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The Efficacy of Implementing Financial Literacy Curriculum for College Students

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Literacy Curriculum for College Students

by

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Abstract

As college students continue to rely on student loans, it is concerning that only a few interventions are in place to promote financial literacy. The federally required Loan Entrance Counseling and Loan Exit Counseling are ineffective, leaving students at a disadvantage. This project addresses this issue by examining the significance and effectiveness of financial literacy programs at postsecondary institutions. A more comprehensive approach is necessary by implementing a financial education course that covers loan processes, financial literacy, and overall financial wellness.

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Problem Statement

Students who attend colleges and utilize financial aid need to be made aware of federal loan processes and the possible effects they can have. It is crucial for students receiving financial aid while attending college to be well-informed about federal loan processes and their potential long-term impact. Many students in the United States opt to take out loans to finance their college education. However, they often need a comprehensive understanding of the borrowing process and may need to develop financial skills to navigate their daily lives successfully. While the federal government mandates entrance and exit counseling for students who borrow federal loans, this requirement is not extended to students who choose alternative loans to finance their education, creating a significant gap in financial education. Unfortunately, U.S. debt levels are rising, and student loans significantly contribute to this crisis (NerdWallet, date). As of 2020, student loan debt in the U.S. had reached a record high of $1.57 trillion, an increase of about $166 billion from the previous year, according to Education Data (2020).

Insufficient financial literacy education in colleges significantly contributes to the accumulation of student loan debt. The absence of knowledge regarding loan responsibilities can result in suboptimal financial decisions that have ripple effects on other areas, such as mortgages and credit cards. The sheer number of student loans accumulated during post-secondary education can quickly become overwhelming (Financial Literacy: College, 2013). According to Scheresberg et al. (2014), a significant proportion of students are unaware of the financial burden they have taken on until they are already in debt. To address this issue, implementing a mandatory financial education program as apart of the college curriculum will help students make informed financial decisions and promote financial independence.

Importance and Rationale

Often, college is the first-time students will be on their own and faced with making a financial decision, and they must be prepared. According to Borden et al. (2008) and Goetz et al. (2011), only some students entering college are prepared to manage their financial situation or to make effective financial decisions. The situation does not improve as a student progresses toward a degree. Therefore, one of the critical stages of life in which financial literacy education is needed is at the college level for people aged 18-25.

A method of addressing personal finances among students of higher education is through college and university-based financial education programs. Goetz et al. (2011), stated that today's college student is likely to graduate with multiple forms of debt, including car loans, student loans, credit cards, and other liabilities, such as payday loans, title loans, and, on occasion, mortgage debt. When combined into one figure, it is not uncommon for a graduating senior to graduate from college with debt in the high five figures (e.g., $80,000 or more). Loan default prevention and timely graduation are two outcomes that are of great importance in higher education.

According to Heckman (2011), the misuse of credit due to a lack of financial knowledge can have long-lasting effects, such as being un-hirable to future employers due to a poor credit score and difficulty in financing graduate school. A college or university setting offered the opportunity to educate students at essential decision points during their life to help them "avoid mistakes and missed opportunities" (Lerman & Bell, 2006, p. 32). Financial education programs can be efficiently designed to reflect university missions of outreach, research, and teaching while at the same time helping students become more financially independent. Entrance and exit counseling is the only mandated literacy program for college students who take out federal loans.

Additional policies must be needed to ensure students know about the loans they borrow and the promissory notes they signed. If a student decides to take out an alternative loan or any additional loan, there is no mandate to ensure a student knows the borrowing responsibilities. Teaching financial literacy in classrooms is one way to improve the financial capacity of students. By including lessons on intelligent money habits early in their cognitive development, we can encourage young people to save money, foster family conversations, and empower students to be stewards of their financial futures.

Background of Project

Since 1986, the federal government has mandated that federal student loan borrowers receive some form of financial counseling. However, over a quarter of borrowers are in some form of non-payment and at risk of defaulting (Miller et al., 2020). First-year college students should bring some form of financial knowledge before making significant decisions. Unfortunately, that is not the case. According to the 2015 National Financial Capability Study (citation), 26% of the U.S. holds student loans. Many student loan holders need to gain knowledge about their loans. Only 35% of the loan holders knew if their loan repayment plan was income-based, and 19% did not know; 53% did not estimate the monthly repayment cost of their student loans when they were offered loans. Among those who borrowed student loans to attend colleges/universities, 28% still needed to complete the degree/program (Lin et al., 2016). It is evident through student loan debt, loan default, and the increase in borrowing that students need more financial education when making a decision that can negatively affect students if they are not responsible. While federal loans are a cost-effective and dependable resource for students financing higher education, understanding debt management is vital to increasing the likelihood that an investment in education pays off. To reduce the likelihood of significant financial stress after their post-secondary education is complete, students must clearly understand their credit lending options before their post-secondary education begins and assume debt (Miller et al., 2020). Wiley (2020) stated that consumer educators should better inform these student loan holders through effective targeted financial education programs, including online exit counseling at graduation. Providing adequate financial knowledge and an accurate assessment of financial knowledge can promote healthier financial practices and the financial decision-making process for students.

Statement of Purpose

This project aims to increase financial knowledge and provide financial education among college students through a mandatory financial education course integrated into the college curriculum. According to Goetz (2011), there are few times in a person's life when so many financial decisions will be made and so many financial habits formed, as during one's time as an undergraduate. To successfully implement this project, a mandatory financial literacy course will be offered for incoming first-year students and transfer students for the fall or winter of their first year. The financial education course will help students learn about money management, credit, and all loan types, including creating and managing a budget and understanding student loan repayment. Higher education institutions implementing a mandatory financial literacy program have seen increased college completion rates and financial knowledge, attitudes, and behaviors (Money Matters on Campus, 2013). This financial education course's intended setting will be in-person for one academic semester. This financial education course will help foster financial knowledge and skills, helping build financially independent and responsible students and alums.

Objectives of the Project

The main objective of this initiative is to establish a financial education program, which will be mandatory for all first-year and transfer students. The program aims to enhance students' financial knowledge and understanding of how to attain financial independence. Through this program, students will learn how to create and manage a budget, examine their personal money habits, strengths, weaknesses, and values, identify student loan debt, and understand the repayment process. Moreover, they will be able to compare the costs and benefits of different payment types, such as cash, loans, and credit. The course will also introduce alternative ways of paying for college, help students understand their borrower responsibilities, and provide guidance on how to avoid student loan default. Overall, the program will equip students with the necessary skills and knowledge to manage their finances effectively and make informed financial decisions.

Definition of Terms

FAFSA- The Free Application for Federal Student Aid is a form completed by current and prospective college students in the United States to determine their eligibility for students (*What is the FAFSA?* 2019)

Federal Student aid - Federal student aid from ED covers such expenses as tuition and fees, housing and food, books and supplies, and transportation. Aid can also help pay for other related expenses, such as a computer and dependent care (Federal Student Aid n.d.)

Financial literacy- the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being (*Financial literacy* 2023).

Financial education- the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being (Financial literacy 2020).

Loan Entrance counseling - Entrance counseling ensures you understand the terms and conditions of your loan and your rights and responsibilities. You'll learn what a loan is, how interest works, your options for repayment, and how to avoid delinquency and default (Federal Student Aid n.d.).

Loan Exit Counseling - The purpose of exit counseling is to ensure you understand your student loan obligations and are prepared for repayment (Federal Student Aid n.d.).

Master Promissory Note - A Master Promissory Note is a legal document that contains the Borrower's Rights and Responsibilities and Terms and Conditions for repayment. Direct PLUS and Direct Subsidized and Unsubsidized loans have different MPNs. An MPN can also be good for up to 10 years if certain enrollment requirements are met. Therefore if you leave school and return, you may be able to receive additional loans without signing a new MPN (Federal Student Aid n.d.).

Student loan debt - means an individual's obligation to repay a lender for monies borrowed by the individual to pursue an undergraduate or graduate education at attend an undergraduate institution of higher education that is accredited by an accrediting body recognized by the United States Department of Education (Law Insiders, 2022).

Student Loan default - Student loan default happens when borrowers fail to pay their loans according to the terms. Loans are considered as defaulted after months of non-payment (Law Insiders, 2022).

Scope of the project

This mandatory financial education course will be designed for incoming first-year and transfer students in the fall and winter of the academic year. This course will equip students with essential knowledge of money management, financial independence, responsible borrowing, and other financial skills necessary to navigate life successfully; to ensure the success of this program, the university will need to hire or train current faculty and staff who are willing to teach the course after undergoing training. However, it is essential to note that the program's success may depend on factors such as faculty and staff's willingness to adhere to the training, colleges mandating the course, and universities providing resources.

Chapter Two : Literature Review

Introduction

Young adults in the United States must prepare for financial challenges during college and upon graduation. Due to the lack of financial literacy programming at the collegiate level, students must be prepared to make financial decisions. Implementing a financial literacy program can be crucial in ensuring that students are equipped with the necessary tools to navigate their financial future. By educating students on fundamental financial concepts such as budgeting, saving, investing, and debt management, we can empower them to make informed decisions about their finances; this sets them up for success in their personal lives and prepares them for financial wellness and well-being post-graduation. A solid financial foundation can alleviate stress and provide a sense of security and the tools students need to achieve their goals and secure a more stable financial future.

Through the lens of Bandura's self-efficacy theory (1977), this chapter will explore various pre-college experiences, including the significance of financial literacy, family socialization, student debt and default, and resources for evaluating outcomes post-graduation. The literature emphasizes the importance of student well-being and the current student loan debt crisis. After analyzing the literature, it is suggested that postsecondary institutions should provide more financial literacy programs to help students acquire the essential abilities and information to efficiently handle their personal finances while they are in college.

Theory and Rationale

Financial Self-Efficacy Theory

Financial self-efficacy theory suggests that individuals' belief in managing their finances effectively significantly impacts their financial outcomes. Individuals with high levels of financial self-efficacy are more likely to make better financial decisions and achieve financial security. However, individuals who need more confidence in their ability to manage their finances may need help making informed financial decisions and experience financial difficulties. According to Bandura's theory of financial self-efficacy, an individual's belief in their capability to achieve financial goals and manage financial situations has a direct impact on their financial behaviors and outcomes (Bandura, 1977).

Bandura's self-efficacy theory provides a valuable framework for understanding how various factors interact to influence post-graduate outcomes (Bandura, 1977). According to this theory, an individual's belief in their ability to succeed in a particular domain can significantly impact their performance and outcomes. In the context of higher education, this means that student's confidence in their academic abilities and their capacity to manage their finances can shape their post-graduate experiences by examining how student characteristics, pre-college experiences, and student experiences while in college interact impact post-graduate outcomes we can better understand how to support students' success. For example, students who enter college with high levels of self-efficacy may be more likely to seek opportunities for academic and personal growth, ultimately leading to better post-graduate outcomes. Similarly, financial literacy programs and other initiatives to boost students' financial self-efficacy will help mitigate financial stress's negative impact on post-graduate outcomes. By taking a holistic approach to understanding the factors contributing to post-graduate success, we can develop more effective strategies for supporting students' long-term well-being.

Bandura's financial self-efficacy theory offers a holistic approach to comprehending the relationship between factors influencing student outcomes, such as exposure to financial literacy, family socialization, and utilizing federal financial literacy programs. By examining these dynamics, the theory allows for a deep understanding of how students can better navigate financial challenges and achieve their goals.

Research Evaluation

The Importance of Financial literacy

College students often have limited exposure to financial literacy, so they must have resources to help them develop these essential skills. Financial literacy encompasses a range of concepts and abilities, including budgeting, managing debt and credit, saving, and investing. Financial literacy refers to understanding basic financial skills and concepts and successfully implementing them (Chakravorty, P., & Sharma, S. 2022). Many definitions focus on skills and knowledge as essential financial literacy components (Delgadillo, 2014). As students transition into college, their financial decision-making is heightened, and being financially literate is essential. For college students, the knowledge and use of financial aid products, or lack thereof, can have lifelong implications for an increasing portion of U.S. society (Bradley, 2021). In March 2019, the total student loan debt in the United States reached nearly 1.5 trillion dollars, more than double the debt a decade before (Bradley, 2021). About a third of 18–29-year-old individuals reported outstanding student loan debt (Cilluffo, 2019).

A solid grasp of financial literacy is critical to achieving financial stability and independence. By incorporating financial education into students' existing knowledge base, they can better prepare themselves for decision-making and self-sufficiency. Research shows that financial education in high school has a positive impact. Given the increasing debt burden on college students, it is reasonable to assume that financial education in college could have similarly positive effects (Powell, 2020). Specifically, providing training on making informed decisions about long-term loans and money management practices can have lifelong benefits and help address economic inequality (Bradley, 2021). In order to achieve success in our financial future, we must understand basic financial skills and concepts such as earning money, budgeting, debt repayment, and saving, all of which rely on financial literacy (Chakravorty, P., & Sharma, S., 2022).

Financial literacy makes individuals self-sufficient so that financial stability can be accomplished (Bradley, 2021). A great majority who attend college take on debt. Students entering college believe they have managed to be financially responsible by managing their allowance or more minor responsibilities relative to money management (Jobst, 2012). However, most students need help understanding financial aid, loans, debt, rising costs, or budget management. Jobst (2012) states that Young adults in the U.S. need to prepare for the significant financial challenges they encounter. Financial knowledge before and after the debt has been taken is essential to post-graduation success. When students graduate school, they may need to balance their loan payments with several expenses (rent, car payments, and healthcare). Providing a financial education program that enhances becoming financially literate will help influence financial decision-making (Brown, 2009; Katarachia & Konstantinidis, 2014; Lusardi, 2010, 2011; Lusardi & Mitchell, 2013, 2014).

The effect of family financial socialization

Family socialization plays a significant role in shaping an individual's financial literacy. Parents are children's primary learning source and play a crucial role in instilling financial knowledge and skills (KHALISHARANI et al., 2022). Children learn by observing and imitating their parents' financial behavior. Children are more likely to develop good financial habits if parents are financially responsible and make sound decisions. Jin and Chen (2020) examined how formal financial education and family financial socialization help people increase their financial knowledge and skills. NFCS data from 2015 revealed that those with any form of financial education or financial socialization were likely to have a higher level of objective financial knowledge. Parents have been found to influence the financial socialization of their children (Jorgensen & Savla, 2010).

Moreover, family socialization's impact on financial literacy is not limited to childhood. The attitudes and values instilled in childhood often carry over into adulthood. For instance, individuals who grow up in households where financial literacy is emphasized are more likely to seek financial education and resources as adults. In contrast, individuals who did not receive adequate financial socialization in childhood may struggle with financial decision-making and management as adults. According to Danes (1994), financial socialization is "the process of acquiring and developing values, attitudes, standards, norms, knowledge, and behaviors that contribute to the financial viability and well-being of the individual" (p. 128). Parental influence on financial literacy among emerging adults is vital. As students transition into adults, they become financially independent and face multiple decisions to make.

For many college students away from home, it is the first time in their lives that they have to manage their own money and pay their bills (Shim et al., 2010). Due to their lack of financial experience and awareness to begin saving early, young individuals are more vulnerable to financial risks, which leads to problems with their future savings (Utkarsh et al., 2020) and other risky behavior related to money. When a student chooses to continue their education at university after high school, their financial independence will probably be challenged. However, because students live far from home, some still seek financial assistance from their parents during their education and even to fulfill their basic needs (Shim et al., 2010). Students relying on their parents to help make a financial decision poses a risk if students' parents need to have adequate financial knowledge. As financial literacy is patterned along dimensions of social life, it is reasonable to predict that parents and families are differentially equipped to socialize children and develop young adults' financial knowledge. Children of parents who are financially illiterate may be further disadvantaged (Grinstein-Weiss et al., 2012)

According to Jorgensen et al. (2017), improved communication between parents and children about finances resulted in significant improvements in cash management, budgeting, saving and investing behaviors, positive credit usage, and long-term financial planning. However, parents were not seen as the best financial educators for their children and often did not view it as their responsibility. Financial literacy is crucial for both children and college students. While family socialization can impact financial habits, having a solid understanding of financial literacy can lead to informed decisions and financial security in adulthood. College students who understand budgeting, saving, and investing are more likely to avoid common financial pitfalls like credit card debt and student loan debt. They are also more likely to manage their finances independently without relying on their families for support. College students can set themselves up for long-term financial success by developing financial literacy skills. A positive relationship between financial education and financial knowledge was found for workplace-based financial education, school-based financial education, and financial socialization (Kim et al., 2021). To build a solid financial foundation, it is essential to provide young people and their families with the necessary skills, resources, and tools to make informed financial decisions before, during, and after college (Financial Literacy and Education Commission, 2015). Implementing financial education for students, regardless of their families' financial knowledge, will significantly benefit them in their financial future.

Government Support through entrance and exit counseling is not enough

With the rising cost of higher education in the United States, more and more individuals are turning to student loans to finance their studies (Fry, 2012). It is alarming that one in five households now holds education loans (Brady et al., 2021). Despite the federal government's mandate for financial counseling for federal student loan borrowers dating back to 1986 (Miller, 2018), more than 25% of borrowers still struggle with non-payment and the risk of default. To tackle this issue, federal student loan borrowers must go through loan counseling twice - before their first loan (entrance counseling) and before graduation, dropping out, or falling below half-time enrollment (exit counseling) (Anderson et al., 2022). This mandate was implemented to curb the trend of student loan debt and default, which remains a significant issue today (Anderson et al., 2022). However, it is concerning that some students are still not fully grasping their obligations as borrowers. Improving loan counseling for all students, especially those with limited resources, is essential.

Today, student debt has nearly tripled since the mandate, and student default rates are still on the rise. The current counseling approach is inadequate, and students lack knowledge and understanding of student loans. Additionally, a one-size-fits-all approach should be avoided, and demographics, life stages, and learning styles should be considered. To build financial knowledge and confidence, tailored financial education must be provided beyond the initial counseling period. It is essential to provide more time and support to help students navigate paying for college. Loan counseling needs improvement to benefit students, particularly those with limited resources. Current counseling is insufficient for effective outcomes, as many students lack knowledge and understanding of student loans. Tailored financial education is necessary beyond the initial counseling period to build financial knowledge and confidence. Demographics, life stages, and learning styles should be considered instead of a one-size-fits-all approach (Pena, 2007)In a study on the effectiveness of student loan counseling, Huston's (2010) assertion found that effective financial education must focus on both increasing financial knowledge and the confidence to apply that knowledge, Allgood and Walstad's (2016) findings, that both objective and subjective financial knowledge contributed to increased positive debt management behaviors. Thus, the data provide evidence that effective entrance counseling can affect student borrowing in the way in which it was designed. However, we note that one in three students do not even remember the entrance counseling and many report that the entrance counseling was not useful (Klepfer, n.d.).

Implementing financial education in addition to counseling will better serve student success. Requiring universities to provide “continuing education” and inform students on the status of their loan amounts will keep students engaged with the financial obligations they will be responsible for after school and will also further their understanding of interest rates and repayment options (Schickel,2016). Students need more than loan counseling. Student focus group data reveals that borrowers do not know or cannot recall the interest rate and repayment terms on their loans. Surveys also indicate that students do not feel that entrance counseling helped them become more informed borrowers (Mueller, 2014). In a survey of high-debt borrowers, one student described online entrance counseling as "just something I needed to do to get my money" (Jensen, 2014 p.10). In this same survey, 65 percent of students said they misunderstood or were surprised by aspects of their student loans or the student loan process (Jensen, 2014). Most surprisingly, 40 percent of respondents reported never receiving exit counseling or did not remember receiving it (Jensen, 2014).

Many college students do not find loan counseling to be a valuable or memorable experience, which raises concerns about the retention of important loan information. It is critical to mandate more than just entrance counseling for students, as this is not sufficient in helping them navigate the complexities of student loans. Creating programming to help college students throughout their academic journey is essential, and developing required resources can help mitigate the struggles that students often experience. By providing more time and support, tailored financial education can be provided to build financial knowledge and confidence in paying for college. It is important to avoid a one-size-fits-all approach and consider demographics, life stages, and learning styles.

Student Loan Debt

Outstanding student loan debt reached $1.58 trillion in the third quarter of 2021 (Zhang & Fan, 2022). The outstanding education debt burden in the United States has proliferated during the past decade, and the average student loan debt is now close to $57,520 among U.S. households (Helhoski & Lane, 2021). Rising student debt and lack of financial literacy among college students are issues of growing concern to higher ed leaders, particularly those focused on non-academic drivers of student success (Brownlee, 2021).

There is an imminent purpose in implementing financial education courses, resulting from the evidence of the need to help students make financial decisions to help their well-being. Individuals deficient in financial knowledge, specifically low debt literacy, were more likely to engage in negative financial behaviors, such as high-cost transactions, incurring of higher fees, and high-cost borrowing (Zhang & Fan, 2022). In their study published in the *Journal of Financial Counseling and Planning*, the researchers also found that financial education can have both expected and unexpected effects on student loan debt. While it can have a positive impact on financial capability and reduce student loan debt, it can also lead to overconfidence and increased debt. Financial education programs are crucial for university students who are borrowing to finance their education, especially in light of the growing number of students who are taking out student loans and the increasing default rates. This is according to Avery & Turner (2012), who emphasize the importance of such programs in helping students make informed financial decisions when incurring debt.

Collins and O'Rourke (2010) suggest that financial education and counseling programs can help consumers make more informed financial decisions, especially when it comes to incurring debt. This is particularly important for university students who are borrowing to finance their education, as the number of students taking out student loans and default rates continue to rise. Kardash (2020) notes that student loan debt can make it difficult for young people to establish a rainy day fund or save for retirement, with over 80 percent of respondents in a 2018 survey citing their loan obligation as the reason for inadequate preparation for their golden years. Without a clear understanding of their level of borrowing, students may make costly mistakes that they will later regret. According to the Financial Literacy and Education Commission's 2019 Best Practices for Financial Literacy at Institutions of Higher Education report, effectively engaging students and providing clear, timely, and customized information about student borrowing could be keys to reducing poor financial outcomes.

In a study conducted by Markle (2019), two main themes emerged in response to the open-ended question asking participants what they wish they had known prior to taking out student loans. The first theme, reported by 32.1% of participants, concerned a lack of understanding about financial concepts and terms of loans. The second theme, reported by 29.4% of participants, concerned the lack of awareness about financing college, especially regarding alternatives to loans. Many participants said they wished they had obtained information about grants and scholarships prior to applying for loans. Markle's (2019) study reiterates the idea of why financial literacy is so critical. When students are given knowledge prior to making financial decisions, better financial outcomes and behaviors are a result.

Student Loan Default Today, approximately 7.5 million Americans are in default on their federal student loans(Studentaid.gov. ND). Borrowers enter default when they miss 270 days' worth of payments, and being behind on student loan bills has severe financial consequences (Sattelmeyer, 2020) Most borrowers who default do so because their income is inadequate to keep up with their payments (Flint, 1997). Student loan default is one of the largest financial problems facing the United States, with approximately one in seven borrowers defaulting (Federal Student Aid, 2014). While reforms like entrance and exit counseling were implemented to help student debt and default, more is needed. The policymakers who put loan counseling requirements into place agreed that loan counseling alone would not solve the student loan default problem (Anderson et al., 2022).

The consequences of student loan default in the United States can be severe for the borrowers. According to Sattelmeyer (2020), borrowers who default on federal student loans face potential actions, including collection fees; wage garnishment; money being withheld from income tax refunds, Social Security, and other federal payments; damage to credit scores; and even ineligibility for other aid programs, such as help with homeownership. According to Sattelmeyer (2020), borrowers who default on federal student loans face potential actions, including collection fees; wage garnishment; money being withheld from income tax refunds, Social Security, and other federal payments; damage to credit scores; and even ineligibility for other aid programs, such as help with homeownership. The lack of financial literacy can lead to owing significant amounts of debt and making poor financial decisions; therefore, implementing additional forms of financial education on the collegiate level will be beneficial. It is an essential and welcome change if we want to make sure that young people have the basic skills and knowledge to manage their student loans (Lusardi, 2019).

The Need for Financial Education Programming

Financial education is crucial for raising financial literacy (Świecka et al., 2019). The rationale underlying most financial education and counseling programs is that consumers systematically lack financial information and will make "better" financial choices given exposure to added information (Collins & O'rourke, 2010). The rationale behind financial illiteracy is the lack of information provided for consumers. Research shows that "a benefit of early intervention strategies is that colleges can identify "at risk" student behavior and attitudes toward personal finance and can then implement financial-education programs geared toward increasing a student's understanding of basic personal finance. Financial literacy is more important than ever in today's world. A heightened awareness of the need for financial literacy exists due to the efforts of educators, legislators, and organizations such as the Jump$tart Coalition for Financial Literacy (Mandell, 2008).

Developing a financial education program that will support students within colleges is a step in the right direction. A study by Hilbert, Hogarth, and Beverly (2003) explores the importance of the link between knowledge and behavior and focuses on four broad categories of financial practices: cash-flow management, credit management, saving, and investments. Other than acknowledging that universities should implement financial education programs within their curriculum, knowing the structure behind the program is important to ensure success. In order to incorporate the recommendations for changing financial behavior into an educational program, it is first necessary to make decisions on how to structure the course. COHEAO (2014) has stated that while there isn't a flawless operational model for a financial literacy program on campus, four common methods have surfaced: financial education/counseling centers, peer-to-peer programs, programs led by finance professionals, and distance learning programs (Federal Reserve Bank of New York, n.d.).It was concluded in their study that, regardless of approach, colleges and universities must spend time up front to become familiar with issues important to students on their campuses before developing a plan (COHEAO, 2014). A first step is to talk with faculty and staff across campus to understand current trends, such as how frequently emergency loans are requested, the timeliness of payment for student bills, the prevalence of financial holds on student accounts, and default rates for graduates (COHEAO, 2014). Although these findings are accurate within their research, Kathleen Gurney, President and CEO of Financial Psychology Corporation, challenged that students or adolescents first identify their personal feelings about money and their spending and saving styles. After identifying their style, they may decide to adjust it. One might decide to change their style to become a saver or to spend less on “wants” versus “needs” (Association for Financial Counseling and Planning Education, 2006).

A study conducted by Borden (2008) found that students who participated in a financial-literacy seminar were able to increase their financial knowledge and decrease risky financial behaviors, such as using credit cards as an alternative-income source. This increased financial knowledge could lead to better-informed financial decision-making and lower student loan debt. The study used a sample of 93 students, with the majority being female and not employed. The results suggest that effective financial education offered in a seminar format may be convenient and accessible to a broader audience of college students, and therefore, financial education programs are necessary for students to make informed financial decisions.

To sum up, studies indicate that financial literacy education programs strive to equip individuals with the knowledge, abilities, and expertise needed to become discerning and well-informed consumers of financial services, as well as to manage their finances effectively (Mason & Wilson, 2000, p. 5). In general, the evidence suggests that financial education can lead to more informed consumers who make better financial decisions

Summary

It is widely recognized that having financial literacy is crucial for individuals to make informed decisions about their finances. This knowledge can be gained through financial education programs, which equip people with the skills and expertise to become knowledgeable consumers of financial services and manage their money effectively. Family socialization also plays a role in shaping financial habits, but there are gaps in federal financial literacy programs that make it necessary to offer financial education at the collegiate level. Student debt is a major issue, with over 45 million individuals owing money and a total debt of $1.58 trillion in the third quarter of 2021. Financial education programming is essential for college students to make informed decisions about their post-graduation finances, including comparing college costs to estimated future earnings, debt service, and future expenses. Early financial education can help students build strong money habits and avoid lifelong money struggles. Student counseling mandates show concern, but more financial literacy programming is needed in higher education.

Conclusion

Financial literacy is crucial for individuals to make informed decisions about their finances, especially in the face of rising tuition costs and federal student loan debt. It is essential to have a good understanding of personal finance, especially with the rising cost of tuition and increasing student loan debt. Although family influence plays a role in shaping financial habits, there are gaps in federal financial literacy programs that make it necessary to offer financial education at the college level. College students need access to financial education programming to help them make informed decisions about their finances after graduation, such as comparing college costs to future earnings, managing debt, and planning for future expenses. Colleges must take responsibility for implementing educational opportunities to promote student success. Our suggested program would improve financial literacy and encourage discussions about students' financial futures. By providing students with tools to understand their federal loan status, interest rates, and repayment options, we can help promote healthy money habits and prevent long-term financial difficulties. Financial aid institutions' role is to provide access to financial education and resources to help students achieve their goals. The following section outlines a course developed for colleges to implement on their campuses.

Chapter Three: Project Description

Introduction

Since 1986, the federal government mandated that student borrowers receive some form of financial aid counseling (Miller et al., 2020). However, over a quarter of borrowers are in some form of non-payment and at risk of defaulting. While the federal government implemented a mandatory process for students to complete upon becoming a student borrower, more is needed to equip students with the necessary financial information to prepare them for financial decision-making in college and post-graduation. This mandatory financial education course for first-year students will ensure that students are in preparation for financial decision-making. The course will be FINED:101(Financial Education, Wellness). FINED: 101 will aid students in examining personal financial habits, strengths, and weaknesses, recognizing the importance of understanding and managing money in reaching financial goals, comparing the costs and benefits of money types (e.g. cash, credit, loans), identifying alternatives to paying for college, and the responsibilities of being a loan borrower.

As stated in the syllabus (Appendix B), this financial wellness course aims to ensure that student's future financial planning, management of debt, and knowledge of loan repayment are thoroughly defined. Encouraging intentional approaches to financial education policy and practice that focus on evidence-based strategies, are informed by the right stakeholders, and are driven toward meaningful impact (Miller et al., 2020).This course is designed to be completed in one semester and has a host of topics to help reduce the likelihood of significant financial stress after their post-secondary education is complete; students need to clearly understand their credit lending options as they assume debt, and make decisions.

Project Components

The financial aid course FINED: Financial Education Wellness 101 is mandatory for first-year and transfer students enrolling in post-secondary education. Although all first-year students may not borrow student loans, the curriculum is complex and will benefit all students. Financial literacy is understanding financial concepts – like interest rates, student loans, credit scores, and budgeting – and how finances work (Silver, 2023). The FINED:101 curriculum can be taught in person and as an online synchronous course. Each first-year or transfer student must enroll in this course once and can enroll using their school's registration process. The course content is detailed in Appendix B and will follow the syllabus.

FINED:101 coursework is designed for students to be interactive in learning and intentional for their situations. While completing the semester, students will focus on three main objectives: financial literacy foundations, a student borrower's responsibilities, and financial planning. These topics will be covered over the semester, followed by a final examination to assess the knowledge obtained. In addition to each objective, students' expectations for the course are to engage in assigned discussion for each weekly series complete all assigned work, and apply each learned skill to practice through the assignments, midterm, and final exam (Appendix B). By helping students identify and define their relationships with money; this course can serve as the foundation for healthy financial habits.

Financial Literacy Education

One out of every five U.S. students lacks basic financial literacy skills, highlighting the importance of each lesson plan created for weeks one through six (Silver, 2023). The first four weeks of this course are developing student knowledge of financial concepts and financial terms. The goal of the first two weeks is to ensure students know about any debt they have taken and what their next steps are (e.g., interest, loan repayment). The syllabus (see Appendix B) focuses on helping students bridge the gap between Federal Entrance and Exit Counseling through this course. To help student limits confusion about their situation, in week three, students will complete an assignment to break down an award offer for attending college. This assignment will allow students to apply financial terms learned in weeks one and two and apply them to break down each award offer and the best-case scenario for each scenario given. Building financial education in this course ensures students feel confident in their decision-making, which is why the first three weeks are critical for student knowledge.

Actively managing current debt and potential debt is significant as a borrower. The course will teach students the foundations of money, credit, and saving in week three. Implementing the foundations of money, students will engage in weekly discussion posts tailored around concepts around money. Students' midterm assignment is to create a budget (see Appendix C. This assignment will help students understand the importance of managing finances properly. Students must track and list their expenses and income for a fixed period. Students can use the information to create a detailed budget to help them make financial decisions. This assignment is an excellent opportunity for students to learn how to manage finances and prepare for their future. College can be a significant investment, and ensuring students know all financial concepts is fundamental in this course. Skill tests and homework assignments will be distributed often to ensure students retain the information and develop the understanding to apply it in their tailored experiences. Implementing strenuous coursework within the curriculum will ensure that the impact of spending, decision-making, credit, borrowing, and saving is understood. Overall FINED:101 course goal is to help reduce the likelihood of significant financial stress on students during and after post-secondary education is complete.

Student Borrower

Being a student borrower is a considerable responsibility that most students are unaware of pre-college. Student loan borrowers in the U.S. carry $1.75 trillion in debt yet still determine the details (Education Data, 2020). FINED:101 will help students build an understanding of repayment. This course educates students on their responsibility for their loans, terms of the master promissory note, loan services, and additional concepts of repayment.

In this course, the importance of being a responsible borrower is a primary objective. The government designed entrance and exit counseling to help students through the process of borrowing. However, the content provided through the counseling requirement has proven to be minimally informative. As a student borrower, it is crucial to understand the long-term consequences of taking out loans and their impact on their financial future. Students' assignments will be to develop a comprehensive plan that will help them manage their student loans effectively. This plan will include a detailed breakdown of students and their current loan balances, interest rates, and repayment options. Each student will be responsible for researching various debt repayment strategies, such as consolidation and refinancing, and determining which approach is best for their unique situation and why. Students will be responsible for sharing each strategy in discussion boards so all information is available for their classmates. Additionally, students will explore ways to reduce overall loan debt, such as scholarships, grants, and work-study programs. This assignment aims to build confidence and ensure students have the necessary resources to make informed decisions about student loans and achieve long-term financial stability. To succeed in this course, students must be transparent with their information to apply it to their borrowing. This course will aid students with the knowledge, skill, and practice to apply in their personal lives..

Financial wellness

Transitioning from high school to post-secondary education can be challenging for students. A students' financial wellness substantially impacts their success during the transition to post-secondary education and their ability to persist to graduation (Willig et al., 2021). A core part of the curriculum for this course will engage students to begin preparation for their future post-graduation. Shifting towards the final weeks of this course, students will be building financial wellness and future financial planning. While college provides an excellent education, it only sometimes prepares students for the financial responsibilities of entering the workforce. Therefore, students must have a comprehensive plan that outlines their financial goals and strategies for achieving them.

Regarding future financial planning, college students should prioritize understanding the importance of retirement savings, developing a strategy for paying off student loans, and setting financial goals. In addition, this course will bring on other parties who work with financial planning. The two facilitators will be invited into the classroom to help lead two separate weekly series on savings goals and strategies, retirement, and investing. The two facilitators that will teach are up to the professor's discretion. Each facilitator will be experienced in financial concepts and clearly understand the importance of retirement savings, developing a strategy for paying off student loans and setting financial goals.

Additionally, the facilitator should be able to guide students in creating a budget that includes specific savings goals and strategies for managing expenses. The facilitator must encourage students to track their expenses and set aside a portion of their income for retirement, loan payments, and other financial goals. The facilitator should also stress the importance of regularly reviewing and adjusting the budget to ensure long-term financial stability. By providing guidance and support, the facilitator can help students stay on top of their finances and make necessary changes as their financial situation evolves. Students can ensure that they are on the right track toward long-term financial stability by tracking expenses and setting aside a portion of their income for retirement, loan payments, and other financial goals. By developing good financial habits early on and seeking guidance when needed, students can set themselves up for long-term success and stability.

Project evaluation

This project aims to implement a financial literacy course to ensure students learn new financial practices and develop skills to promote positive financial decision-making as they navigate college and after. FINED:101 will ensure the effectiveness of this course will be evaluated using a pre-assessment (see Appendix A),and final exam (see AppendixD).. A pre-assessment will allow the course to gauge students' current financial literacy knowledge and growth opportunities. The pre-assessment will be given to students to complete during the first week of class. The pre-assessment is designed with short answers, ranking, and multiple-choice. The pre-assessment will allow the teaching profession to evaluate what topics need more attention and which can be adjusted on the syllabus. Upon completion of the course, the students will have to complete a final exam. Students will have the ability to provide feedback on what also was missing from the course.

As a student entering post-secondary education, financial autonomy is instant. The goal of this FINED:101 is to implement a financial literacy program that will help students become financially literate and be confident in their decision-making. Using the feedback from this course will be challenging to measure; however, every semester, the teaching profession will be able to adjust the course based on feedback received that they feel will progress the course in the best way.

Project Conclusion

Entrance counseling, exit counseling, and completing a master promissory note are the only mandated financial counseling a student borrower must fulfill. Unfortunately, the content provided through the counseling requirement has proven to be minimally informative. According to, the last semester before graduation and the "grace period" before student loan repayment begins are crucial for students to prepare to repay their loans, understand their options, and plan for their financial future. Informing students of the importance of understanding their repayment obligations before leaving or graduating may help them focus on their financial obligations and other major life decisions. It is evident through the research that providing financial education will help to improve financial independence when students are faced with making important decisions. Implementing this mandatory financial course will benefit students affected the most by student loans, credit cards, saving, money management, and more financial concepts. First-year students and transfer students coming to any post-secondary institution will be given the tools and resources to effectively prepare for their decision-making and possible financial outcomes depending on their situation as students and borrowers. Implementing FINED:101 will ensure students have a course designed to foster healthy financial habits to help them. Students can always reference content in the course tailored to their situation as they navigate college and post-graduation.

Plans for Implementation

To ensure that implementing this course is done effectively, this course will be able for student registration beginning Fall 2025, the next academic year. To ensure FINED:101 is available for the following academic year, the assigned faculty will conduct assessments and evaluations of the curriculum and syllabus to ensure the coursework meets all requirements and that there are enough supported resources for this course. FINED:101 is a course can be offered in any college, designed to pivot for any change.

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Appendix A

Pre-Assessment

Name:____________

Date:_____________

Please answer the following questions below: 1 = less confident, 5 = highly confident.

1. **I am comfortable making financial decisions about my education.**

   1 2 3 4 5
2. **I know how to read the Cost of Attendance letter (COA)**

   1 2 3 4 5
3. **I know how to create a budget to manage my finances.**

   1 2 3 4 5
4. **I know how to find the terms of my loan to finance my education**

   1 2 3 4 5
5. **I know the difference between checking and savings accounts**

   1 2 3 4 5
6. **I know when my student loan repayment begins**

   1 2 3 4 5
7. **I know how to find my credit report**

   1 2 3 4 5
8. **I can use a private loan to pay my tuition**

   Yes | No
9. **I signed a Master Promissory note ?**

   Yes | No
10. **What information would you like to learn this semester about how to manage your finances?**

Appendix B

Course Syllabus

FINED101: Financial Wellness

Instructor: TBD
Location: TBD
Meeting Times: 1:00-2:50
Meeting Days: Monday, Wednesday, Friday

Course Overview

The objective of this college financial literacy course is equip students with the necessary skills and knowledge to make informed financial decisions. Throughout the course, students will learn about budgeting, saving, investing, credit, insurance, retirement planning, taxes, debt management, and estate planning. By the end of the course, students will be able to develop a comprehensive financial plan that takes into account their unique goals and circumstances, and apply practical skills to real-world financial situations.

Learning Objectives

1. . Develop an understanding of the basics of personal finance, including budgeting, saving, and investing.
2. Learn how to create and manage a budget, including tracking expenses and creating a savings plan.
3. Understand the importance of credit and how to build and maintain a good credit score.
4. Explore different investment options, such as stocks, bonds, and mutual funds, and learn how to create an investment portfolio.
5. Understand the basics of retirement planning, including calculating retirement needs and exploring different retirement savings options.
6. Develop strategies for managing debt, including credit card debt, student loans, and mortgages.
7. Develop a comprehensive financial plan that takes into account your unique goals and circumstances.

Course Schedule : Subject to change

Week 1 **Mon- Fri: Date TBD**	**Welcome, Introduction to Financial Wellness** **What do you know?** - Discussion on final project - Class Expectations Pre- Assessment	**-Discussion Post due Friday by 11:59** **-Topic will be on Blackboard**
Week 2 **Money Management series**	**Budgeting tools for loan repayments**	**Discussion Post due Friday by 11:59** **-Topic will be on Blackboard**

	- Repayment options and loan forgiveness programs **- Understanding interest rates - Effective debt management strategies** **- Planning for unexpected financial challenges** **- Financial assistance resources**	
Week 3 **Student Borrower Series**	What are your expectations as a student borrower ?	**Discussion Post due Friday by 11:59** **-Topic will be on Blackboard**
Week 4 **Student Borrower Series**	What are your expectations as a student borrower ?	**Discussion Post due Friday by 11:59** **-Topic will be on Blackboard**
Week 5 **Midterm** **Budget Assignment**	**Midterm** **Budget assignment**	**Discussion Post due Friday by 11:59** **-Topic will be on Blackboard**
Week 6 DEBT - What is debt ? DEBT Series What is your monthly debt Credit cards Student loans Car payments Personal loans	**Debt series** What is your monthly debt Credit cards Student loans Car payments Personal loans	**Discussion Post due Friday by 11:59** **-Topic will be on Blackboard**
Week 7 **Credit**	What can credit do for you ? Understanding Your Credit Report. Discussion post due 11:59p.m Derogatory, Default, Debt Effects on credit Draft of Money management Essay due	**Discussion Post due Friday by 11:59** **-Topic will be on Blackboard**

Week 8 **What is Money management,** Short/Long term goals	**Long term/ short term goals. Prep for final budget assignment**	**Discussion Post due Friday by 11:59** **-Topic will be on Blackboard**
Week 9 What is Student loan Default - Entrance Counseling - Exit Counseling Master Promissory Note	**Entrance Counseling** **Exit Counseling** **NSLDS** **MPN**	**Discussion Post due Friday by 11:59** **-Topic will be on Blackboard**
Week 10 **Financial Facilitator Series** **Savings, retirement, financial wellness**	**Financial Facilitator Leads series**	**Discussion Post due Friday by 11:59** **-Topic will be on Blackboard**
Week 11 **Financial Facilitator Series** **Savings, retirement, financial wellness**	**Financial Facilitator Leads series**	**Discussion Post due Friday by 11:59** **-Topic will be on Blackboard**
Week 12 **Exit Counseling series** - **Students will focus on default, debt , repayments)**	**Week 13** **Exit Counseling**	**Week 14** **Exit Counseling**
Week 15 **Final Exam**		

Appendix C

Student loan budget Assignment (Sample)

Name :________________

Instructions:

Please take a realistic look at your current financial situation, planned career goals, beginning salaries in your career field, and anticipated monthly repayment amounts.

BUDGET INSTRUCTIONS:
Indicate your current EXPECTED income and expenses you currently have. Please include *transportation, housing, and food.

Post-GRADUATION BUDGET INSTRUCTIONS:

Take a look into entry-level wages for your intended occupation and create a budget that is based on your anticipated monthly salary and your anticipated monthly expenses. For future income information, visit the U.S. Bureau of Labor website (www.bls.gov) and research current entry-level wages for your intended career.

You will need to select a specific location and a specific career. Please make a copy of the page with the "annual mean wage" for your intended career and include it with your request. U.S. Bureau of Labor Website: www.bls.gov

Below you will find categories to create your budget :

-Housing	- Emergency fund	- Mortgage/ Rent	-Health Insurance
- Groceries	- Transportation	- Extracurricular activities	- Car insurance
- Utilities	- Phone Bill	- Emergency Fund	-Credit card payments

-Please add all expenses to your projected expenses and budget

Appendix D

FINED:101 Final Exam

Name:___________
Date: ____________

1. In your own words define financial literacy:

2. Define the following terms below
    - Scholarships-
    - Subsidized Loan -
    - Unsubsidized loans -
    - Forbearance-
    - Work study

3. What is the difference between default, and deferment ?

4. Do you have to accept the full loan amount that is offered on you award letter ?

5. When does the loan repayment period begin ?

6. If a loan becomes delinquent how long before it enters default ?

7. What is a credit score? What information can you find on a credit report?

8. What is Exit Counseling? When is it required to be completed ?

9. What is the importance of creating a financial budget ?

10. What determines the amount of federal aid you will receive ?

11. Please share your feedback on your experience in FINED:101. What aspects of the course did you enjoy and what areas do you think need improvement? Specifically, what did you like about the course and what didn't you like? Your input on this will help us to enhance the course and make it even better for future learners.