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Loan Counseling for Graduate and Professional Students

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THE NEED FOR EXPANDED FINANCIAL LITERACY EDUCATION

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AccessLex INSTITUTE℠
Empowering the Next Generation of Lawyers℠

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March 2016

A report from Access Lex Institute

This report was commissioned by AccessLex Institute by Patricia Steele, Ph.D. and Chad Anderson at Higher Ed Insight.

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Executive Summary

With soaring student loan debt and worrisome loan default rates in the United States, higher education stakeholders are eager to strengthen existing loan counseling practices and create more comprehensive approaches to financial education. While most of the research and media attention on student debt has focused on undergraduates, the graduate and professional student population has remained under-researched, despite the fact that their debt makes up 40 percent of the $1.2 trillion national student loan debt (Delisle, 2014). With potential federal legislation on the horizon that may increase colleges' accountability and universities' accountability for cohort default rates (Protect Student Borrowers Act, 2015; Student Protection and Success Act, 2015) and other metrics related to successful repayment of student loans, it is increasingly important that institutions of higher education engage more deeply in building students' financial understanding and abilities. In light of this situation, AccessLex Institute, Inc. requested that Higher Ed Insight, a research consulting firm, review the existing literature on graduate student loan counseling and financial education in hopes of finding promising practices, new approaches, and actionable recommendations to support graduate and professional students in making optimal financial decisions about their loans and other aspects of their personal finances.

This report surveys the landscape of student debt, loan counseling, and financial education, with a focus on graduate and professional students[1]. We found that graduate students, while a diverse population, often are at points in their lives—such as parenthood or paying off undergraduate loans—that, when coupled with additional student debt, make for challenging paths forward (Belasco et al., 2014; Kantrowitz, 2014). Additionally, millennials—the generation to which the majority of the nation's current graduate students belong—have been found to be overly confident in their financial knowledge and capability despite showing low financial literacy (Scheresberg et al., 2014). Furthermore, populations historically underserved by higher education—including people of color, low-income students, women, and single mothers—are most at risk of financial pitfalls associated with high student debt (Belasco et al., 2014; Kim & Otts, 2010; Scheresberg et al., 2015). This latter finding builds a compelling charge to higher education institutions and loan counselors to take on broader financial literacy education as an equity and student success issue.

A focus on graduate students is also important because graduate students, unlike undergraduates who face annual and cumulative limits, can readily borrow up to the cost of attendance, minus other aid, through the federal student loan programs. This can lead these students to borrow at high volume without being fully aware of the implications, or otherwise restrained through the underwriting criteria that is applied by private sector lenders. Of course, the nuances of student loan borrowing are also important, and the significant differences between master's and doctoral student debt as well as the differences between debt taken on by graduate students in various disciplines demonstrate that a one-size-fits-all approach to loan counseling may not be effective in equipping students with the knowledge and support they need to achieve financial stability.

Moreover, the loan counseling resources offered by the federal government are almost exclusively geared toward undergraduates, their families, and their counselors. Researchers have also found these counseling modules to be ill-timed, overly long and complicated by jargon, and weighed down with poorly designed calculators and tools [Fernandez 2015a; 2015b). At the same time, third-party vendors who offer loan counseling have not been extensively examined in empirical studies, and those programs that have been assessed do not demonstrate clear results supporting their effectiveness (U.S. Financial Literacy and Education Commission, 2015).

While this report advocates for colleges and universities expanding their focus beyond student loans and debt to support their students' financial health, we realize that, for many institutions, loan counseling is a key starting point for any student financial literacy program. Thus, the following recommendations emphasize loan counseling as a point of access to students. In addition to our own observations, we draw from a series of reports from TG Research and Analytical Services that provide an in-depth, qualitative look at the U.S. Department of Education (ED) entrance and exit counseling modules used for three-fourths of

1. For the sake of brevity, this report often refers to both graduate and professional students as "graduate students," but makes distinctions between these two groups when appropriate.

all students. We also pull from findings of a project by the Council of Graduate Schools (funded by TIAA-CREF) entitled *Enhancing Student Financial Education*.

Recommendations for Colleges and Universities

- Create supplementary resources to help students understand loans and loan counseling before they use the ED modules.
- Offer an in-person loan counseling option.
- Engage students often and meaningfully about their loans and their financial literacy generally, across multiple milestones and in settings students already frequent.
- Individualize, diversify, and simplify methods for students to monitor their loan(s) and repayment, such as annual debt reviews, online monitoring tools, and scheduled, gradual fund dispersals.
- Find ways to assess the financial needs and knowledge of your students.
- Target interventions toward students most at risk of loan default or financial mismanagement, which may include individuals from historically underserved backgrounds.
- Create incentives for responsible financial management and loan borrowing.
- Use innovative marketing designed just for graduate students (or other targeted groups) that will capture their attention around loan repayment options at different points throughout the year.
- Consider ways to cross-train campus staff so that all staff and faculty interacting with graduate students have the same information and resources available to support students.
- Create a holistic approach to improving students' financial literacy, incorporating financial education widely across the curriculum and co-curriculum.

Recommendations for Loan Counselors

- Personalize information to make it relevant to the individual.
- Offer annual reviews of student loan indebtedness and other methods for students to monitor their accrued debt.
- Communicate with borrowers often and in many different forms.
- Identify and reach out to at-risk borrowers by providing additional services, information, and outreach.
- Gather and assess data to evaluate the impact of the different services you provide by tracking the decisions of borrowers.
- Provide borrowers with other trusted resources for debt counseling since some borrowers are facing financial difficulties beyond just student loan repayment.

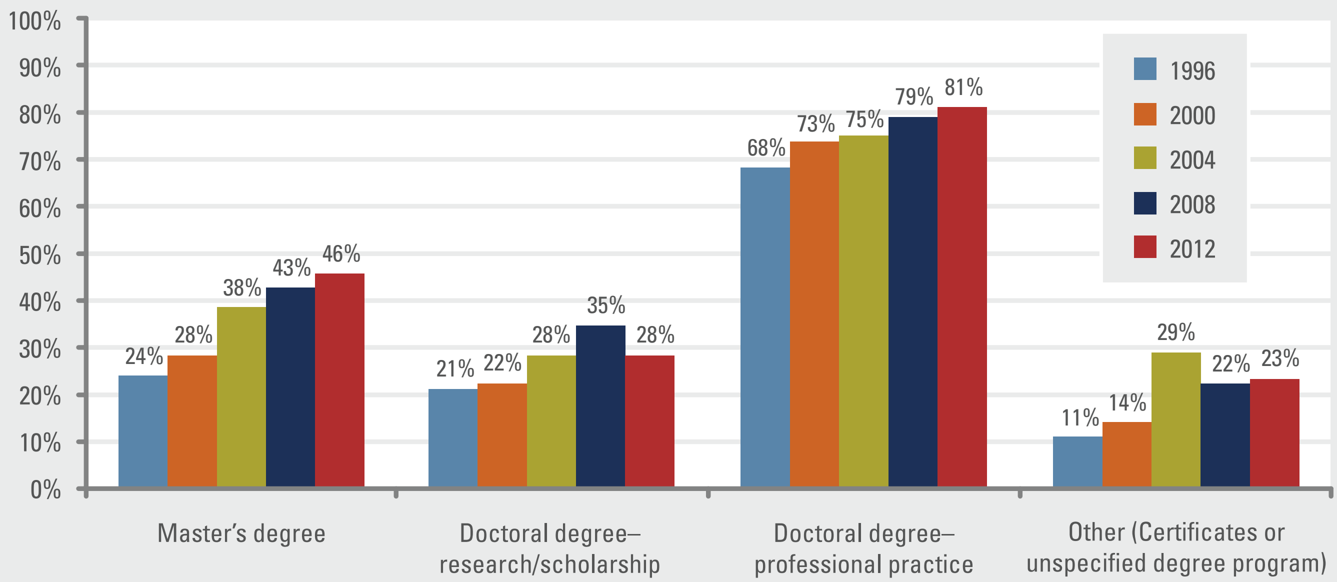
Introduction

As the price of higher education continues to climb and student loans remain easily accessible, a growing share of students are turning to loans to finance their education and obtain the economic, social, and professional opportunities it can provide. In the United States, the total volume of outstanding student loan debt grew on average eight percent per year in constant dollars from 2009 to 2014, reaching a total of roughly $1.2 trillion in 2014 (College Board, 2014a). These student loans may be burdensome for recent graduates and particularly those who do not complete their degrees (Looney & Yannelis, 2015). Close to one-fifth of individuals in student loan repayment have difficulty managing the cost of basic living expenses like food and housing costs (Harris Poll, 2015), and loan default is also a growing problem (Looney & Yannelis, 2015).

While much of the attention paid to the issue of student loans focuses on the high levels of debt undergraduates carry into post-college life, graduate school loans account for 40 percent of the $1.2 trillion in outstanding student loans, even though graduate students only make up 16 percent of the overall student population (Delisle, 2014). As Figure 1 below demonstrates, more and more graduate students have borrowed to finance their education in the last two decades, and in the case of students pursuing master's degrees, the percentage of borrowers has nearly doubled since 1996. As we discuss in more depth in a later section on graduate and professional student borrowing, the average amount borrowed by graduate students has also grown significantly during the same period (College Board, 2014a). While graduate and professional students do have lower cumulative lifetime default rates than undergraduate students at seven percent and 22 percent, respectively (Dynarski, 2015), they still have to face the challenge of making decisions on how much to borrow and how to navigate the multitude of repayment options and terms.

Given the presumption of high levels of financial literacy and high levels of earnings among professionals with graduate degrees, one may assume that borrowing by students seeking graduate and professional degrees is not a significant concern. In reality, however, some graduate student borrowers face significant challenges in loan

Figure 1: Percentage of Graduate Students with Loans, 1996–2012



Note: Loans include only loans to students and may be from any source, but exclude other forms of financing such as credit cards, home equity loans, and loans from individuals, such as family or friends. Estimates include students enrolled in Title IV eligible postsecondary institutions in the 50 states, the District of Columbia, and Puerto Rico, except in 2011–12. A separate total excluding Puerto Rico was created to compare totals across all years.

Source: National Center for Education Statistics (NCES), 2015, Trends in Graduate Student Financing: Selected Years, 1995–96 to 2011–12, Table 7. Retrieved from http://nces.ed.gov/pubs2015/2015026.pdf.

repayment and take on far higher debt loads than they can manage. Contributing factors include few limits on student loans for graduate and professional students coupled with relatively unrestricted access to loans and a lack of attention to loan counseling for this population. Many graduate students, for example, describe feeling burdened in figuring out how to navigate repayment and express regret about the volume of debt they took on (Klepfer, 2015). This finding raises questions about what factors may contribute to borrowers' difficulties in understanding the terms of their borrowing agreements and successfully repaying their loans. Studies suggest that a lack of overall financial literacy may be a contributing factor and should be addressed if borrowers are to understand fully the relationship between income and repayment and make the best choices about borrowing given their personal circumstances (Delisle, 2014; Scheresberg, Lusardi, & Yakoboski, 2015).

Improving student financial literacy and preventing loan default is important to institutions of higher education not only as a student success issue, but also potentially as an economic and legal one. There is currently no compelling reason for colleges and universities to double-down on default prevention because the cohort default rate (CDR) thresholds that trigger penalties by ED are high enough that most schools are inconsistently or rarely held accountable for alumni's failure to repay loans (Alexander, 2015). However, this has not escaped notice in Congress. For example, the U.S. Senate is currently working to pass legislation that would require institutions to participate in risk-sharing in federally funded loan programs—the specific share to be dependent on the institution's CDR (Protect Student Borrowers Act, 2015). Other legislation would deem institutions ineligible for certain federal programs if their cohort repayment rate falls below a predetermined percentage (Student Protection and Success Act, 2015). Senator Lamar Alexander (2015) has suggested that risk-sharing, or a "skin-in-the-game" approach, may prompt institutions to invest more in students' financial health after completion and during repayment so that they do not lose key funding and are not forced to raise tuition. Advocates for this approach also suggest that risk-sharing may improve student success, especially for low-income populations, since institutions will be evaluated by how well they support their student body (Kelchen, 2015).

The purpose of this report is to review the existing literature on graduate student debt and examine best practices in loan counseling that can be applied to better support graduate and professional students as they manage their borrowing and repayment choices. While this paper is focused on loan counseling, borrowing is only one of many interconnected financial choices that graduate and professional students make. This paper, therefore, advocates for loan counseling to take place within the larger context of financial literacy for graduate and professional students. In the following pages, we explore the characteristics and challenges of today's graduate students and their relationship to debt and financial literacy; provide context by breaking down graduate and professional student borrowing by program type; and discuss the scarce and ineffective methods by which graduate students obtain information about borrowing and repayment. We conclude the report with recommendations and examples to help campuses and loan servicers better equip and educate graduate students to make sound financial decisions.

Graduate Students and Financial Literacy

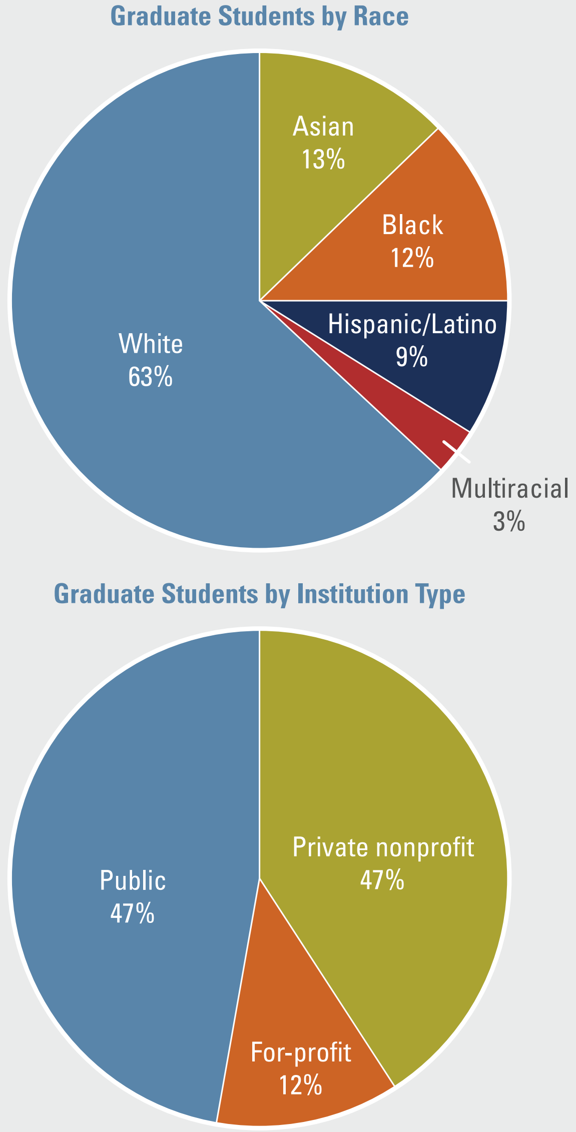
Before exploring the financial literacy of graduate students, it is important to profile who graduate students are today. The National Center for Education Statistics (2014) reported that in 2011–12, over 60 percent of graduate students were women. As outlined in Figure 2 on the following page, more than a third were non-White—with roughly 12 percent identifying as Black, nine percent as Hispanic/Latino, 13 percent as Asian, and three percent as multiracial. A plurality of these graduate students attended public, nonprofit institutions (47 percent), while 41 percent attended private, nonprofit institutions and 12 percent attend for-profit institutions.

Nearly half (45 percent) of graduate students received federal financial aid in 2011–12. Over a quarter of graduate students received funding from sources such as private loans, while just over a quarter received aid from their institutions. Only 14 percent received financial assistance for their education from employers. Overall, 67 percent of graduate and professional students worked while enrolled in a program, with most working 30 hours or more, but the percentage of graduate students who worked varies considerably by degree program. The majority of master's degree students (74 percent) worked while pursuing graduate education, but far fewer professional degree seekers (law, medicine, etc.) and research doctoral degree students did so (39 percent and 43 percent, respectively).

In turn, significantly more of those in professional doctoral degree programs received federal aid (80 percent for medicine and 81 percent for law) compared to 19 percent of research doctoral students pursuing a Ph.D. in a field such as the social sciences, humanities, and non-health sciences.

The demographic data on graduate and professional students suggests that they face a complex set of factors that can affect their decisions about financing their graduate education. Figure 3 on the following page shows that, in 2011–12, about half of graduate students were 30 years of age or older, and another third were ages 25 to 29. This finding indicates that graduate and professional students are likely to be making other decisions with significant financial consequences, such as living on their own for the first time, getting married, purchasing their first home, and/or becoming parents. One-third of graduate students have dependents (NCES, 2008), and Belasco et al. (2014) reported a 13 percent increase in graduate school debt for student borrowers who were a parent or a guardian. NCES (2014) reports that nearly two-thirds (62 percent) of graduate and professional students are enrolled part-time, which may further indicate that these individuals are pulled in multiple directions in terms of financial, professional, and personal responsibilities.

Figure 2: Demographic Snapshot of Graduate Students, 2011–12



Source: National Center for Education Statistics (2014). Web tables—Profile and financial aid estimates of graduate students: 2011–12. Washington, DC: U.S. Department of Education.

Millennials: Highly Educated, Low Financial Literacy

While little specific research is available on the financial literacy of graduate and professional students, we know, based on the data in Figure 3, that more than two-thirds (69 percent) of these individuals are part of what has been called the "Millennial" generation, born between the early 1980s and the early 2000s. As a result, research on Millennials can be valuable in understanding contemporary graduate students. Scheresberg, Lusardi, and Yakoboski (2014) have noted that despite the fact that Millennials are the best-educated generation ever, they tend to display poor short-term personal financial management, including overusing credit cards, borrowing from retirement accounts, and using alternative financial services (e.g., auto-title loans, short-term loans, tax refund advances, pawn shops, rent-to-own), all of which are decisions typical of persons with low financial literacy and a lack of financial education.

Scheresberg and colleagues argue that college-educated Millennials would likely benefit from assistance with debt management as many "struggle to make debt payments and are worried about their debt," even while they are overconfident about their knowledge of financial matters (p. 9). Interestingly, this study also revealed that Millennials are highly active financially. For example, within this age group, individuals had already made a number of important financial decisions—for instance, 85 percent had savings accounts, about 50 percent owned a home, and 40 percent had investments or securities (p. 6).

Across the board, today's college students—who share Millennial generation status with the majority of graduate students—display poor knowledge about their loans and the implications of borrowing. Whitsett (2012) has found a lack of understanding among borrowers about their loan options. For example, 65 percent of the study's respondents reported being surprised by or misunderstanding certain parts of their loans and the borrowing process, and when asked if they understood the difference between private loans and federal loans, only a third of the undergraduate and graduate students surveyed responded affirmatively. Other researchers have found that "nearly two-fifths (37 percent) of students cannot accurately estimate the amounts they owe" and even more surprising, "nearly 1 in 10…underestimated their loans by more than $10,000" (Andruska, Hogarth, Fletcher, Forbes, & Wohlgemuth, 2014, p. 139). Akers and Chingos (2014), in a study for the Brookings Institution, noted that:

> ...only a bare majority of respondents (52 percent) at a selective public university were able to correctly identify (within a $5,000 range) what they paid for their first year of college. The remaining students underestimate (25 percent), overestimate (17 percent), or say they don't know (seven percent) (p. 1).

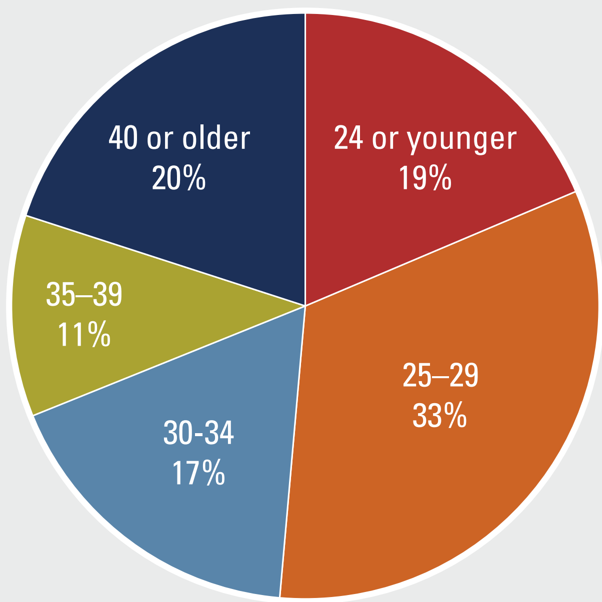
While the last few findings above focus on undergraduates, it is easy to imagine that graduate students, who share many traits with their undergraduate peers, are not fundamentally different in their knowledge levels. These findings suggest that even those individuals who are well educated and have experiences making significant financial decisions may need support in building better financial literacy and stability.

Financial Literacy and Disadvantaged Students

Another factor to consider is the financial literacy and well-being of disadvantaged graduate students. Fry (2012) found that, among Millennials in the bottom fifth of income distribution, 20 percent had college loan debt payments equal to almost a quarter of their income. Zeroing in further, data show that low-income populations are often disproportionately people of color and women, groups that have been historically underrepresented and disadvantaged in higher education (Institute for Higher Education, 2010). We know that postsecondary institutions with high loan default rates and low graduation rates enroll larger numbers of minority and low-income students (TG Research, 2013). Studies have also found that black and Latino students take on more debt than their white and Asian peers—118 percent more for black students and 49 percent more for Latinos (Belasco et al., 2014; Kim & Otts, 2010). As a result, low-income, minority, and other disadvantaged students may be at higher risk of sliding into debt, loan default, and other financial pitfalls when attending graduate school.

Additional research has suggested that members of minority groups face particular challenges when it comes to issues of financial literacy. Scheresberg et al. (2015), for example, found that Hispanic college-educated individuals scored 20 percentage points less in basic financial literacy measures than white respondents. This study also found that 59 percent of college-educated Hispanic individuals reported difficulty in covering their basic monthly expenses, and 48 percent thought they had acquired too much debt. Strikingly, only 12 percent of Hispanic participants in the study demonstrated high financial literacy, but more than three-fourths of the group reported they were confident in their abilities to manage their finances, suggesting a

Figure 3: Graduate Student Age Distribution, 2011–12



Source: National Center for Education Statistics (NCES), 2015, Trends in Graduate Student Financing: Selected Years, 1995–96 to 2011–12, Table 1. Retrieved from http://nces.ed.gov/pubs2015/2015026.pdf.

mismatch between confidence and the knowledge needed to support good financial decisions.

Women, who according to NCES (2014) data make up the majority of the graduate student population, may also face particular challenges in terms of graduate student borrowing. Research shows that female graduate students borrow 25 percent more than their male counterparts (Belasco et al., 2014). In addition, one-third of female graduate students have children, and parenting both increases daily expenses and can hinder progress toward earning a graduate degree, particularly for women (Kim & Otts, 2010). Furthermore, due to salary inequities, women may have less of a savings to cover the cost of their education or to repay their debt after completing a graduate degree (Belasco et al., 2014; Carnevale, Jayasundera, & Cheah, 2012).

The above findings demonstrate the possibility of increased risk of financial difficulties among women and minority graduate students who borrow to fund their graduate education. These individuals are of particular importance in the graduate student population because their successes contribute significantly to educational equity in the United States. For institutions that wish to promote such equity, it seems reasonable to provide additional support around debt and financial literacy.

Graduate and Professional Student Borrowing

In 2013–14, graduate students borrowed $34 billion in federal loans, which accounted for 61 percent of all the financial aid they received (College Board, 2015). As the section above explains, there is reason to believe that many graduate students are not as financially literate as may be expected and disadvantaged students may be at particular risk of borrowing more than is in their best interest. As we discuss below, the risk of over-borrowing is heightened by the fact that graduate students make these financial decisions within a system that has few limits on graduate school borrowing and assumes that any amount of borrowing is justifiable to fund a degree program. On the other hand, as we will also discuss later in this section, borrowing among graduate students varies considerably by degree program and level, which means that some students are more at risk of over-borrowing than others.

The Problem of Cumulative Borrowing

Figure 4 on the following page shows the distribution of cumulative debt (across undergraduate and graduate careers) for those completing their graduate degrees in 2004 and in 2012. While the percentage of those completing their degrees with no debt has not changed much over time, significant numbers of students borrowed higher amounts to fund their graduate education. While just 22 percent of graduate school completers borrowed in excess of $40,000 in 2004, eight years later, 47 percent had accumulated that level of debt. Notably, 23 percent of graduate students had debt in excess of $80,000 as of 2012. Those completing professional doctoral degrees in areas such as law and medicine had the highest cumulative debt, with more than half borrowing in excess of $120,000.

Evaluating whether such extensive borrowing is justified is an exercise specific to the individual circumstances of each student, their financial position prior to starting a degree, their opportunity costs, and their employment and earnings potential upon graduation. To evaluate borrowing decisions, graduate students must first consider their existing debt, as 42 percent carry loan balances from their baccalaureate education (Delisle, 2014). In addition, because the grace period for federal loans is six months past graduation, bachelor's degree recipients who are moving directly into graduate or professional study have likely not yet made their first debt payment and thus may not be fully aware of how this payment will affect their personal budget. As graduate students borrow above and beyond their undergraduate debt, term after term, they must recalculate the repayment consequences each year and, in some cases, track different repayment terms if they are borrowing from multiple sources, leading to increased difficulty in understanding the implications of the debt they are incurring.

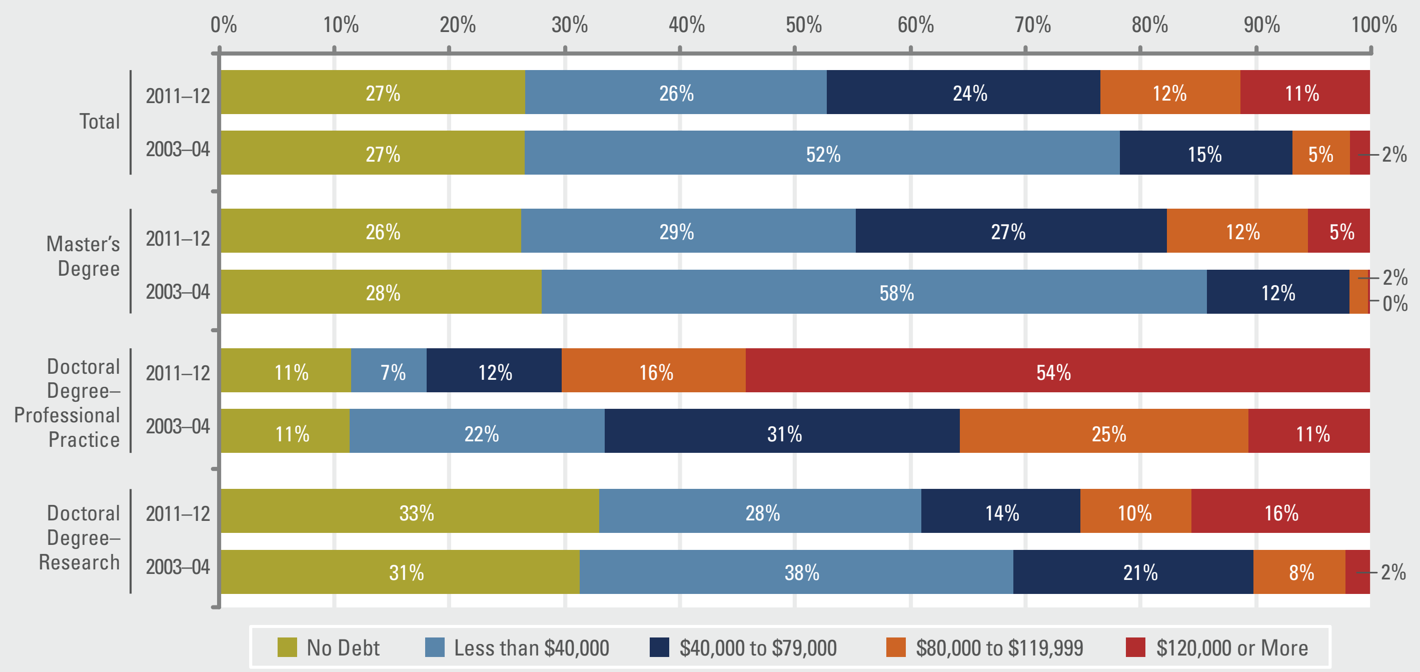
While undergraduates are subject to student loan caps that limit the amount they can borrow for their education, graduate students are not (see sidebar on page 9 for sources and limits of graduate loans). The aggregate loan limit from federal sources for dependent undergraduate students is $31,000, although students may also borrow from private loan markets. The parents of dependent undergraduates can also borrow from the Parent PLUS loan program. In contrast, graduate students have had much less strict borrowing caps since 2006, when the federal government expanded the PLUS Loan program to allow graduate students to borrow up to the cost of attendance minus other aid.

With such a high ceiling for borrowing and without adequate financial literacy, graduate students may not be well positioned to make informed choices about their loans, personal budget and savings, and other financial factors. It would be misguided to assume that a graduate student—whether 22 years of age and exiting a baccalaureate program or a 35-year-old returning to school—can accurately predict their life circumstances and related budgets for the next decade or more. Even for the savviest consumer, such a decision-making process would be challenging. In housing finance, for example, conventional industry wisdom holds that 30 percent of gross income is the reasonable maximum amount for a monthly house payment. But a similar rule-of-thumb or eligibility requirement does not yet exist in the student loan market. And with the vast array of repayment options on the market today, students will not find it easy to project their future income and debt payments. At least with a mortgage disclosure, one can understand the exact monthly payment required each month for principal and interest throughout the life of the home loan. Yet with federal student loans, that disclosure would be required every term that a student signs a new loan, taking into account various terms, interest repayment approaches, and repayment options.

Borrowing Patterns by Graduate Degree Field and Level

A discussion of graduate student loan borrowing would be incomplete without considering the great variation in costs and loan debt across different types of graduate and professional degree programs. Borrowing is highest among

Figure 4: Graduate Student Cumulative Debt in 2012 Dollars for Undergraduate and Graduate Studies, 2003–04 and 2011–12



Note: Doctoral degree–professional practice programs include chiropractic, dentistry, law, medicine, optometry, pharmacy, podiatry, and veterinary medicine. This category was labeled “first professional degrees” in 2003–04; it includes students who were U.S. citizens or permanent residents and excludes post baccalaureate and postmaster's certificate recipients. Percentages may not sum to 100 because of rounding.

Source: College Board (2014b). Retrieved from http://trends.collegeboard.org/student-aid/figures-tables/cumulative-debt-undergraduate-graduate-studies-time.

Sources of Graduate and Professional Student Loans

William D. Ford Federal Direct Loan Program—Graduate students may borrow from ED directly through the following programs:

> ***Direct Unsubsidized Loans***—Graduate students may borrow up to $20,500 per school year. Students enrolled in certain health profession programs may receive additional Direct Unsubsidized Loan amounts each academic year.
>
> ***Direct PLUS Loans***—Graduate and professional degree students who need to borrow more than the maximum unsubsidized loan amounts to meet their education costs may apply for a PLUS loan with a credit check. Loans may be up to the full cost of attendance minus other financial aid.

Federal Perkins Loan (Perkins Loan) Program—Perkins is a school-based loan program for eligible undergraduate and graduate students with exceptional financial need, providing up to $8,000 each year depending on need, other aid, and availability of funds. Federal funding for this program expired in 2015, but both the House and the Senate have passed bills providing for short-term extensions of the funding, making the program's future uncertain.

Private Bank Loans—Many graduate and professional students borrow from private banks and other financial institutions to fund their education. Loans vary in terms of amounts, interest rates, and repayment terms.

Source: Federal Student Aid (2012). Financial aid for graduate and professional degree students. Retrieved from https://studentaid.ed.gov/sa/sites/default/files/graduate-professional-funding-info.pdf.

those graduating from doctoral programs in law, medicine, and other health science, with about three-quarters of students borrowing $60,000 or more for their graduate education in 2011–12, while borrowing by research doctoral students and master's students tends to be lower (College Board, 2014a).

Master's Students

Borrowing patterns vary considerably among master's students in different degree programs. Figure 5 on the following page shows that the majority of master's degree students borrow, with those in the "Other Master's Degree" category (which includes health and related sciences, public administration, social services, and visual and performing arts) borrowing at the highest rate (77 percent). In contrast, only 57 percent of students seeking a Master of Business Administration borrow, making this the field in which students were least likely to borrow. Those in the "Other Master's Degree" category also had the highest cumulative debt amount ($47,000), followed by those in the Master of Arts category ($45,400), which includes psychology, health fields, literature, and languages.

Doctoral Students

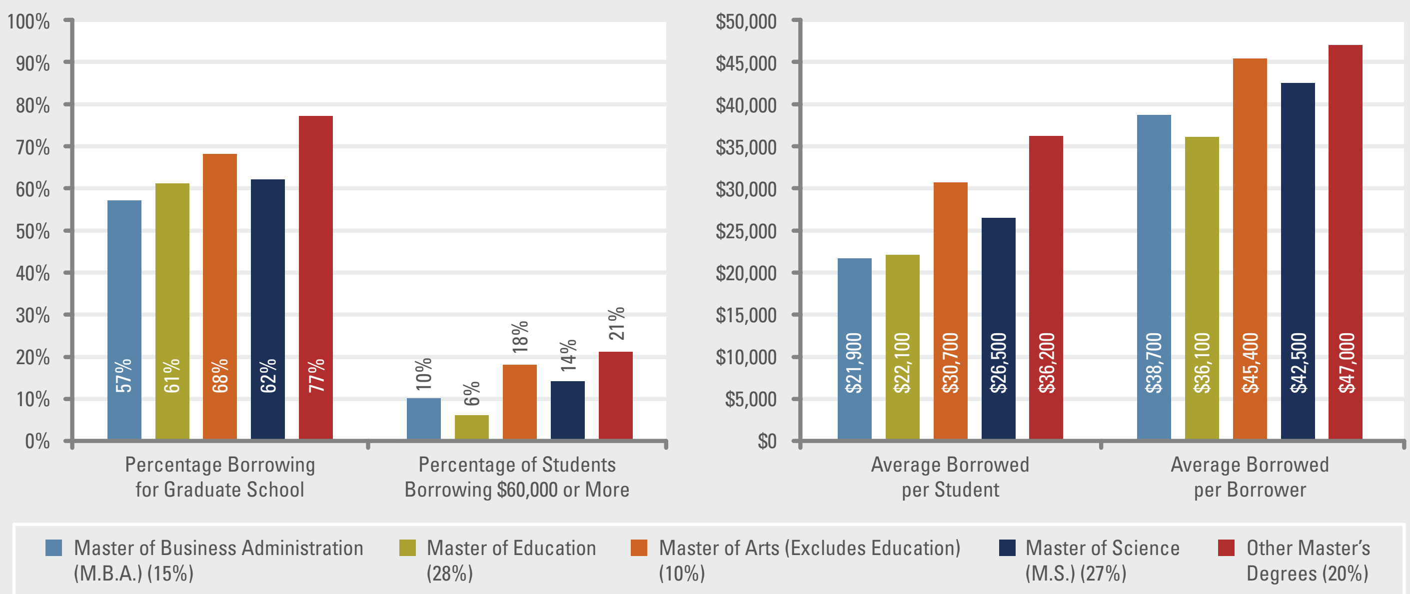
For those completing doctoral degrees, the borrowing and debt patterns are quite different from those of master's students, and there are significant differences in borrowing patterns between students pursuing professional doctorates and those pursuing research doctorates. Figure 6 on the following page shows more than 80 percent of those in medicine, law, and other health science doctoral programs borrowed in 2011–12, and about three-quarters of those borrowers took out loans totaling in excess of $60,000. The average cumulative amount of debt among borrowers completing these professional degree programs varies from $97,200 for a doctorate in professional practice other than medicine, law, or other health science to $163,200 for a doctoral degree in medicine.

Students pursuing research doctorates tended to borrow much lower amounts than their peers enrolled in professional degree programs. Ph.D. students who borrowed had an average cumulative debt of $62,200, while students pursuing doctorates in education had cumulative debts averaging $63,700. However, doctoral students in education were much more likely to borrow than their counterparts pursuing Ph.D.s, with 79 percent of education students borrowing for graduate school (near the borrowing levels of professional doctorate students) versus only 45 percent of Ph.D. students.

For some graduate students, loan debt can be offset by earnings and other benefits borrowers receive once they graduate (Belasco et al., 2014). Thus, some heavy borrowing can be justified, particularly in typically higher-paying professional fields such as medicine and law. However, taking on such debt requires the assumption that the student will complete the degree and obtain a higher paying job, assumptions that do not always prove to be true. Job markets, in particular, vary considerably and many individuals with doctoral degrees end up in lower-paying jobs, e.g., sole practitioner positions for lawyers or adjunct instructor positions for Ph.D.s.

Figures 5 and 6 also demonstrate that since the situations of graduate students, their loans, their degree programs, and their job prospects differ considerably, borrowers need customized loan counseling and financial literacy training that align with their specific life circumstances. Graduate students who are facing annual debt load decisions need a clear understanding of what it will take to repay the loan as well as the consequences of not paying.

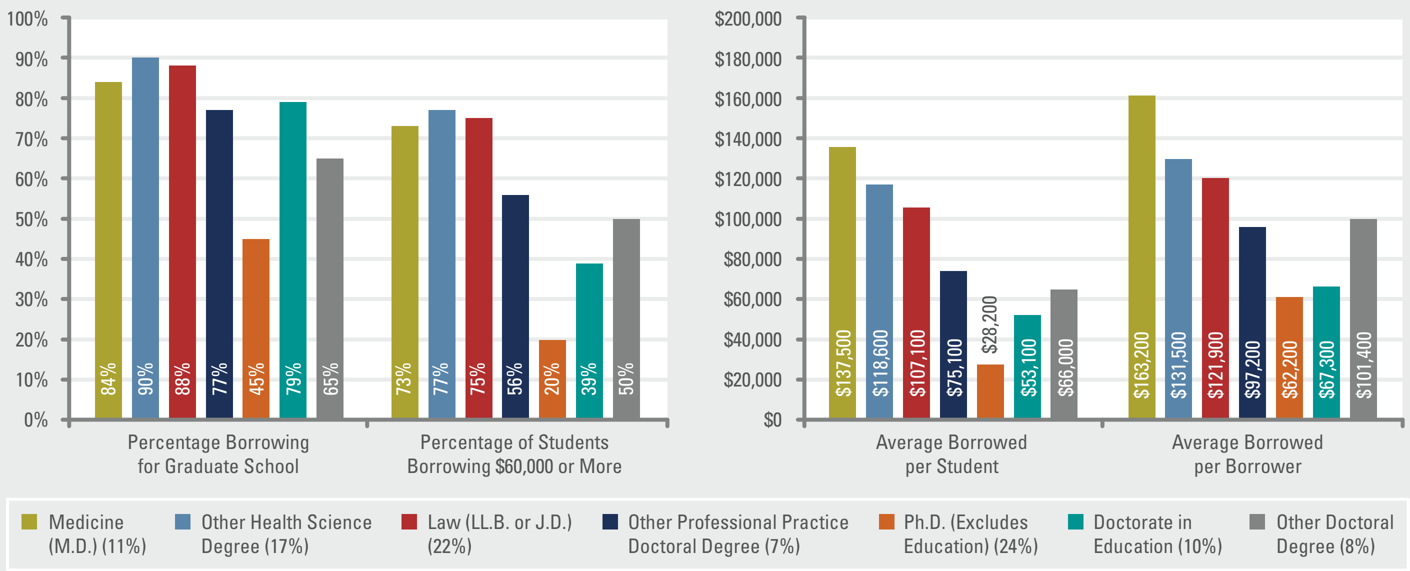
Figure 5: Master's Degree Recipient Cumulative Undergraduate and Graduate Debt, Percentage Borrowing, and Average Borrowed, 2011–2012



Note: "Other Master's Degrees" are primarily in health and related sciences, public administration, social services, business, and visual and performing arts. Psychology, health fields, literature, and languages are the most common "Master of Arts" fields.

Source: College Board. (2014b). Retrieved from http://trends.collegeboard.org/student-aid/figures-tables/masters-degree-recipient-debt-percentage-average-borrowed-2011-12.

Figure 6: Doctoral Degree Recipient Cumulative Undergraduate and Graduate Debt, Percentage Borrowing, and Average Borrowed, 2011–2012



Note: "Other Doctoral Degrees" are primarily in health fields, psychology, and business.

Source: College Board. (2014b). Doctoral Degree Recipient Debt, Percentage Borrowing, and Average Borrowed, 2011–12. Trends in Higher Education. Retrieved from http://trends.collegeboard.org/student-aid/figures-tables/doctoral-degree-recipient-debt-percentage-average-borrowed-2011-12.

Access to Loan Information and Counseling for Graduate and Professional Students

Policymakers have been increasing their regulatory response to student loan repayment since the mid-1980s when concern grew about default rates and Congress passed legislation that required entrance and exit counseling for all students borrowing federal money. Since then, while there have been numerous changes to the process, policies, and disbursement of federal student loans, mandatory entrance and exit loan counseling has remained the primary way students obtain information about their loans. A detailed history of loan counseling regulations is included in Appendix A.

Today, the majority of loan counseling occurs at the college or university where the student enrolls, before the student loan is disbursed and again as the student exits the institution. The online entrance and exit counseling modules created in 2000 by ED are most often used because they are free to institutions and inherently fulfill all of the statutory requirements (Klepfer, 2015). Drawing primarily from a series of reports by TG Research and Analytical Services, in collaboration with the National Association of Student Financial Aid Administrators (NASFAA), we discuss in the following sections the perceived shortcomings of the online modules for both entrance and exit counseling. While the TG study did not focus exclusively on graduate and professional students, many of the issues documented in these reports are relevant to addressing graduate students' needs on campus.

Entrance Counseling

The effectiveness of the ED-approved online entrance counseling module has not been widely assessed. Estimates suggest that 70 percent of all undergraduate and graduate federal borrowers use ED's online entrance counseling module, while other students receive face-to-face counseling (Fernandez, 2015a). Financial aid offices are required to have first-time borrowers complete entrance counseling before disbursing their loan while the threat of withholding loan funds compels students to complete the entrance counseling.

TG evaluated the effectiveness of ED's entrance counseling module with undergraduate students at several institutions. The report shows that, by and large, students in the study skimmed over the entrance counseling module material and did not acquire the knowledge the module was designed to provide (Fernandez, 2015a). The report attributes the module's failure to the following factors:

- The module covered a vast quantity of information that may have overwhelmed the student and offered a "bulky and ultimately ineffective user experience" (p. 5).
- The module provided unnecessary information, complicated jargon, or included too many words to describe a concept rather than simplifying it.
- Tools such as loan repayment calculators, which were meant to help students personalize the information they were reading and apply it to their own situation, were overly complicated, poorly explained, or designed in a non-linear fashion, leading many users to skip them or become frustrated.
- The timing of the counseling module proved a hindrance to students. Entrance counseling was scheduled during the time when first-year students are simultaneously registering for classes, finding and moving into housing, and navigating the campus for the first time, among a host of other appointments, obligations, and concerns.
- The information presented did not seem relevant. For instance, loan payment information seemed unnecessary since repayment, in most cases, will not occur for several years.
- Perhaps most important, the module asked the borrower to input information into the estimator tool—information that they could not possibly know—such as their future job and salary. Students working through the module are ill-prepared to calculate their anticipated borrowing over the life of their program, as well as the anticipated earnings upon completion.

Exit Counseling

Exit counseling became mandatory in 1989 and initially was required to be an in-person session that included giving borrowers the average student loan debt from their institution (Klepfer, 2015). Like entrance counseling, an exit counseling module eventually became available online. The exit counseling module suffers from many of the same shortcomings as the entrance counseling module.

According to Fernandez (2015b):

> The compounding impact of various issues with the current [exit counseling] module, combined with its substantial length, drain most users of their attention, focus, and tolerance long before the end. Of all the issues identified in the data, irrelevant information and lack of personalization may inflict the most harm (p. 2).

Exit counseling module users found much of the information to be unnecessary or "common sense," such as advice about on-time payment, vague tips on personal budgeting, general descriptions of federal loan programs, etc. (Fernandez, 2015b, p. 13). Module users were inclined to skip ahead or skim the material and found interactive components confusing. As one user in the study responded, "There's so much information, but almost no counseling" (Fernandez, 2015b, p. 18).

Beyond the module itself, there are also challenges with exit counseling more broadly. While exit counseling is mandatory, there are no repercussions for students who fail to complete exit counseling, and therefore, "schools need to only make a good faith effort to get counseling information" to borrowers who fail to complete the exit counseling, a process which can be as simple as mailing materials to students' last known address (Klepfer, 2015, p. 15). Overall, most institutions are not highly engaged with exit counseling unless the institutions are nearing the CDR that would threaten their Title IV financial aid eligibility. In those cases, many institutions use third-party vendors to provide default counseling to graduates (Fernandez, 2015b). Some examples of these third-party vendors and their services are described in the sidebar on the following page.

Alternative Loan & Debt Counseling Support Sources

A number of loan borrower support sources exist, including loan servicers, nonprofit advocacy organizations, and membership organizations for graduate and professional programs. Typically, these organizations offer everything from websites with information to more extensive guidance through chat or live call-in centers. However, not all offer the sort of personalized support that may be necessary to navigate the significant complexity of borrowing and repaying multiple loans from multiple sources and years. Furthermore, as with previous examples, these support sources often target undergraduates explicitly and graduate students implicitly.

The following descriptions provide a snapshot of some of these third-party organizations and resources.

AccessLex Institute. AccessLex Institute is a nonprofit membership organization comprising nearly 200 nonprofit and state-affiliated ABA-approved law schools that provides free print, online and on-campus resources for prospective and current students, as well as graduates. Access Assist®, a free student loan helpline, offers personal, accurate, and unbiased consultation on student loan repayment and other financial aid issues. AccessLex Institutes Student Loan Calculator (AccessLex.org/Calculator) was specifically created to address the unique concerns of graduate and professional students. This tool helps individuals select the best loan repayment plan for their distinct circumstances and delivers a clear repayment outlook. AccessLex Institute also offers the WiseBorrower® Education Series, which provides online and in-person presentations, webinars, and publications on topics related to financial literacy. In addition, its Center for Legal Education Excellence℠ addresses the most critical issues facing legal education today. AccessLex Institute's services are offered free of charge to higher education institutions, students, and alumni as part of its nonprofit mission: to promote broad access, affordability, and the value of legal education specifically, and graduate and professional education more broadly. Learn more at https://www.AccessLex.org.

American Student Assistance—SALT. SALT, created by American Student Assistance, is open to any interested borrower, although those affiliated with a member institution can access additional resources via "Money 101," a series of "money lessons" on budgeting, taxes, identity theft, and student loan repayment. SALT provides services and tools to empower borrowers at any stage of their life to manage all areas of their financial life, including the smooth repayment of their student loans. SALT offers institutions the ability to provide students and alumni with online instant messaging for one-on-one services with trained counselors and borrower advocates; online loan and payment tracking; budget-building tools; help with finding jobs, internships, and scholarships; access to various forms, like loan forgiveness and deferment requests; and help for incoming students to become college ready and find scholarships. Again, while institutions pay a membership fee, most of these services are free to students and alumni and are open to any individual loan borrower, regardless of former institution, years since graduation, or years since start of repayment. Learn more at https://www.saltmoney.org/index.html.

Educational Credit Management Corporation (ECMC). ECMC works through campuses to help student borrowers and their parents with loan management and repayment. For institutions, ECMC provides communication and online tools to drive student engagement; a dedicated team and a financial literacy platform for a school's student outreach process; a dashboard to track student engagement and prevent default; and training and consulting resources for university staff. For students, ECMC offers student loan counselors to help students understand the short- and long-term impact of their repayment plan choices, including all aspects of the loan borrowing and repayment process. Additionally, they provide online tools for connecting with counselors as well as digital tools, forms, and calculators to help students understand repayment options and budget management. Learn more at https://www.ecmc.org/borrowers/index.html.

HigherEDGE. TG's HigherEDGE provides institutions with a range of services to help them manage their student borrowers' federal loan defaults, curb cohort default rates, and help prevent losing Title IV program eligibility. The program is only for students whose institutions participate in HigherEDGE. The key services include Default Aversion Planning, Grace Counseling, Delinquency Outreach, and other services. Learn more at http://www.higheredge.net/HigherEDGE-service-overview.cfm.

Inceptia. Inceptia is a division of the National Student Loan Program and offers services and advising on paying for college, loan counseling, and loan default prevention for institutions. Individuals must be affiliated with an Inceptia member institution to use any of its resources. For institutions, Inceptia offers analytics tools to predict default rates, financial education and aptitude assessments for staff and students, comprehensive default prevention planning, and outreach to borrowers in grace or default periods. For students, Inceptia offers a borrower portal, helpful forms and links, federal loan information access, and a loan servicer identifier and contact tool. Learn more at https://www.inceptia.org/.

Other Federally Funded Sources of Information

In response to concerns about many students' lack of preparedness to navigate college and loan decisions, the federal government has created a number of tools to assist in the process. Undergraduates can take advantage of StudentAid.gov, College Scorecard, Paying for College, Compare Financial Aid Offers, Financial Aid Shopping Sheet, Net Price Calculator Center, and the Financial Aid Toolkit. All of these tools, with the exception of the Net Price Calculator Center, are designed to provide information primarily to undergraduates, their families, high school guidance counselors, and others who work with aspiring college students, which implies that only undergraduates need guidance in navigating financial aid (U.S. Financial Literacy and Education Commission, 2015). Very few of these tools were developed with graduate students in mind. Graduate students' limited options include the Repayment Estimator and other sources of information on the Federal Student Aid website.

Research on Loan Counseling and Financial Literacy Education for Graduate Students

Although higher education stakeholders rely heavily on entrance and exit counseling to inform student borrowers about the risks and responsibilities of funding their education through loans, there is very little research that evaluates the impact of this 30-year-old intervention. Among the already scarce studies on loan counseling, even fewer focus on graduate student debt and best practices for providing loan counseling and financial education to that population. For example, the qualitative research on loan counseling cited above offers useful recommendations for improvements and future work, but these reports focused exclusively on undergraduate borrowers.

One exception to this trend is a survey about the financial education practices among graduate programs conducted by AccessLex Institute, Inc. (2015a). Findings from this survey indicate that 58 percent of institutional respondents do not require student borrowers to enroll in any financial literacy programming beyond the federal requirement of entrance and exit loan counseling, while only 23 percent require financial education beyond the mandated minimum. In addition, more than half of the survey's respondents (54 percent) indicated that they do not offer financial literacy programming to alumni. While this survey sheds a helpful light on the landscape of graduate financial education, more information about the design, scope, and effectiveness of loan counseling for graduate students and how that loan counseling is delivered, assessed, and marketed is needed.

Moreover, loan counseling is just one part of financial education, and when looking at the broader landscape, only three financial literacy programs have been evaluated by third-party researchers: University of Arizona's Credit-Wise Cats program, the FDIC's Money Smart curriculum, and FINRA's 'loveyourmoney.org'. While the studies of these programs used pre- and post-tests and involved longitudinal studies to measure the programs' impact, independent researchers have deemed the studies inconclusive (U.S. Financial Literacy and Education Commission, 2015). In addition, these financial literacy programs primarily targeted undergraduate students.

In an effort to design, strengthen, and showcase potential innovations in graduate and undergraduate student financial education, the Council of Graduate Schools (CGS) is currently leading a 15-institution project called *Enhancing Student Financial Education* (http://cgsnet.org/enhancing-student-financial-education). While this project may prove helpful for future study and replication, the existence of financial education programs that specifically engage graduate students are the exception rather than the rule, and many are in their nascent stages.

Without more empirical exploration of loan counseling and related financial education practices, graduate students with high debt may be at great risk. According to the U.S. Financial Literacy and Education Commission (2015), "financing postsecondary education and managing finances both during college and upon entering the workforce are moments when critical decisions are made that may have lasting consequences for financial security" (p. 16). This statement applies equally well to those borrowers moving through demanding graduate programs into new jobs and careers.

Effective Strategies for Loan Counseling and Financial Literacy

Overall improvements in the general financial literacy of students could make a pronounced difference in how students manage their finances and how they make use of the information they receive from various sources about their borrowing choices and possible repayment plans (for more information about all of the repayment plan options available, see Appendix B). Moreover, research has demonstrated that poor financial management affects students' "academic performance, mental and physical well-being, and even their ability to find employment after graduation" (Cude, et al., 2006, p. 108). NASFAA (2013) has reported that students who default on their loans are most often those who did not graduate. These findings become particularly important when considering the academic success of historically disadvantaged students, as they are more likely to be at risk both academically and financially.

Of course, loan counseling is just one part of a borrower's financial life. Because many factors can influence a borrower's ability to repay, institutions who offer financial literacy programs can create a holistic environment to give students a broad financial education. A number of institutions have responded to the need for greater financial literacy on campus by offering curricula, workshops, and resources through a variety of means. Both the TG study and the CGS project offer innovative campus examples, which we will explore further below (Appendix C provides summaries of some of these examples). Colleges and universities do not need to "reinvent the wheel," as there are options they may be able to adapt to their institution, such as free curricula and modules provided by AccessLex Institute, or fee-based services like Inceptia and SALT. Another resource is the FDIC's comprehensive Money Smart curriculum (https://www.fdic.gov/consumers/consumer/moneysmart/), which offers a wide range of training modules covering topics from basic checking account maintenance to building and improving credit. Equal Justice Works offers an e-book (among other sources) titled *Take Control of Your Future*, a guide designed specifically for lawyers and law students.

The Coalition of Higher Education Assistance Organizations (COHEAO) produced a white paper in 2014 that described various types of financial literacy programs for students and available information about their effectiveness. While no outcomes were reported for undergraduate or graduate students, evidence from personal finance education programs with high schoolers demonstrated a 50 percent improvement in financial literacy rates (COHEAO, 2014). The paper shared the following kinds of programs that may be effective on a college campus: online programs, classroom-based programs, game-based education, event-based programs, and individual counseling. These suggestions align with many of the approaches taken at the college campuses in our examples below.

Recommendations for Colleges and Universities

While this report advocates that colleges and universities expand their focus beyond student loans and debt to support their students' financial health, we realize that, for many institutions, loan counseling is a key starting point for any student financial literacy program. Thus, the following recommendations emphasize loan counseling as a point of access to students. In addition to our own observations, we draw on the findings from the TG study and the CGS project described above in making these recommendations. See Appendix C or visit the respective sources online to learn more about the examples mentioned in the recommendations.

- **Create supplementary resources to help students understand loans and loan counseling.** Challenges with the existing ED loan counseling modules include their lack of clarity, navigability, and transparency (Fernandez, 2015a & 2015b). Fletcher (2015) has recommended that if campuses decide to use the ED modules, they may want to consider crafting introductory materials for students so they can learn what to expect from the loan counseling modules, the basic concepts they will encounter, and the goals of the experience, which in turn may help them better navigate the modules and get the information they need. The introductory materials might include a list of learning outcomes; links to the ED's YouTube videos (which are engaging, straightforward entry points to personal finance and borrowing); descriptions of the loan counseling module and what users should expect; a summary of major points from the counseling modules; advice for managing time for and taking breaks during the loan counseling module; and "knowledge evaluations" after the counseling sessions (Fletcher, 2015, p. 37).

- **Offer an in-person loan counseling option.** Provide ongoing, high-quality in-person counseling for individuals who want additional financial information, either in small groups or one-on-one (Fernandez, 2015a; Fletcher, 2015). Campus examples indicate that schools with robust financial education programs all offer some type of in-person loan counseling (CGS, 2015; Fletcher, 2015). Studies have found that campus financial aid staffers believe that in-person loan counseling is more effective (Jensen, 2014; Reed, 2011). Studies from other consumer financial fields also make a strong case for its effectiveness. A study by the Joint Center for Housing Studies at Harvard University, in collaboration with Freddie Mac, found that home buyers who received counseling had lower delinquency rates: on average 19 percent reduction in delinquencies with a 34 percent reduction from individual counseling, 26 percent reduction from classroom counseling, 21 percent reduction from home study counseling, and no significant reduction from telephone counseling (Hirad & Zorn, 2001). One common and promising model of in-person counseling is the peer-to-peer model. This model uses trained students as financial coaches to their peers, which would be feasible to replicate among graduate students on the topic of repayment options. Institutions such as Arkansas State, Eastern Illinois University, the University of Illinois at Urbana-Champaign, and the University of Kentucky employ this approach, in some cases empowering graduate students who are Teaching Assistants to serve as advisors for undergraduates in addition to graduate-to-graduate and undergraduate-to-undergraduate peer mentors (CGS, 2015). TG also suggests using a flipped classroom approach—students can walk through the ED modules on their own and then discuss the content and ask questions in small groups or one-on-one with a knowledgeable staff member or peer (Fernandez, 2015a).

- **Engage students frequently and meaningfully about their loans and their financial literacy generally.** To supplement the ED counseling modules, institutions may want to explore offering occasional refresher courses on specific aspects of personal finance or borrowing covered in the modules. According to Klepfer (2015), the effects of financial literacy training on financial behavior tend to disappear quickly over time, which suggests that "brief financial education interventions have limited impact on financial decision making unless it comes right before or along with the decision" (p. 14). Thus, consistent, sustained, and well-timed counseling may prove beneficial. Arrange the scheduling of any supplementary counseling sessions so that students are not distracted or stressed out by the tasks, responsibilities, and events related to entering and leaving an institution (Fletcher, 2015). Institutions such as Cornell University and University of Maryland, Baltimore County immerse graduate students in financial education through their Future Faculty programs, while Iowa State University, Ohio State University, and the University of Colorado systems provide tailored services to student entities such as Greek organizations or cultural groups (CGS, 2015). Other examples include Arkansas State University and the University of Illinois at Urbana-Champaign (CGS, 2015).

- **Individualize, diversify, and simplify methods for students to monitor their loans.** Institutions may want to offer annual reviews of student loan indebtedness. These reviews should focus not only on a student's current year aid package, but also emphasize cumulative debt (Fishman & Love, 2015). Additionally, institutions may want to consider providing students the ability to monitor their debt and their future monthly payments through an online tool and require students to accept or decline loans each term. Fernandez (2015b) also suggests offering opportunities for students to return unneeded funds. Distributing aid like a paycheck over time, rather than in one lump at the beginning of each semester, allows students to review the amount of the loan funds they actually require and then provides them the chance to return the unused funds or not borrow more money than they need in the future.

- **Find ways to assess the financial needs and knowledge of your students.** Use data to pinpoint students who need the most attention (Fletcher, 2015). For instance, The Ohio State University has used data from a student survey to improve its campus's financial education offerings. The survey asked students about their various stresses and revealed that students respond most positively to peer-to-peer advising. We recommend that institutions consider assessing students' knowledge before matriculation, during their time in their graduate program, and near degree completion to help identify which students may have challenges with financial literacy and therefore may have a stronger likelihood of loan default and other financial pitfalls. Fletcher (2015) reported that, at University of South Florida, all incoming students must finish a financial literacy module and correctly answer 80 percent of the questions before they are allowed to attend courses. Other examples of financial literacy evaluation can be found at Arkansas State, Baldwin Wallace University, Eastern Illinois University, and Winthrop University (CGS, 2015; Fletcher, 2015).

- **Target interventions toward the most at-risk students.** Tailor specific services to students most at risk of loan default or financial mismanagement, which may include individuals from historically underserved backgrounds. Offering opportunities to engage in financial literacy training through cultural offices, organizations, and/or programs, where available, may help to complement broader institutional efforts to reach these students, particularly if they demonstrate traits of low financial literacy. For example, Baldwin Wallace University targets single parents (Fletcher, 2015), while the University of Kentucky aims its financial education efforts at first-generation students (CGS, 2015). Other institutions with specifically targeted programs include Ohio State, Loyola University Chicago, and Mississippi State University (CGS, 2015; Fletcher, 2015).

- **Create incentives for responsible financial management and loan borrowing.** Campuses may want to consider rewarding responsible financial behavior, e.g., when students pay on their loan interest during enrollment or grace periods (Fernandez, 2015a). One interesting approach to incentivizing financial literacy can be found at both Eastern Illinois University (EIU) and Florida A&M University. EIU is developing a program in which graduate student assistants will be required to be trained on financial budgeting tools and will have opportunities to research financial literacy topics and mentor undergraduates on financial literacy (CGS, 2015). Florida A&M is developing a program to equip graduate students with the knowledge and tools to research topics related to financial literacy, debt, and college access and payment among low-income communities and people of color while also providing financial education to those research students through webinars, workshops, and other programs (CGS, 2015). In both cases, graduate students who engage in financial education are rewarded with research opportunities.

- **Use innovative marketing.** Create marketing campaigns designed just for graduate students (or other targeted groups) that will capture their attention around loan repayment options at different points throughout the year. Consider, as several schools in the CGS (2015) project have, marketing financial education programs through departmental meetings and disseminating information through core graduate courses that all students in a graduate program must take. Place information about loan counseling and financial literacy at various locations on campus, strategically spread outreach and information over the students' entire time at the institution (rather than just at the beginning and the end), and offer workshops and counseling access on days and times that are most convenient to student schedules (Fletcher, 2015). Meeting students where they are rather than making them trek to the financial aid office is important. In the CGS Project (2015), Iowa State engages both graduates and undergraduates in a competition to create a mobile or Web-based financial literacy game to be designed by a professional and piloted by both graduate and undergraduate teams. Meanwhile, Mississippi State is working on delivering financial literacy training via a mobile phone app (CGS, 2015). These interactive activities not only raise awareness of financial education programs and opportunities on campus, but also may spark students' reflection on their own financial literacy and wellness.

- **Consider ways to cross-train staff.** Cross-train campus staff to address student questions and needs. A student must use many sources of information in order to learn about the types of aid available, how much of the college cost a loan may cover, which majors will lead to well-paying careers, and so on—an overwhelming task for anyone (Fletcher, 2015). We recommend that institutions educate staff and faculty on the full breadth of information pertaining to student loan debt and repayment so that they have the same information and are aware of resources available to support students. The training can be formalized by using intensive shadowing or ongoing, timely workshops. It can remain informal by creating a culture of collaboration and communication that emphasizes the importance of being able to help the whole student, regardless of one's professional role (Fletcher, 2015). One of several examples can be found at the University of Kentucky, which requires an online module and in-person workshops for all its teaching assistants (TA) and also offers TA developers and directors of both graduate and undergraduate programs an online module about supporting students experiencing financial hardship. Baldwin Wallace University and Northern Virginia Community College also offer helpful examples of cross-training.

- **Create a holistic approach to improving students' financial literacy.** Baldwin Wallace University has a cross-department financial literacy team that provides a four-part workshop, components of which are incorporated into a course. The institution's Career Center is also a hub for financial literacy events, and sharing academic performance information with financial aid staff allows those staff members to reach out and offer guidance and support to students who may be grappling with financial difficulties that are hindering their studies. One of the University of South Florida's financial education programs gives students the opportunity to opt into monitoring their academic progress by financial aid staff who can track whether they are meeting the requirements to receive financial aid (Fletcher, 2015). For some campuses, financial wellness is just one of many aspects of wellness and they incorporate it into supporting and developing the whole student. Similar holistic approaches could be created to include the needs of graduate and professional students.

Recommendations for Loan Counselors and Servicers

While universities are held responsible for student loan repayment rates, they often have little to no interaction with students after graduation. At that point, most communication and support gets transferred to a student's assigned loan servicer. While several organizations are already employing many helpful practices, including the availability of in-person support, on the phone or through a Web-based chat system; clear descriptions and graphics on repayment options; easy-to-navigate websites; and webinars on financial literacy, there are some key areas for improvement.

- **Personalize information to make it relevant to the individual.** Demonstrate to students that you know who they are and are aware of their specific circumstances and needs. As mentioned above, personalize all communication and emails with auto-populated fields to target the specific student. During the borrower's grace period, provide monthly updates on accrued debt.
- **Offer frequent reviews of student loan debt.** Annual reviews should emphasize cumulative debt and the impact of various repayment options. Consider sending letters or even text alerts to students each month noting their accrued debt.
- **Communicate with borrowers often and in many different forms.** This could entail monthly updates on their total accrued debt to students, text message reminders about when they should pick out a repayment plan (see Appendix B), when their next payment is due, or interactive infographics about the effects of defaulting. Contact students using different communication methods and make their loan information and repayment options readily available (Fletcher, 2015).
- **Identify and reach out to those who are at risk.** Consider ways to more specifically target students at risk of defaulting with additional services, information, and outreach. Work with partnering campuses to assess the financial knowledge of students before matriculation, during their time in their graduate program, and before completion to help you identify those who may have challenges with financial literacy and, therefore, may have a stronger likelihood of default.
- **Gather and assess data.** Evaluate the impact of the different services you provide by tracking the decisions of borrowers. This could be an excellent source of data to study the effectiveness of different counseling techniques.
- **Provide borrowers with other trusted resources for debt counseling.** Some borrowers are facing financial difficulties beyond just student loan repayment. Be prepared to offer reliable third-party referrals for financial training, counseling, and information.

Conclusion

Graduate education is central to providing individuals with advanced knowledge and skills, and is the training ground for those who provide critical research and services to our society. Ensuring that students have the information they need to choose the most appropriate loan as well as the best repayment plan is key to maintaining access to and success in graduate education.

While there is an ever-growing demand for solutions, scholarship on the topic of loan counseling and financial literacy for graduate students is limited. This situation creates an opportunity for organizations representing graduate and professional students and graduate schools to conduct new research that will identify best practices and inform the field. More research is especially needed to illuminate how graduate and professional students make decisions about borrowing, what financial knowledge they have when they make those decisions, and how they assess risk and make tradeoffs in their other life choices based on those risks (e.g., jobs, housing, etc.). Such research would be key in supporting students from underprivileged backgrounds and individuals with low financial literacy, as well as those with high debt relative to expected salary. Needed, in particular, are specific studies focused on women, underserved minorities, and graduate students with previous debt.

Further study is also needed to understand the other end of the loan spectrum—the repayment phase. Since online exit counseling is currently inadequate and unlikely to be fully enforced, more empirical research is needed to understand the effectiveness of various financial education practices and interventions targeted at graduate and professional students. Service providers in most fields are increasingly asked to provide evidence of the effectiveness of their interventions through rigorous quantitative analysis. The time may be ripe for stakeholders in higher education and student loan counseling to enter the evidence-based era. To that end, increased research efforts and collaboration among postsecondary institutions, companies, organizations, and other stakeholders overseeing graduate education are crucial to supporting advocacy for graduate students, particularly those from underprivileged backgrounds.

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Appendix A: History of Federal Policy and Regulations on Entrance and Exit Counseling

Note: Unless otherwise noted, all information in Appendix A is from TG's *Informed or Overwhelmed: A Legislative History of Student Loan Counseling with a Literature Review on the Efficacy of Loan Counseling* by Kasey Klepfer, with Chris Fernandez, Carla Fletcher, and Jeff Webster (2015).

1965: Within the context of the civil rights movement, the War on Poverty, and the changing role of women in society, the Higher Education Act (HEA) was signed into law, making college suddenly more affordable and therefore more accessible to many, especially to underrepresented U.S. populations (Higher Education Act of 1965). Part of HEA included the creation of Title IV grants. Previously, federal higher education aid was targeted at military service members. In contrast, Title IV shifted aid to target low and middle-class students through the creation of loans with subsidized interest that were insured by the federal government. This led to the creation of the Guaranteed Student Loan Program which, in addition to expanding students' access to loans, asked private lenders to offer loans to students with minimal credit history.
Legislative Additions to Loan Counseling Requirements: 4

1986–1987: During the 1980s, around 15 percent of American student borrowers defaulted on their loans two years or less after they started repayment. Congress responded by passing legislation that required first-time federal loan borrowers to complete entrance counseling. Then–Secretary of Education William J. Bennett created a methodology called the cohort default rate (CDR), which made schools accountable for ensuring student repaid loans.

1989: A cross-agency and cross-sector group, the Belmont Task Force, was charged with reviewing the Guaranteed Student Loan Program as well as the education loan default trend. Its suggestions for improvement led to the Student Loan Default Reduction Initiative, which established new guidelines for entrance counseling, including having institutions risk losing Title IV funding if they did not enforce entrance counseling for first-time borrowers. The initiative also required in-person exit counseling that shared the institution's average loan debt for its students. The task force warned that student financial aid was far too complex.
Legislative Additions to Loan Counseling Requirements: 3
Total: 7

1990: As part of the Omnibus Budget Reconciliation Act of 1990, Congress adopted the CDR methodology and established that the accountability measurement period for CDR would be two years (TG, 2013).

1998–1999: The 1998 Reauthorization of the HEA brought three key developments to loan repayment practices. First, the act changed the definition of the CDR such that a loan could be delinquent for 280 days (as opposed to 180) before being considered defaulted. Second, student loans became non-dischargeable in bankruptcy. Third, and maybe most important, it removed prohibitions on providing counseling through electronic means (Higher Education Amendments of 1998). In response, ED began developing online versions of both entrance and exit counseling.
Legislative Additions to Loan Counseling Requirements: 3
Total: 10

2000: ED released additional Entrance Counseling regulations, increasing the number of topics it needed to cover. ED also released its online entrance and exit counseling module.
Legislative Additions to Loan Counseling Requirements: 6
Total: 16

2002: ED released eight additional regulations that entrance counseling needed to cover.
Legislative Additions to Loan Counseling Requirements: 8
Total: 24

2008: The 2008 HEA Reauthorization Act changed the CDR policy to phase out 2-year rates and introduce 3-year rates (Higher Education Opportunity Act, 2008). Additionally, the act supported more interactive methods for engaging students in entrance and exit counseling to improve their knowledge of loan repayment (TG, 2013).

2009: Congress passed the Student Aid and Fiscal Responsibility Act, which eliminated private lenders from the federal student loan distribution and converted all loans to direct lending (Student Aid and Fiscal Responsibility Act, 2009). The decision saved the federal government $7 billion a year. These funds were then allocated to refund Pell Grants, which were due to run out of money.

2012: In June 2012, President Obama set a number of new mandates to improve the student aid process; these included a streamlined application for income-based repayment plans (IBR), more information about IBR especially before students graduate, and integrated online and mobile resources (White House Office of the Press Secretary, 2012). In July 2012, President Obama announced a new financial aid shopping sheet that would later be implemented in the 2013–2014 school year (U.S. Department of Education, 2015). The aim was to simplify information that prospective college students receive about costs and financial aid with the hope that students could easily compare institutions and make more informed decisions about where to attend.[2]

2. Since June 2015, 3,028 institutions have voluntarily adopted its use, which means 68% of all incoming undergrads received this sheet. Note: Only used at an undergrad level. For list of all schools using shopping sheet.

2013: Four legislative additions were made to topics that needed to be covered during loan counseling (Smarter Borrowing Act, 2013). In November 2013, President Obama announced a new outreach campaign to raise awareness about IBR plans. It targeted four groups of students: those in grace period, behind on loans, with higher than average loans, or in deferment or forbearance. It was supposed to supplement and not replace communication that students received from loan servicers (U.S. Department of Education Press Office, 2013). Additionally, the President announced a proposed college rating system. The system would increase transparency and help policymakers hold schools accountable, while also recognizing schools that were performing well (U.S. Financial Literacy and Education Commission, 2015). Appendix B: Description of Federal Student Loan Repayment Plans

Appendix B: Description of Federal Student Loan Repayment Plans

Note: Unless otherwise noted, the information in this section is drawn from AccessLex Institute's *Federal Student Loans: Repayment 101* (https://www.AccessLex.org/federal-student-loans-repayment-101) and the Federal Student Aid website (https://studentaid.ed.gov/sa/repay-loans/understand/plans).

In addition to the daunting task of paying back the thousands of dollars in loans that they borrowed, graduate students first face the overwhelming challenge of simply deciding what type of loan repayment option to choose. Depending on the amount of their debt and their household income, graduate students could have as many as 10 different loan repayment options. Financial aid counselors and loan servicers can play a crucial role in setting up borrowers for success by helping them navigate and select the most advantageous repayment option.

Standard Repayment Plans

Standard Repayment
This is the default repayment plan for all borrowers unless they select another. This plan takes the total amount borrowed and then divides it into 10 increments or 120 payments. The borrower makes set monthly payments for 10 years, at which time the loan is paid off in full. Monthly payments are higher in this plan; however it is one of the fastest ways to pay back the loan.

Time to pay off loan: 10 years

Graduated Repayment*
Borrowers begin with lower payments and then increase their payment every two years. While lower initial payments can help students starting out their career, they do lead to higher overall loan costs.

Time to pay off loan: 10 years

To qualify: Payments have to be between 50 percent and 150 percent of standard payments. For example, if a student starts off with $50 loan repayments, but would eventually owe $151 in payments (more than three times their initial payment) they would not qualify for this plan.

Extended Fixed Repayment*
Borrowers make fixed monthly payments, like in the Standard Repayment plan. However, they do so over 25 years instead of 10. Lower payments over a longer period of time result in higher total costs.

Time to pay off loan: 25 years

To qualify: Have total outstanding principal and interest exceeding $30,000 and be a new borrower as of October 1998.

Extended Graduated Repayment*

This is similar to Extended Fixed Repayment (25 years or 300 monthly payments). However, on this plan borrowers' monthly payments start smaller and grow over time. Both forms of graduated repayment plans (10 years & 25 years) work best for borrowers who are likely to see their earnings increase sharply over time. Like the Extended Fixed plan, this plan also results in higher total costs.

Time to pay off loan: 25 years

To qualify: Have total outstanding principal and interest exceeding $30,000 and be a new borrower as of October 1998.

Income-Based Repayment Plans

Income-Contingent Repayment (ICR)*

Under ICR, borrowers pay the lesser of either (1) 20 percent of their discretionary income, or (2) the amount they would pay if they repaid their loan over 12 years, multiplied by an income percentage factor, based on adjusted gross income, family size, and the amount of loans (Income-Contingent Repayment Plan, 1993). After meeting all loan payments, the remaining balance of loans is forgiven.

Time to pay off loan: Maximum 25 years.

To qualify: No initial income eligibility requirements. Any borrower with eligible federal loans can make payments under this plan.

What else: Payments in ICR are often higher than IBR. Borrowers must pay income tax on the amount of the loan that is forgiven.

Income-Based Repayment (IBR)

IBR differs from ICR mainly in the specific terms; IBR is simpler and borrowers pay a smaller percentage of their income than in ICR. The terms of forgiveness are still the same (borrower makes payments for 20–25 years and remaining amount of debt is forgiven)(Congressional Research Service, 2014). IBR limits monthly payments to an amount based on income and family size; previously this amount had been 15 percent of discretionary income. It was changed, however, to 10 percent for new borrowers after July 1, 2014.

Time to pay off loan: 20 years (after July 2014) or 25 years (before July 2014)

To qualify: Borrowers must demonstrate partial financial hardship.

Public Service Loan Forgiveness

After 120 monthly payments at the same levels specified for IBR (10 percent or 15 percent depending on when loan was taken out), the borrower received loan forgiveness on the remaining balance (Park & Vinik, 2012).

Time to pay off loan: 25 years

To qualify: Borrowers must be employed in public service jobs (e.g., government, public safety, law enforcement, public health, public education, etc.).

Pay As You Earn (PAYE)

PAYE is an income-based repayment plan. Borrowers at most make monthly payments of 10 percent of their discretionary income.

Time to pay off loan: 20 years

To qualify: Borrowers must demonstrate partial financial hardship, be a new borrower on or after October 1, 2007, and have received a Direct Loan disbursement on or after October 1, 2001.

Revised Pay As You Earn (REPAYE)

REPAYE improves PAYE and allows five million additional *Direct Loan* borrowers to limit their monthly loan payment to 10 percent of their monthly *discretionary income*, no matter when the individual borrowed the loan initially. Additionally, REPAYE will extend forgiveness for any lingering debt after 20 years for undergraduate loan borrowers and 25 years for graduate loan borrowers. This plan also introduces a new interest subsidy benefit to prevent growing loan balances for those borrowers whose income-driven payments are unable to cover accruing interest.

Time to pay off loan: 20–25 years

To qualify: Borrowers must demonstrate inability to cover their monthly loan payments under their current repayment plan.

Income-Sensitive Repayment (ISR):

Borrowers make payments based on their income (somewhere between four percent to 25 percent). As their income changes their payments change. Borrowers have to reapply annually for this plan. After 10 years, they must return to their original payment plan.

Time to pay off loan: 10 years

To qualify: Only available for borrowers with Federal Family Education Loans (FFEL).

Additional Repayment Options

Direct Consolidation Loan

For borrowers with a number of different loans (for example, loans from undergraduate and graduate school or multiple types of federal loans), consolidation enables borrowers to roll all federal loans into one loan. In consolidation, the principals of all loans are added and a new interest rate is calculated as a weighted average of original interest rates. Consolidation can help simplify payments and terms and therefore help students manage their loans. It can also help students qualify for different repayment options. However, at times it can lengthen loan repayment and interest and therefore is not always advantageous.

Loan Repayment Assistance Programs (LRAP)
LRAPs are run by universities and encourage students to pursue public service professions by assisting them in their loan repayment. The general framework operates similarly to income-based plans, with students paying a portion of their loan and the school paying the remaining amount. However, LRAPs vary widely; each program has different income qualifications, loan totals that the program will pay, and years allowed. LRAPs are increasingly becoming more popular. For example, LRAPs at law schools grew from 47 in 2,000 to 100 in 2012 with both private and public universities running programs (Jarvis, 2006).

*Graduated Repayment Plan, the Extended Repayment Plan, and the Income-Contingent Repayment Plan were all created in the 1993 Omnibus Reconciliation Act.

Appendix C: Selected Financial Education Campus Examples

Note: All examples are either from the Council of Graduate Schools, Enhancing Student Financial Education project website, or the TG report, *Above and Beyond: What Eight Colleges Are Doing to Improve Student Loan Counseling*. Respective links are included after each description.

Arkansas State University is creating separate resources for undergraduates and graduate students. For graduate students, there is a peer-to-peer workshop on debt and how it affects careers, as well as a suite of online financial literacy resources called Cash Course. Program directors can offer introductory or methods courses, or provide workshops to disciplinary honor societies and other student organizations. The Graduate Student Organization also offers tailored workshops, including programs designed for international graduate students, which are peer-led and facilitated through International Programs. To learn more, visit http://cgsnet.org/project-summary-arkansas-state-university (CGS, 2015).

Baldwin Wallace University supplements ED's online entrance counseling module with in-person, small group counseling in the summer and a few weeks into the fall semester, which allows students to acclimate to the university and absorb the information. These smaller, in-person workshops give financial education staff the chance to cover key details, such as borrowers' rights and responsibilities in more depth. Baldwin Wallace staff also promote ED's online exit counseling module with various outreach activities. For almost 25 years, the institution has woven financial education into first-year orientation and introductory courses, and holds events with successful alumni to engage students on relevant financial and career topics from the moment they arrive on campus. To learn more, visit https://www.tgslc.org/pdf/Above-and-Beyond.pdf (Fletcher, 2015).

Cornell University is coordinating various institutional entities to offer a comprehensive approach to financial literacy to both undergraduate and graduate students. The project team has revamped its financial literacy website with blogs, tools, and social media content. The keystone of their work is a peer-mentoring program through the Graduate Students Mentoring Undergraduates and the Office of Academic Diversity Initiatives, which offers counseling for financial decision making, sharing best practices, and providing specific resources to graduate or undergraduate students based on their stage in their academic career. The Center for Teaching Excellence and the Cornell University Center for the Integration of Research, Teaching, and Learning will also provide financial education in future faculty programs. To learn more, visit http://cgsnet.org/project-summary-cornell-university (CGS, 2015).

Eastern Illinois University created the Literacy in Financial Education (LIFE) Center, which will reach out to students virtually and physically on campus. Once students are admitted, information tailored to their specific stage and circumstance will be sent to them, including webinars and online resources. On campus, LIFE will provide workshops through electives and introductory courses as well as through various student organizations. Peer counselors will also be available. Graduate student assistants will be required to be trained on financial budgeting tools and will have opportunities to research financial literacy topics and mentor undergraduates on financial literacy. To learn more, visit http://cgsnet.org/project-summary-eastern-illinois-university (CGS, 2015).

Florida A&M University has created the Florida A&M Student Financial Education (FAMU SFE) Program, which seeks to equip graduate students with the knowledge and tools to research topics related to financial literacy, debt, and college access and payment among low-income communities and people of color through webinars, workshops, and other programs. The program will also develop a "train the trainer" approach that will allow graduate students enrolled in the programs of Business Administration, Counseling Education, and Community Psychology to collaborate with faculty members. The collaboration will support the FAMU Small Business Development Center (SBDC) staff in facilitating the Federal Deposit Insurance Corporation's (FDIC) financial education program during the SFE seminars and workshops for both graduate and undergraduate students. To learn more, visit http://cgsnet.org/project-summary-florida-am-university (CGS, 2015).

Iowa State University is engaging graduates and undergraduates in a competition to create a mobile or a Web-based financial literacy game. The winning prototype will be developed by a professional game designer, and the pilot will be tested by graduate and undergraduate teams. Additionally, the university will offer a series of financial literacy workshops to campus organizations that will be tailored to the needs of the organization's members. Students will also be offered individual counseling, financial decision-making tools, and the chance to complete a one-credit course in personal financial management. The targeted demographic for these latter programs will be first-year graduate students who expressed concerns about covering monthly expenses on a survey as well as other students who have outstanding payments on their tuition or other university fees. To learn more, visit http://cgsnet.org/project-summary-iowa-state-university (CGS, 2015).

Loyola University Chicago is part of the CGS Enhancing Student Financial Education project. The Loyola team is providing financial education through gaming (MindBlown Life) as well as financial education packages tailored for students with limited financial knowledge (e.g., basic budgeting, loan and credit options), for upper-level undergraduate and graduate students (e.g., debt management, personal finance), and for students with advanced-level financial literacy (e.g., personal investing, retirement). Graduate students are offered advanced programming on managing debt, investing, grant writing, and scholarship/fellowship applications. To learn more, visit http://cgsnet.org/project-summary-loyola-university-chicago (CGS, 2015).

Mississippi State University has developed financial literacy training that targets the entire student population with an emphasis on African American students, which will be reached through collaborations with student organizations. The training will be delivered through a mobile phone app and will include calculators and assessments. To learn more, visit http://cgsnet.org/project-summary-mississippi-state-university (CGS, 2015).

SUNY College of Environmental Science and Forestry is featured in TG's *Above and Beyond: What Eight Colleges Are Doing to Improve Student Loan Counseling*. The school uses the ED entrance counseling module, but provides exit counseling in person each spring to its students in small groups. Staff frame the sessions as essential and report that the students respond well to the individualized attention they receive in the sessions. The interactive exit counseling workshops also include other topics in personal finances, such as identify theft awareness and protection. To learn more, visit https://www.tgslc.org/pdf/Above-and-Beyond.pdf (Fletcher, 2015).

The Ohio State University created Financial eGAUGE (Financial Education for Graduates and Undergraduates from Grad School to Employment) through a partnership between the graduate school and the Scarlet & Gray Financial (SGF) program. SGF offers financial counseling and education to students at the university free of charge through one-on-one coaching, workshops, and large lectures. Each approach is tailored to the needs and financial literacy of students, and individual counseling is recommended to those with low financial literacy or high financial risk. Online modules and trainings, on the other hand, are recommended generally to all students, particularly those who have demonstrated high financial literacy. Large presentations and workshops can be tailored to meet the needs of specific groups (CGS, 2015). Additionally, financial advising opportunities will be marketed toward graduate students in the social sciences and economics disciplines, toward historically underserved populations, and any undergraduate student interested in pursuing a graduate degree. Although the university's financial aid department uses the ED online entrance and exit modules, the majority of the dynamic campus's financial education offerings are housed in the wellness center. Peer-to-peer counseling is available alongside the aforementioned advising by university staff and the SGF programs (Fletcher, 2015). To learn more, visit http://cgsnet.org/project-summary-ohio-state-university and https://www.tgslc.org/pdf/Above-and-Beyond.pdf (CGS, 2015; Fletcher, 2015).

University of Colorado System is strengthening current programs across the system to tailor information to individuals' needs as well as to specific groups. Each campus will encourage students to use Financial Awareness Counseling (StudentLoans.gov) and collaborate with local credit unions to offer presentations to students. Each school is tapping a diverse range of on-campus partners and offices to coordinate programs based on the needs of their specific institutions, from the graduate school, to fraternities and sororities, to new student orientation to the TRiO Program and the Office of Student Life. To learn more, visit http://cgsnet.org/project-summary-university-colorado-system (CGS, 2015).

University of Illinois at Urbana-Champaign uses peer-to-peer counseling and social media to reach students. Workshops are tailored specifically to undergraduate or graduate needs (not offered jointly). Topics for graduate students include health insurance, buying or renting a home during their graduate studies, salary negotiation, loan payback, retirement, and employment decision making. The institution will also provide financial education sessions throughout their "Preparing Future Faculty" programs with the hope of identifying and strengthening best practices to then be implemented across the entire institution. To learn more, visit http://cgsnet.org/project-summary-university-illinois-urbana-champaign (CGS, 2015).

University of Kentucky is targeting first generation undergraduates and graduate students. They are developing online modules to prepare graduate students—including residential advisors and teaching assistants—to advise and teach undergraduates, particularly those in "financial distress." They also collaborated with student comics to create a series of short films geared toward upperclassmen and graduate students on financial management. To learn more, visit http://cgsnet.org/project-summary-university-kentucky (CGS, 2015).

University of Maryland, Baltimore County (UMBC) is creating a program called GoLive that has three threads: "Cultivation of New Graduate Students" (aimed at undergraduates), "Success Seminars and Workshops" (geared toward both undergraduate and graduate students), and "PROF-it Professors-in-Training" (tailored for graduate students). This program will take existing print materials and develop them into in-person workshops and online modules and resources to teach students about financial management, loan borrowing and repayment, mortgages and credit, building savings, etc. To learn more, visit http://cgsnet.org/project-summary-university-maryland-baltimore-county (CGS, 2015).

University of South Florida is targeting undergraduates and graduate students who receive assistantships. Their efforts are a collaboration between the Office of Graduate Studies and the Office of Financial Aid. Graduate students are counseled by a peer as well as two advisors. The project team plans to reach graduate students through various organizations and offices with which they are engaged, including institutes and orientations for graduate students, fellowship recipients, and those taking summer courses (CGS, 2015). The university implements a peer counseling model for its exit counseling sessions as well as workshops on budgeting and general financial advising. All counseling sessions are tailored to the students' needs using their loan information, which is pulled from the National Student Loan Data System. Group sessions are interactive, using texting and live polls. The school is developing an in-person counseling workshop on responsible borrowing to supplement ED's entrance counseling module (Fletcher, 2015). To learn more, visit http://cgsnet.org/project-summary-university-south-florida and https://www.tgslc.org/pdf/Above-and-Beyond.pdf (CGS, 2015; Fletcher, 2015).

Winthrop University aims to deliver financial education to a diverse student body that consists of 40 percent minority, 45 percent low-income students, and 31 percent first-generation students. They are developing a required financial literacy course for all entering first-year students called "Principle of the Learning Academy (ACAD 101)." For graduate students, they will use the online resources of CGS, and faculty teaching at the graduate level across the university will use particular lessons and resources from these CGS modules in the requirements for their classes. To learn more, visit http://cgsnet.org/project-summary-winthrop-university (CGS, 2015).

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