student attitudes and behaviors were observed. There was a positive trend towards an increase in the number of students who initiated questions regarding loan repayment obligations, explored outside scholarship availability, and limited borrowing. At the same time, however, there continued to be many students who did not read informative publications prepared by the financial aid and student loan offices, and who maintained a laissez-faire attitude with regard to borrowing.

The class originally was developed as a series of seminars modeled after the protocol developed for the Georgetown University School of Dentistry (NASFAA Monograph, 1984). The class was open to the entire student body. A local lending institution collaborated with the Dental School in this effort. The class was discontinued within a year, largely as a result of poor attendance. Despite efforts to maximize the likelihood of attendance (publicity, lunchtime scheduling, free snacks and refreshments), significant and steady declines occurred.

Although students expressed interest in the class and evaluated it as being worthwhile, the subject matter could not compete with the regular curriculum for their time or attention. The decision was made to develop the seminar series into an elective class, one that would be a formal part of the curriculum. Although a limited number of students would be taught annually, those students who enrolled would experience the full scope of the class and be required to be active participants.

When planning the elective class, the collaborative activities were extended to include a second university. It was advantageous for both universities to work together since duplicated effort was minimized. Faculty, lecture outlines and printed materials were shared.

Class Objectives

The class goal was to increase the financial awareness of the students by teaching basic principles of financial responsibility and planning. The class was not intended to be a formal discourse on finance or economics; rather, its purpose was to teach principles that could immediately impact current and future lifestyle decisions. The following list highlights some of the specific class objectives.

1. To assist the student in developing better control over his/her finances through the use of a realistic budget.
2. To separate realities from myths regarding the establishment of a credit rating and the determination of credit-worthiness.
3. To explain the economics of borrowing and how to measure its costs and plan for long-term debt.

4. To learn the process of personal financial assessment and how to research financial sources available to assist the student as he/she becomes a professional.
5. To define the roles of various financial professionals — banker, investment broker, accountant, insurance agent — and the business tools and resources available to the student/young professional.
6. To teach students how to prepare a personal financial statement and a business plan, and explain the uses of these documents.

Class Structure

The class was offered as an elective for credit during the summer quarter. There were nine weekly lectures, each 50 minutes in duration. Class enrollment was limited to 36 students. About two-thirds of the students were financial aid recipients. The following specific topics were taught.

Lecture 1. General Orientation. Class overview; discussed the importance of short and long term personal objectives.

Lecture 2. The Psychology of Finances. Identified the psychological problems created by finances and provided techniques for solving these problems.

Lecture 3. Professional School on $20 a Day. Taught students how to develop better control over their finances through the use of a budget.

Lecture 4. Credit — What it Means to You as an Individual and as a Business Person. Explained the basic types of credit rating, factors affecting credit worthiness, and the effects of bankruptcy on credit.

Lecture 5. Managing Educational Debt. Explained the economics of borrowing — how to measure the costs of debt, estimate loan repayments, plan for long term debt, and choose among repayment options.

Lecture 6. Insurance — Business and Personal. Provided a comprehensive overview of the various types of insurance and the importance of each.

Lecture 7. Business Financial Tools and Resources for the Dental Professional. Taught students how to prepare a personal financial statement and a business plan, and explained the uses of these documents.

Lecture 8. Finances in Dentistry. A local dentist identified financial issues in dentistry and presented various methods of dealing with the issues. A banker commented on the various financial methods suggested by the dentist.

Lecture 9. Oral review on case study for final exam.

Each class had a different instructor. Instructors were obtained from university faculty and administration, local industry and professional associations. In general, instructors were selected on the basis of their knowledge of the topic and their ability to speak well in a college classroom environment. Each instructor was provided with a general orientation to the class. This included suggestions of topics to be discussed, copies of pre-assigned reading materials, and a description of the general characteristics of the audience (e.g., number of students on financial aid, average debt levels, future income expectations, marital status). Instructors were viewed as experts and were not provided a rigid class content to which to adhere. They were given the freedom to prepare the lectures within whatever framework was most comfortable for them and were asked to recommend supplementary reading materials. All instructors volunteered their efforts; none were paid or reimbursed for associated expenses.

Class coordinators from the Dental School and the Financial Aid Office had oversight responsibilities. These responsibilities included preparing the class syllabus and reading materials, contacting the instructors, monitoring each class for content and student attendance, developing the term assignment and evaluating the students.

A general financial planning workbook, directed towards dental students (Felmeister and Tulman, 1983), was used as the class textbook. In addition, recommended readings included chapters from other financial planning textbooks and publications from consumer bureaus. For the class assignment, students evaluated, in writing, a series of case studies.

Effectiveness of the Class

The class was evaluated on its effectiveness in meeting its objective of heightening financial awareness by teaching basic principles of financial planning. Effectiveness was measured by examining evaluations by the students, class coordinators and instructors.

Students. In general, the students evaluated the class as being worthwhile. They found broad exposure to financial principles helpful; for many, it was the first time they had learned about financial planning. Most students focused on how the knowledge would help them after graduation and did not evaluate ways to incorporate the principles into their current lifestyles.

By adding a new class to the curriculum, the Dental School indicated to the students that it placed importance on financial planning and that it was willing to be a partner in their learning experience. The students evaluated most of the faculty as being above par; the specialty emphasis afforded by using different instructors was noted.

Some students criticized the class as being too simplistic in its training. They would have preferred greater detail in some presentations — more "meat and potatoes" rather than overview and personal experience.

Attendance was stable and high, thus differing from the experience of the seminar series. This was to be expected, though, since it was mandated by the attendance requirement for a passing grade.

Class coordinators and Instructors. The most notable observation made by the coordinators and instructors was the lack of student participation in class. This was attributed to two factors.

First, discontinuity was inherent in the class structure. The weekly changing of instructors resulted in variations in teaching style and emphasis. This may have slowed the smooth progression that a class normally assumes over time and constrained student participation.

Second, personal inhibitions prevented students from speaking in public. Finances, even when discussed in generalities, are highly personal. Inhibitions would have been fostered by being among friends and peers, as well as by having the Dental School and Financial Aid Office coordinators present in class. In general, more students initiated conversations with the instructors after class than spoke within class.

There were differences among instructors regarding the strength of the framework around which they developed their lectures. These inconsistencies in teaching strengths caused the "simplistic" comments of some students. In the future, the coordinators will be more explicit when detailing the expected class content. Although the lectures will not be scripted, specific points to be made within the class will be delineated more fully than had been done.

Conclusion

In order for students to make informed financial decisions about the obligations they are assuming with their educational loans, they must understand basic financial principles. Frequently the financial aid officer is the first person with whom they discuss financial matters. One way for financial aid officers to teach financial principles is to develop an elective class taught as part of the formal curriculum. The following are some suggestions for developing a class on financial planning.

1. The issue of student debt management must not be viewed in isolation. Students require a broad understanding of financial principles in order to make informed judgments about how debt may affect current and future lifestyle choices.
2. Students may require incentives to attend financial classes. Merely knowing that the information is important may not be sufficient incentive to take them away from other classwork. Thus, a formal class structure may work whereas an open-to-the-public seminar may fail.
3. Instructors are available from a variety of sources; faculty, administration, industry, and professional associations. This ensures that experts address each topic.
4. Instructors require guidance to understand what materials will be important to the student audience. They need to know the characteristics of the audience (e.g., average debt, future income potential) as well as the class content that will be most relevant towards debt and financial management.
5. Several universities can collaborate to develop the class and thereby share faculty and informational materials.

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