

Reauthorizing the Higher Education Act: Ensuring College Affordability June 3, 2015

Indiana University Student Loan Debt Initiatives

James Kennedy
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University Student Services and Systems

Chairman Alexander, Ranking Member Murray, and distinguished members of the Committee, My name is James Kennedy and I am the Associate Vice President of University Student Services and Systems. Thank you for giving me the opportunity to discuss the initiatives underway at Indiana University that assist students to better manage student debt and costs through their college experience.

One of my primary responsibilities is working with all seven Indiana University campuses on financial aid issues. Indiana University consists of 110,000 students. Over 84,000 students receive some form of financial assistance. Bloomington is our flagship campus with over 46,000 students, Indiana University Purdue University Indianapolis (IUPUI) is the urban and medical school campus with over 30,000 students and the Indiana University regional campuses with an additional 34,000 students. Providing programming and advising for students regarding

financial aid and debt management continues to be a high priority and is included in the Bicentennial Strategic Plan for Indiana University.

I'm here to discuss our success with three major initiatives in lowering student loan debt.

Through our comprehensive financial literacy program started a little more than two years ago, a detailed review of financial aid processes, and the university's commitment to student success and degree completion, we have helped Indiana University undergraduate students lower their borrowing substantially—approaching 16 percent over two years with savings of approximately \$44 million.¹

Office of Financial Literacy

Indiana University's Office of Financial Literacy and its IU MoneySmarts financial education program were established to assist students in making informed financial decisions before, during, and after college. The goal is to provide students with information that will increase the likelihood of them making smart personal finance choices relevant to their goals. Initiatives include one-on-one appointments, classroom-setting education, interactive online material, and events and workshops. The program also provides tools, resources, and tips from experts to assist students in learning positive financial decision-making.

A 60-minute online financial training module was initiated in 2013 for all new students. This module includes information on student loans and financial basics such as savings, budgeting and credit. In the two years since implementation we have averaged an 80% completion rate. [Moneysmarts.iu.edu](https://moneysmarts.iu.edu) is our main source of financial information for students. Included in this tool are weekly financial lessons and episodes of our "How Not to Move Back in With Your

¹ Retrieved from Federal Student Aid Data Center <https://studentaid.ed.gov/sa/about/data-center/student/title-iv>.

Parents” podcast. This podcast is averaging over 3,000 play requests per month. In addition, a group of undergraduate students from various disciplines constitute an IU MoneySmarts Team that provides one-on-one peer mentoring financial sessions and/or group presentations to students.

Financial Aid Business Processes

Starting in the 2012-13 academic year, Indiana University started sending annual student loan debt letters to all student borrowers (attached). In our discussions with students, we discovered that many did not have knowledge of their overall student loan debt until graduation or when they started repayment. While students completed the required Department of Education entrance and exit loan counseling requirements, there was no information actively provided to the students while they attended. The annual debt letter gives students information on all federal loans and private loans processed through Indiana University including cumulative debt, estimated monthly repayment (based on 10 year repayment), estimated interest rate, remaining eligibility based on dependency status, and other important information to assist students with understanding their student loan debt. The annual debt letter has been well received and has resulted in many student inquiries about managing student loan debt.

In fall 2015, Indiana University will start sending to all new transfer students a debt letter before they start classes to assist with their financial planning. Our analysis has shown that transfer students who have accumulated excessive student loan debt from previous institutions will need additional counseling to be successful in completing a degree.

Based on student feedback, Indiana University has made several revisions to the financial aid award letter provided to students. Before these changes, combining aid types caused confusion

for students. Now the letters separate gift aid (grants and scholarships) from self-help (loans, work-study). Indiana University uses the Department of Education Shopping sheet for all students, and, with additional steps in the student loan processes, has created more awareness about student loans and provided more opportunities for the student to reduce loans and ask questions.

Other financial aid process changes include the cost of attendance methodology (including options for reducing the cost of books), earlier interventions with students not meeting federal aid satisfactory academic progress requirements, limited aid appeals, continued review of touch points to counsel students with debt issues, and more targeted institutional aid to keep the net cost down.

Student Success and Completion

Under the direction of Indiana University President Michael McRobbie, we have implemented several completion initiatives, which have the secondary benefit of decreasing the amount of money students will need. The '15 to Finish' campaign promotes taking 15 credits per semester to graduate in four years and minimize debt.² Interactive degree maps are used to provide students a clear pathway to finish their baccalaureate degree in four years. Early alert systems allow professors to identify students with academic issues and direct them to their advisors for assistance. The financial aid staff and campus advisors work closely together to counsel students on credit completion standards and the impact of withdrawal on state and federal aid programs eligibility requirements. These partnerships allow for improved counseling to students and have been strongly promoted through our student loan debt initiatives.

² Indiana 15 to Finish- <http://www.in.gov/che/3126.htm>

The Finish in Four Program freezes tuition and fees for those students on track to graduate in four years after their sophomore year. Summer discounts and targeted financial aid have also been implemented to encourage graduation in four years. Indiana University had 20,000 students receive an Indiana University degree in May. This is a new record for the university.

For assistance after a student has left, Indiana University has partnered with an outside firm to counsel all student loan borrowers at the Indiana University regional campuses to ensure borrowers understand the various student loan repayment options. Students are also contacted when they become past due. Indiana University is committed to taking all steps to ensure students understand loan obligations and avoid default. While it's too early to measure the overall impact of contacting students once they are no longer attending, Indiana University has seen a significant decrease in the campus 2012 draft cohort default rates released in February 2015.

While we would like to see students not have the need for loans, financing a college degree through debt is the only option for many students. As noted by many studies, the value of college degree continues to grow. Counseling students to graduate with a manageable amount of student loan debt is the goal of Indiana University student loan debt initiatives.

Next Steps to Reduce Student Loan Debt

Looking forward, with two or three years' experience and data, Indiana University will continue to measure the overall impact on our student loan debt initiatives. We will continue to find other ways to educate students on financial literacy. Upcoming initiatives include targeted, proactive financial literacy interventions with students with excessive yearly/cumulative debt. For the Indianapolis and regional campuses, the university is considering moving to a banded tuition

model as currently in place at the Bloomington campus. This would promote on-time graduation by having a flat fee for taking 15 credits versus a per credit charge. Payment plan options to assist families with more flexible monthly options to reduce their reliance on loans are being reviewed. Financial aid four year maps to assist families with aid planning is another concept under review.

Conclusion

Our goal at Indiana University is to address student loan debt through the Office of Financial Literacy, the financial aid office business processes, and the focus from the entire university on student success and degree completion. With strong support from Michael McRobbie, Indiana University President, on addressing student debt issues, our initiatives are having an impact. Together, our goal is for students to have manageable levels of student loan debt once they achieve their goal of a college degree.

Example-Indiana University Student Loan Debt Letter

John Doe
222 Indiana Street
Elkhart, IN 46517-9999

Dear John

This is a personalized summary of your estimated current student loan indebtedness. This information is being provided to you *before* you take on additional debt for the upcoming academic year. We encourage you to make use of the academic and financial planning resources suggested here (see other side) to minimize future borrowing while you complete your degree at Indiana University.

Estimate of Your Total Education Loans: \$12,000

*See the "Important Information" section on the other side of this letter regarding all loan estimates.

Interest Rates

Student loan interest rates vary based on when you borrowed and the loan type. Calculations in this letter are estimated at **«Int_Rate»**.

Estimated Monthly Payment – All Loans

Total Education Loans:	\$12,000
Standard Repayment Term:	10 years
Assumed Interest Rate:	6.8%
Monthly Payment:	\$138.10
Cumulative Payments:	\$16,571.38
Projected Interest Paid:	\$ 4,571.38

Federal Stafford Loans

The Federal Stafford Loan program provides the majority of funds for IU students. The total you have borrowed from this program, including both subsidized and unsubsidized loans, is **\$12,000**

The maximum you may borrow for your dependency status and degree objective is **\$31,000**

You have borrowed **39%** of your current limit.

Other Education Loans

The estimated total of your education loans includes amounts below, based on Indiana University's records about your borrowing history:

Federal Perkins Loans:	\$0
Private Loans Certified at IU:	\$0
Other Loans Certified at IU:	\$0
(May include Grad PLUS and Federal Health Profession Loans)	

Academic & Financial Planning Resources

Loans offered for the upcoming academic year are not included in the figures provided in this letter. There is still time for you to reduce future debt by planning your expenses carefully and borrowing only what you really need. Meet with your

advisor and set a plan to expedite completing your degree, if possible. We encourage you to make use of these resources to find ways to balance your budget:

MoneySmarts: <http://moneysmarts.iu.edu/index.shtml>

You are also invited to make an appointment or drop by the Financial Aid Office to review your loan debt figures, talk about future borrowing and discuss repayment options with a counselor.

The standard 10-year repayment plan for Federal Stafford Loans is one of many options. To find out about alternatives, visit this site: <https://studentaid.ed.gov/repay-loans/understand/plans>

To calculate payments on loans of all types; or to estimate your monthly obligation for your cumulative debt under various repayment options, visit this website: <http://studentaid.gov/repayment-estimator>

Loan Terms Glossary - <https://studentloans.gov/myDirectLoan/glossary.action>

Important Information about These Loan Estimates

***IMPORTANT: Figures provided in this notice are NOT a complete and official record of your student loan debt.** The most accurate information about your Federal student loans (excluding Title VII and VIII Health Profession Loans) is available in the National Student Loan Data System (NSLDS). http://www.nsls.ed.gov/nsls_SA/ Log in using your personal information and the 4-digit PIN you used to sign your FAFSA.

Please read this important information about why loan totals in this letter may be incomplete or inaccurate.

- Students who have borrowed at multiple institutions, who have consolidated loans, had loan debt discharged or forgiven, or who have repaid a portion of their debt may find that these estimates are inaccurate.
- Grad PLUS Loans, Federal Health Profession Loans, state or institutional loans and private loans from other institutions are not included in these estimates.
- Federal Health Profession Loans, institutional loans and private loans certified at IU before the 2004-05 academic year are not included in these estimates.
- Interest that accrues while you are enrolled, which must be paid first or capitalized (added to your debt), has not been projected here and therefore has not been included in these estimates.
- The Federal Stafford and Perkins Loan figures in this letter are based on the most recent information sent to Indiana University by NSLDS and should include loans from any institution. However, if you recently received Stafford or Perkins loans at another institution, these may not have been included in the information provided by NSLDS.
- State Teaching scholarships and Federal TEACH grants, which may be converted to loans if scholarship terms and conditions are not met by the recipient, are not included in these estimates.
- Education loans your parent took out on your behalf, and parent loans you may have taken for your children, are not included in these estimates.
- Loans included in this letter may have been discharged or forgiven.