College "Credit":

Reducing Unmanageable Student Debt and Maximizing Return on Education

THE UNIVERSITY *of* TEXAS SYSTEM

Nine Universities. Six Health Institutions. Unlimited Possibilities.

Prepared by:
The U.T. System Student Debt Reduction Task Force

December 2012

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Preface

December 3, 2012

Chairman Wm. Eugene Powell
The Board of Regents
The University of Texas System
Ashbel Smith Hall, Suite 820
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Dear Chairman Powell:

With the hope of facilitating access to and excellence in higher education in the State of Texas, and to fulfill our charge to explore alternatives which could lessen the debt burden to students, the "Student Debt Reduction Task Force" is pleased to present its findings and recommendations in the following report entitled College "Credit": Reducing Unmanageable Student Debt and Maximizing Return on Education.

This report examines the problem of excessive student loan debt and its impact on students and their families. It identifies three critical themes which determine a student's ability to manage debt: 1) degree completion; 2) understanding costs and returns; and 3) transparency and decision support. Finally, the report offers findings and recommendations for both the University of Texas System, as well as the rest of the state and nation.

If you should have any questions concerning our report, please feel free to contact Dr. Scott Kelley at (512) 499-4560 or skelley@utsystem.edu.

Respectfully Submitted,

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Charge to Task Force

Student debt is one of the most salient issues in higher education today. For most it is a useful tool facilitating access to continued education and new opportunities, for others it is an unmanageable lifetime burden, threatening success at every turn. Some students fear debt and prolong their education, depriving themselves of years of higher earnings; some economically disadvantaged students may not even consider a career in certain fields (such as Medicine, where average debt upon graduation is over $150,000 or teaching, where entry level salaries are relatively low) or may make career choices primarily on the basis of minimizing debt.

The overall growth in student loan debt—which now surpasses national credit card debt—and the increase in student loan defaults have become national concerns. An analysis by the Federal Reserve Bank of New York reports total student loan debt to be $870 billion (with 37 million borrowers), making student loans a material part of both total consumer debt as well as United States national debt. As stated in The Project on Student Debt, two-thirds of college seniors who graduated in 2011 had student loan debt, averaging $26,200. Of particular concern is the growing number of students who borrow but do not earn a degree. And student loan debt often cannot be shed, even in bankruptcy.

Given the growing influence of student debt in determining one's future and its relevance to a student's overall success, The University of Texas System convened a group named the Student Debt Reduction Task Force (Task Force) to examine this critically important issue. The purpose of the Task Force is to better understand the factors which impact the burden of student debt, to creatively consider alternatives which might lessen that debt burden, and to recommend actions which would, over time, enhance a student's likelihood of success and reduce the number of persons who carry unmanageable student debt.

Serving on the Task Force are 14 individuals with varying expertise and knowledge on the subject of student loan debt. The members come from within and without The University of Texas System and bring both local and national perspectives (full Task Force member biographies may be viewed in **Appendix A**). Members of the Task Force serve as individuals and do not represent any particular organizations or special interests. The Task Force meetings have included extensive data collection and review, much of which is based on external analyses of the issues, supplemented by internal information gathering and reporting. Subject matter experts have presented research and been interviewed by Task Force members, providing additional outside viewpoints. The report seeks to be an objective, evidence-based consideration of the issues to be shared with and considered by university officials, policy makers, interested groups, and the public.

Ultimately, the Task Force hopes to provide an accurate assessment of the current student loan debt crisis, framing the issue and delivering recommendations that minimize the risk of students being burdened with unmanageable debt upon graduation.

Executive Summary

Executive Summary

The majority of families in the United States are not financially prepared to fully fund their children's pursuit of a college degree. Often, student loan borrowing is unavoidable and, for some, the debt can become unmanageable. According to a study done by the Federal Reserve Bank of New York (FRBNY), national student loan debt has grown to $870 billion with over 37 million borrowers. About 10 percent of student borrowers owe more than $54,000 (FRBNY), with students in specialized programs such as law averaging $150,000 in educational debt upon graduation (Campos, 2012). Student loan debt has surpassed the nation's outstanding balance on auto loans ($730 billion) and credit cards ($693 billion) (Econ Matters, 2012) and almost 20% of students who borrow will default on their loan payments after leaving school.

Student loan debt is especially burdensome for students who do not graduate or who take an extended period of time to complete their degree. Over 80% of those who default on student loans are students who did not finish their degree (Nguyen, 2012). Thus, while student loan debt is a complicated issue, the data suggest that increasing the percentage of borrowers who complete their post-secondary degree would have the largest impact on reducing unmanageable debt.

Despite the hardship of paying for college and graduating on time, most families see the long-term value of a four-year degree. A college degree significantly improves one's employment options, ultimately increases a graduate's lifetime earnings, and benefits society as a whole. Collectively, we have a shared responsibility to help students succeed in school. Together we can help students and their families gain a better understanding of the risks and rewards of student debt and increase their awareness of options and strategies to minimize the cost and maximize the value of a college degree. Improved transparency and educational tools will help students and families gain a realistic understanding of the cost of college and the risks and benefits of attending.

Creating a "culture of success" for students is a shared initiative, one that must be supported by faculty, staff, administrators, governing boards, state and federal officials, students, and families. Working collectively to improve graduation rates, decrease time to degree, manage costs, and provide better information and guidance will have a long-term impact in helping students understand and maximize their return on an educational investment. If managed correctly, debt is a useful tool which can help students effectively and efficiently attain their educational pursuits.

The University of Texas System has historically been supportive of innovative ideas and stands committed and ready to help implement any practices that will ultimately create a culture of success for students within the System, the State of Texas, and across the nation.

The Task Force

To explore, better understand, and lessen the damaging impact of growing student debt on student access and success, The University of Texas System Board of Regents created and funded a Task Force charged with finding possible solutions that might reduce the burden of debt carried by students within The University of Texas System, the State of Texas and the nation. Task Force members included University of Texas (U.T.) undergraduate and graduate students, senior administrators, and industry financial aid experts. All offered their personal perspectives and did not necessarily represent the groups or organizations with which they are associated.

The Task Force was chaired by Scott Kelley, Executive Vice Chancellor for Business Affairs at The University of Texas System, who serves as the chief business officer for The University of Texas System, overseeing financial operations of U.T.'s nine academic and six health institutions. The Task Force conducted seven group meetings in Austin featuring multiple guest attendees and speakers. This work was supported by remote collaboration and research.

The Task Force strived to provide an accurate, objective analysis of the current student loan debt issue and to discuss various approaches to the topic as supported by external research and industry experts. This final report represents a consensus of the Task Force. The report is organized around three central themes which the Task Force believes are most critical in helping students succeed in college and manage any debt they acquire: Degree Completion, Costs and Returns, and Transparency and Decision Support. The Task Force believes that progress in these three areas will have the greatest effect on reducing the debt "burden" for all students.

Degree Completion

Failing to complete a post-secondary degree is clearly the greatest determinant in student loan defaults and other negative outcomes. Those who drop out have higher unemployment rates and make less in lifetime earnings than those who graduate, and are more than four times more likely to default on their loans (Nguyen, 2012). While there are many factors to be examined and discussed in reviewing the growing student debt burden, graduation is the critical element that must occur; otherwise, the student and his or her family will have greatly increased the odds of financial hardship lasting many years.

Findings

Risks Associated with Degree Completion

Risk factors which influence a student's ability to graduate include: choosing a school that is not a good fit, failing to become engaged on campus, experiencing unexpected family or financial concerns, being ill-prepared for living on one's own, and/or having low self-esteem or self-confidence.

Mitigating the Risks

Managing risks associated with degree completion include incentivizing undergraduate students to finish their degree in four years, establishing mechanisms to identify and help at-risk students, educating students on the requirements for their major and career choice, and encouraging students to participate in engagement opportunities such as work-study positions or internships.

Choice of Institution and Program

Finding the best program and school "fit" for a student—both academically and financially—is a major factor in reducing unnecessary costs and debt. Recognizing that some students will do better in a two-year institution, while others may excel in an accelerated or online program, may help place students at schools where they have the best chance of success.

Student Engagement

Student engagement research shows that students who are more involved on campus usually experience greater success.

Work-Study Options

Multiple work-study opportunities provide invaluable wages and experience for students, and are a good way to better engage incoming students on campus.

Tuition Caps and Other Incentives for Students Enrolling for 15 Hours

The Task Force explored and expanded on various incentives that exist to reward students for taking additional credits, recognizing the impact these incentives have on both degree completion and reducing time to degree.

Faculty Engagement

Faculty play a key role in engaging and identifying students who are struggling or at academic risk. Leveraging

faculty knowledge and expertise to help improve retention and graduation rates is of high value.

Rewarding Maximum Course Load
A 15-hour semester is often necessary to graduate within four years, however this structure is not supported by the current grant system. Developing new incentives for a full-course load may help keep students on track for on-time graduation.

On-Time Graduation Rebate
The Task Force identified G.P.A.-based incentives for students who complete their undergraduate program in four years. Such rebates and tuition relief can accelerate student completion and reduce the cost of a degree.

Discouraging Outside Work
In an attempt to avoid debt, many students work excessive hours off-campus, which can diminish the likelihood of finishing their degree. Discouraging excessive off-campus work and offering more on-campus work opportunities will better engage students and help them maintain a manageable work and course load.

Recommendations

The Task Force made six recommendations to improve student graduation rates and on-time degree completion:

- Increase student work opportunities
- Encourage students to take advantage of Advance Placement (AP) courses
- Redistribute grant funds to the beginning of a student's academic career
- Find ways to better engage faculty
- Encourage higher parent involvement
- Target the students most at risk

Costs and Returns

Working to reduce costs to students (including time to degree) while helping students match the resources they are investing to the returns they can expect to receive can have a significant impact in reducing the actual "burden" of debt students are carrying. The return on higher education is extremely beneficial to students and offsets the risk of debt in the long-term. But students must take responsibility for where they choose to go to school and what programs they wish to pursue. It is the responsibility of parents, faculty, college and university staff, and loan officials to provide appropriate information and realistic funding options for each student. Debt itself is not inherently bad, but if not managed well can become an exceptional burden.

Findings

Risks Associated with Costs and Returns
The risks of successfully completing a post-secondary degree and generating a positive return from one's educational investment are significantly greater when students take longer than expected to complete their degree, choose a career track where future earnings do not support their required debt repayment, and/or are unable to find jobs in their field following graduation.

Mitigating the Risks
Mitigating the risks associated with pursuing a post-secondary degree include increased career education and counseling, selecting a major and pursuing scholarships early, lowering the cost to degree, and working to identify additional funding opportunities for students.

Program Costs and Benefits
Despite the challenges of providing in-depth financial aid counseling to all students, it is important to find ways to effectively teach students about the impact of their academic choices, as well as the costs and benefits of their degree program.

The Borrowing Process
Many environmental factors impact the borrowing process and create challenges for how families pay for college.

Guiding Students to the Best Major
Creating tools and resources to help students determine their program of study early-on is key to helping students complete school on time and embark on a satisfying career upon graduation.

Ability to Pay
The Task Force debated the importance of ability to pay when applying for student loans and the impact this could have on a student's opportunity to pursue higher education.

Return on Education
Debt is often part of the cost of an education and must be weighed against the value of a college degree over the course of an individual's career.

Costs of Higher Education
The Task Force reviewed the costs of attending college and evaluated the tools and options available to students (and families) for managing those costs.

Personal Return
Students who earn a college degree experience both significant career benefits and satisfying personal growth.

Societal Return
Not only do college degrees benefit the individual, college graduates have an impact on the population as a whole, increasing community involvement and lowering demand on state and federally funded assistance programs.

Investments and Calculating "ROE"
Helping students organize and understand their full educational investment when pursuing a higher education degree, and the long-term personal and societal return following graduation, are critical factors in managing student debt.

Student Support
Most students rely on traditional types of financial aid, such as grants and loans, which are often supplemented by work-study programs, tuition tax credits, and family-savings plans.

Traditional Types of Financial Aid
A significant amount of student financial aid comes from the state and federal government in the form of Direct Stafford Loans, PLUS Loans, Perkins Loans, Texas B-On-Time Loans (BOT), and College Access Loans (CAL). The Task Force also researched tuition tax credits, family-savings options, and career services/campus work opportunities.

Recommendations

The Task Force developed five recommendations that impact costs and returns of a college degree:

- Require undergraduate students to complete a Personal Education Plan
- Identify new opportunities for competency-based learning credits
- Build on incentive programs for on-time graduation
- Re-examine current campus cost structures (other than tuition)
- Create better assessment tools for coursework completed elsewhere

Transparency and Decision Support

There is an appropriate maxim that "if you give people the right information, they will do the right thing." The Task Force believes that a major obstacle to students acquiring and managing an appropriate level of debt is the lack of transparency and accurate information on which decisions can be based. Inaccurate, incomplete, or untimely information raises the risk of students making poor academic and financial decisions leading, perhaps, to greater debt, reduced ability to pay, and/or a lower likelihood of earning a degree. Improving the delivery of information and getting it to the proper people at the proper time, can significantly improve the educational decisions of students and their families. Better decisions will decrease risk and lower the number of individuals who are struggling with the student debt they carry.

Findings

The Borrowing Process

Schools generally award students the maximum loan amount each semester when many students could get by on less. Counseling has limitations and is often not effective in terms of coaching students on the complexities of interest, repayment amounts, and general financial literacy.

Transparency

Many factors affect a student's need to borrow, such as course load, living expenses, and choice of school or program of study. Providing students and families with multiple options and an improved understanding of the cost of their decisions will help them make better choices.

Communication Vehicles

Many challenges exist in how students and their families receive information. The Task Force strived to better understand and identify those methods of communication that were most effective in educating students on the borrowing process.

Information Timing

Understanding when to deliver key messages to students—so information is meaningful and has the greatest impact on decision-making for the family—is critically important. Task Force members agreed that it was best to interact with students and families at multiple points between high school and graduation.

Recommendations

After much discussion, the Task Force agreed on five core recommendations to improve transparency and enhance decision support for students and their families:

- Build on the MyEdu application
- Invest in personal finance principles training
- Develop standardized borrowing rules of thumb for students and families
- Develop a set of standard "cost of attendance" criteria
- Produce enhanced financial aid statements

Conclusion

Student debt is one of the most critical issues facing young people today. If used prudently, student loan debt is an important and effective tool for improving one's life through the attainment of a post-secondary degree. But, if that debt becomes unmanageable, it can create a lifetime burden that affects one's employment and lifestyle decisions for years. The recent growth in national student loan debt, the number of borrowers, and especially the number of student loan defaults is of grave concern. This report hopes to provide an objective, evidence-based consideration of the issues and recommended solutions which might be shared with and considered by university officials, policy makers, interested groups, and the public. It is our hope that The University of Texas System and others will carefully consider, support, and implement the Task Force's recommendations and that those recommendations will help create a culture of success for students within the U.T. System, the State of Texas, and across the nation. Now is the time to develop and implement tools and strategies to address the issue of unmanageable student loan debt and assure the future success of the rising generation.

Introduction

Introduction

For decades, governments, the education community, financial advisors, and others have encouraged families to set aside savings for their children's college education. Tax-advantaged state-based 529 savings plans, borrowing from other tax-deferred savings plans, and other savings have been promoted for this purpose. Nevertheless, the vast majority of families do not or are not able to accumulate sufficient resources to fully fund the "Expected Family Contribution" of their child's college education As a result, some amount of student loan borrowing is often unavoidable.

According to a study done by the Federal Reserve Bank of New York (FRBNY), student loan debt now stands at $870 billion nationally, with over 37 million borrowers struggling to manage their outstanding balances. About 10-percent of student borrowers owe more than $54,000 (FRBNY), with students in specialized programs such as law carrying a frightening $150,000 average in educational debt upon graduation (Campos, 2012). The rising cost of education and the increased loan debt for which students are responsible can create a significant burden lasting many years. Recently, student loan debt "surpassed the nation's outstanding balance on auto loans ($730 billion) and credit cards ($693 billion)," (Econ Matters, 2012). While growth in student debt has become a national concern, the reality is that extreme individual debt burdens are relatively rare. According to The 2011 Project on Student Debt, 34% of students graduate with no student loan debt and, of those students who do borrow, the average amount is $26,200—roughly the cost of a new automobile. Students from Texas fare slightly better, with 2009-10 graduates carrying $20,919 in average student loan debt, and 44% of graduates completing school with no debt at all (The Project on Student Debt, 2011). Further, interest rates have actually decreased from 8-10% in the 1980s to the more modest 3.4%-6.8% rates to which we are accustomed today. More loan forgiveness programs and income-based repayment plans exist now than ever. And while a car depreciates the moment it leaves the lot, "the degree is likely to increase lifetime earnings by anywhere from $241,000 to $1,090,000, depending on your field of study" (de Vise, 2012).

A Student Perspective

During his undergraduate years, Cesar was a busy man. Majoring in Communication Studies, he held a work-study position, worked one off-campus job (for a stretch he worked two), served as his fraternity's president, was active in a peer education group and the campus leadership academy, and made time for sports. In his last few semesters, as his course load became more difficult, Cesar took out student loans as a means to work less and focus more on his studies. Acquiring only a modest amount in loans, he borrowed as an investment in his education and was able to repay the $3,600 he owed within five years (at about $50/month). According to Cesar, the student loan "allowed me to finish on time and cut down my jobs from three to one."

Graduate school was a different story. Concerned that working would inhibit his ability to do well academically while pursuing his Master's degree, Cesar borrowed to pay both his tuition and living expenses. Graduating with $30,000 in student loan debt, he was quickly overwhelmed by the $400/month repayments. Says Cesar, "There was no way I could make a monthly payment that large, so I took advantage of the Income-Based Repayment Plan and was able to cut my payments in half." The lower monthly payment, however, was not without tradeoffs. "I worry about staying ahead of the interest rate," he says, "and if I could do it again I would not have borrowed the full amount each semester—I probably could have gotten by on less. Now I'm having to put off major purchases and put some things on hold in order to get my student loans repaid."

The key issue in maintaining a manageable level of debt is not merely the amount borrowed, but whether the borrower ultimately attains a post-secondary degree. Over 80% of those who default on their student loans are students who do not finish their degree program, thus creating a pool of individuals who are taking on debt without the benefit of receiving a degree. Last year two out of ten borrowers at public and private four-year institutions dropped out, and more than five out of ten of borrowers (54%) dropped out at private, for-profit, four-year institutions (Mary Nguyen, 2012). This is the greatest risk factor that leads to student loan defaults. Thus, while the student loan debt crisis is a complicated issue, the data suggest that the most impactful way to reduce unmanageable debt would be to increase the percentage of borrowers who complete their post-secondary degree. Hence, the challenge is to find new and effective ways to increase graduation rates and completion of degree programs.

Despite the increasing hardships associated with attending and paying for college, most families see the long-term value of a four-year degree. Texans, in particular, experience much higher unemployment rates with less than a college degree, regardless of the strength of the economy (Center for Public Policy Priorities, 2012). This may be part of the reason families and students have been willing to take on more debt in recent years. A college education also benefits the larger population, and as such, we have a shared responsibility to help students succeed in school without taking on the burden of unmanageable debt after graduation. On average, taxpayers save significantly on social support programs—from $32,600 to $108,700 per person—when individuals earn four-year degrees instead of ending their education after high school (College Board Advocacy & Policy Center, 2011).

Still, the risks of student debt are significant and if not carefully managed can quickly become overwhelming. It is estimated that nearly 20% of graduates will default on their student loans, much of which is ultimately recovered (at least on federal loans) over many years through garnishing wages, seizing tax refunds and withholding social security payments. It is important to note that student loans are extremely difficult to discharge in bankruptcy, making them the most onerous type of credit for individuals seeking bankruptcy protection as a way to restart their financial lives.

The environment in higher education and financial aid is complex and constantly changing. And there are many parties influencing students' decisions during their college careers, including parents, faculty, and financial aid advisors. Understanding the risks and rewards of student debt includes an increased awareness of options and strategies that help students and families fully comprehend the cost and value of their degree. Higher education is a long-term investment and some debt may be necessary to attend college; however, through high quality information and smart decision-making, students can minimize excessive borrowing and choose a field of study with realistic job prospects. Decreasing the time to degree, managing costs, and understanding one's return on educational investment can help students and their families effectively match their ability to repay with an appropriate amount to borrow.

Better transparency and educational tools can help students and families gain a realistic comprehension of the true cost of college, as well as the risks and benefits of attending. President Obama has recently talked about sacrifices students have to make for education. In order to help keep school affordable, colleges and universities must help students understand that they will have to make sacrifices along the way in order to achieve their long-term goals. This is slightly incongruent with the message prospective students may receive that college is "the best time of your life," and suggests that, in some ways, universities market themselves in a manner that conflicts with reality. Task Force members felt that the ideal message would teach students how to make the best use of their time in college with an emphasis—much like the military or Peace Corps—that it is difficult, but rewarding, and that the program should be completed in a finite time frame. Like a mortgage, student loan debt when used responsibly can be a useful tool in meeting the cost of an expensive asset (i.e., education). Loans can

align the resources needed for a higher education with its long-term benefits, allowing loan repayment to come from a fraction of the expected higher earnings a degreed employee expects to earn over his or her lifetime.

Ultimately, debt is a tool for education that can be useful when managed correctly. It is the goal of the Task Force to find ways to help the average student reduce his or her debt burden and minimize unmanageable debt. If this issue is not addressed then many graduates may acquire excessive debt and become responsible for large repayments that affect their standard of living and decision-making for a significant period of time after graduation. We must create opportunities for those who choose to pursue higher education while finding reasonable ways to help them manage the expenses associated with so doing.

This report is organized around three central themes which the Task Force believes are most critical in helping students eventually succeed in college and manage any debt they acquire. Those themes are:

- Degree Completion
- Costs and Returns
- Transparency and Decision Support

We believe that focusing on progress in these three areas will have the greatest effect on reducing the debt "burden" for our students.

Creating a "culture of success" for students is a shared initiative, one that must be supported by faculty, staff, administration, boards, government, students, and their families. Getting everyone to think through how to improve graduation rates and reduce the costs of a higher education degree is paramount and will give students the best information and guidance possible to make strategic decisions with positive long-term impact. Every student who takes on less debt and/or takes steps to improve his or her academic progress makes a difference and helps to move the ball forward on this far-reaching issue.

The University of Texas System is unique in that it engages over 200,000 students each school year and has the potential to build and test ideas that may help educate students and lower the cost of attendance for many families. Many of the Task Force recommendations involve pilot programs or focus groups in order to test the validity and effectiveness of different strategies. The University of Texas System has historically been supportive of innovative ideas and stands committed and ready to help implement any practices that will ultimately create a culture of success for students within the System, the State of Texas, and across the nation.

Planning for Success

Growing up, Erick, a 22 year-old college senior at UTPA, knew that a college degree was necessary to get ahead. In high school, the ambitious student completed advanced placement and dual credit coursework. Once accepted to college, Erick leveraged Pell and Texas state grants and a student-work position to help fund his dream. By working hard and taking up to 17 credit hours each semester, Erick is on track to graduate in four years with a double major in Biology and General Studies (Biochemistry, English and Spanish Literature). Through careful budgeting, he was fortunate to make it to his junior year before needing to borrow, a process he approached cautiously.

"College has been a really positive experience for me," says Erick. "I've learned a lot about myself and gained organizational and life skills that you can't put a price on." He sees student loans as a tool to help him attain his education and finish his degree on time. The University of Texas faculty and staff, says Erick, "want us to be successful, and helped me better understand what options were out there." Though his loan amount upon graduation is going to be higher than he expected, Erick feels confident that he can manage his payments based on his projected income and cost-of-living research he's done for the area he will be moving to next summer.

His advice for students who are just starting out? "It's possible to pursue your college degree without acquiring an unmanageable amount of debt, you just have to be smart about it." Erick adds, "Being aware of the costs and taking advantage of high school credits, grants, work-study opportunities, and student loans can help people finish on time, with a degree in a field they love."

Degree Completion

Degree Completion

Failure to complete a post-secondary degree is clearly the greatest determinant in student loan defaults and other negative outcomes. Those who drop out have higher unemployment rates and make less in lifetime earnings than those who graduate, and are more than four times more likely to default on their loans (Nguyen, 2012). While there are many factors to be examined and discussed in reviewing the growing student debt burden, graduation is the critical element that must occur; otherwise, the student and his or her family will have greatly increased the odds of financial hardship lasting many years. The Task Force spent significant time considering actions which could improve a student's likelihood of successfully attaining his or her degree. What follows are our findings and recommendations regarding this important topic.

Findings

Risks Associated with Degree Completion

With the relative ease of access that most parents and students have to loans and credit, attending college presents a risk for many families, a risk that rises significantly as the chance for successful completion falls. A few of the risk factors which influence a student's ability to graduate are described below:

- Students may choose a school that is not the right fit or experience for them
- Students who are not engaged in some way with the campus community are more likely to leave prior to earning their degree
- Students burdened with life issues (financial issues, family concerns, other priorities, etc.) are less likely to succeed
- Students may experience new freedom when away from home for the first time that they are poorly equipped to handle
- Students with low self-esteem upon entering college are more likely to drop after having one bad experience (getting easily discouraged despite potential to finish school); this has been specifically tied to minority students—who often "face [cultural] barriers and transitional problems crossing the academic border" (Rendon, 2006).

Mitigating the Risks

In reviewing the literature and through many Task Force discussions, methods identified to mitigate and manage the risks associated with completing one's degree include:

- Encouraging or incenting students to finish degree programs in four years or less
- Establishing mechanisms to identify students who are most at risk and beginning a dialogue with them early and often throughout their college career
- Making sure students understand requirements that are needed to qualify for a certain career or graduate program (taking the right classes, understanding minimum G.P.A. requirements, etc.)
- Encouraging students to participate in undergraduate research opportunities, work-study options, and internships

Choice of Institution and Program

One of the factors that determines a student's probability of success in college is the issue of choice of institution and program. Freedom of choice and the generally accepted notion that all high school graduates should immediately enroll in a four-year college are not always best for every student. The Task Force generally agreed that while all high schools should strive to graduate "college-ready students," not all students have the right level of maturity or drive to succeed in a traditional four-year program; options to place these students in

the right programs at the right institutions are an important contribution to enhancing their eventual success. Also, matching a student—both academically and financially—to the best school for that student will help reduce unnecessary costs and subsequent debt. Mentoring students by asking "What do you want to do?" rather than "Where do you want to go to school?" may help guide students and families through this process and lead to a more informed decision on whether a particular college is the right choice. In addition, a more demanding selection process could potentially direct students to courses of study where their likelihood of success is greater. And encouraging a "gap year" for recent high school graduates to travel, volunteer, or work, while carefully considering their future course of study, would, for some, improve their ability to make sound educational choices and better prepare them to succeed in college.

Student Engagement

Student engagement research shows that students who are more involved on campus usually experience greater success. It is the responsibility of universities to create pathways for students to be successful and feel connected. Some students come to campus with a certain sense of connectedness, however, many—particularly first generation students—often struggle to feel engaged. This issue might be better addressed at orientation by providing students tools to help them become more connected. Other ways to engage students may be through more internships, work-study opportunities, and campus research prospects. As further described in the "Recommendations" section, the Task Force feels strongly about providing campus work opportunities and soliciting faculty feedback when it comes to new ways of interacting with students and improving their experience and feeling of engagement on campus.

Student Work Opportunities Pay Off

Brenda, a 29 year-old UTPA graduate, is one of the lucky few to make it through college with no student loan debt. Through careful planning and use of grants, Brenda completed both her undergraduate and graduate degrees in Accounting in 2006. The biggest game changer for her was a work-study opportunity with the University of Texas Pan American's Financial Aid Department.

"This was my first professional work opportunity," says Brenda, "one that gave me real world experience and a chance to build my reputation on campus." Brenda quickly progressed, earning promotions and working into a full-time position as she began her graduate studies. While living at home to save money the work-study position kept Brenda engaged on campus and ultimately led to what has now been a ten year career with the University.

When asked what it's like working with students now as a University staff member, she says "Often the student with the biggest heart and drive is the one who will go the farthest—I was an average student, but a very hard worker." Brenda adds, "Student work opportunities give students like me the chance be involved, build a career, and—most importantly—to prove yourself to others."

Work-Study Options

Work-study funds are provided to colleges and universities by the Federal government and the State of Texas. These funds are need-based financial aid, so the student must file a FAFSA in order to determine eligibility for funds. Most schools are required to provide a 25% match to the work-study funds they receive. Work-study allocations to schools have remained flat, and in some cases, have decreased over the last several years. In order to create additional work opportunities for students, some universities are providing a larger match or using other funding sources to increase on-campus employment. Partnering with private industry to create internship opportunities is another option used by universities to increase student employment options.

Tuition Caps and Other Incentives for Students Enrolling for 15 Hours

As an incentive to enroll for more hours each semester and graduate in four years, some universities cap tuition charges once a student enrolls for a minimum number of credit hours. The State of Texas offers a tuition rebate of up to $1,000 provided to students who minimize the number of courses taken outside of their degree program (Texas "Education" Code, §54.0065). The University of Texas-Pan American (UTPA) is offering a $500 tuition credit for students that complete 15 hours or more in a semester. The credit is applied to the subsequent semester of enrollment and requires the student to maintain a 2.5 G.P.A. Encouraging on-time graduation reduces college expenses and helps reduce additional borrowing. In order to be successful, consistent investments are needed on a campus, state, and federal level.

Faculty Engagement

Engaging faculty to proactively identify and work with students who are at academic risk can improve retention and encourage students to seek help before leaving school. Students could be identified based on statistically and empirically identified risk factors, and universities would be tasked with finding ways to preemptively engage such students. Finding ways to de-stigmatize the process of requesting help could also lead to greater interaction with at-risk students, helping improve student retention and graduation rates.

Faculty interest in student success has a great impact on student retention and graduation rates. A student's experience in the classroom ultimately affects his or her feeling of acceptance at a university. Leadership must encourage faculty to engage students in a conscious way and help students make connections between decisions now and the impact those decisions will have in the future.

An interesting observation from a Task Force member was that professors themselves are often self-motivated, self-learning individuals, and as such, may assume that most students are similar. In reality, many students are struggling through college while working, may have different lifestyles or priorities, or may require more external motivation to succeed. This potential disconnect between faculty and students can create misunderstanding and may not result in the necessary teaching and engagement strategies that many students need. Active learning strategies (such as study groups) may work better for some students and improving ways for faculty to identify and proactively help low achievers could have a great impact on student success.

Rewarding Maximum Course Load

The current grant system does not encourage a 15-hour semester. Many students reduce their course loads (taking 12 hours per semester) in order to get more grant money each semester. However, in Texas, completing 15 credit hours per semester is often necessary in order to graduate on time. Offering additional grant money or making payments that reduce loan debt for taking and completing more hours each semester could incent earlier graduation and reduce the risk of non-completion. Likewise, there are certain curricula, or points in a curriculum, for which institutions might want to award their financial aid predicated on students taking and completing a full 15-hour course load each semester.

Interestingly, data gathered at The University of Texas at San Antonio suggest that the student success rate is greater for students who complete 15 hours in their first semester than it is for those who do not (Office of Institutional Studies, 2012). These results appear to be independent of high school class rank.

On-Time Graduation Rebate

Another incentive might be to increase the financial benefit to students who graduate on time. For example a rebate could be offered to students who maintain a certain G.P.A., and complete a certain number of hours. The rebate could be awarded at the end of each 12-month period in which a student completes as many as 30 credit hours. The State of Texas has a similar program. (See the "B-on-Time" program in **Appendix B**). Unfortunately, funding for the B-on-Time program has been reduced in the last few years. The University of Texas at Austin received a $6.7 million B-on-Time allocation for fiscal year (FY) 2012, but only $2.6 million for FY 2013. B-on-Time allocations at other institutions were similarly reduced.

Another approach is a flexible tuition policy that provides some tuition relief for students who register for more than 15 hours in a given semester. This could take the form of flat rate tuition plans (now offered by various U.T. institutions or rebates awarded when students complete more than 15 hours in a semester with a qualifying G.P.A. Such opportunities should be well-publicized to students and parents and could accelerate completion and reduce the cost of a degree. The tuition relief could be awarded in the form of a rebate once a student has successfully completed more than 15 hours in a semester with a qualifying G.P.A. The financial impact of such a policy on the institution would need to be studied before this policy could be implemented.

Discouraging Outside Work

Some students are "debt adverse" and attempt to work their way through school. Nationally, over half of students who are not supported by their parents are working over 35 hours a week while attending college (Center for Public Policy, 2012). While trying to avoid debt, these students may actually exacerbate their financial situation either because they cannot earn enough to pay for school and drop out, or because their heavy work schedules cause them to be unsuccessful in school. While the evidence shows that some work (particularly on-campus employment) increases student engagement and actually improves degree completion, working too many hours in jobs unconnected to the campus or one's field of study adds increased risk to a student's ability to graduate. Consequently, finding a way to inform families about how a small amount of debt may be utilized to increase the chances of finishing school and lead to better long-term financial outcomes could be crucial.

Recommendations

1. Increase Student Work Opportunities

While time-consuming, off-campus employment in jobs unrelated to a student's course of study can negatively impact one's ability to complete a degree; somewhat surprisingly, studies show that on-campus and career-related student employment—what we might call "student connected employment"—correlated highly with degree completion (Musick, 2011). The Task Force recommends that schools, states, and the federal government create and support more such "student connected employment" (i.e. on-campus and other such student work opportunities). Campus and career work opportunities are powerful tools to involve and integrate students into the university and allow them to better balance studies and work. Such integrated student work can provide needed financial support, reducing the amount of debt acquired and the need for unrelated outside employment. And, if managed well, some student employment can actually reduce institutional expenses.

Two examples of novel student work programs are found at Brigham Young University and Berea College, where students work many of the food service, janitorial, grounds-keeping, and student support service positions. By using student workers instead of other part-time and full-time employees, these schools were able to save significantly on labor costs for their facilities and programs, while creating many opportunities for undergraduates to remain on campus while working.

In the University of Texas System, UTPA is now requiring department heads to gain presidential approval to hire a non-student for any hourly position. While being careful to not displace current employees or negate existing contracts, UTPA has been successful in employing more students and keeping them engaged on campus. UTPA also created a Student Employment Office to promote and develop on-campus jobs for students (both work-study and non-work-study positions). The office is part of Career Services and students are assisted with résumé development and interview skills. In addition, UTPA matches federal and state work-study funds at a higher rate than the state and federally required match. The higher match allows the university to double the amount of work-study funds available for student employment.

The Task Force strongly supports the current Federal Work Study program and, given the correlation between engaged work opportunities and college completion, recommends it be the first priority for additional state and federal student aid. However, we were concerned when we learned that over half of the students who qualify for traditional work-study aid do not use it, especially as freshmen. We recommend that consideration be given to better promotion and distribution of this valuable source of student financial aid.

Internships create other valuable work opportunities for students, engaging them and encouraging them to be more active on campus while they gain real-world work experience for course credit or résumé building. Internship opportunities often create a career bridge for students, foster mentoring relationships with faculty, and allow students to be recognized outside the classroom for their work ethic and leadership skills. The Task Force strongly encourages growth in student internship opportunities.

The Task Force also believes that by providing robust career services, institutions not only enhance student job placement, but provide students with career planning early in their academic careers. As a result of working with students early, students can be more successful with scholarship applications, can identify gaps in their work and volunteer experiences to be completed before graduation, and are more likely to complete their degree.

What UT Can Do:

- The Task Force recommends that campuses consider using (and be permitted to use) tuition set-aside funds for need-based financial aid opportunities that include work-study, research positions, and internships.
- The Task Force recommends that each campus set goals, metrics and targets for increasing the number of "student connected employment" opportunities over time.
- The Task Force requests that The University of Texas System Board of Regents help fund a study to assess the new campus employment programs at UTPA to determine their impact on student completion rates and the institutional costs and benefits of utilizing student employees. The study could also gather and review data and results from other institutions who utilize a higher percentage of student employees.
- The Task Force endorses U.T. Austin's decision to designate a campus coordinator position (as described in Mark Musick's 2011 study) that focuses on retention, degree completion, student debt, and also reaches out to target students in greatest need of campus employment opportunities. We believe identifying individuals on campus to promote and champion student connected employment is of great benefit.

What We All Can Do:

- The Task Force recommends that colleges and universities consider offering multi-year internship, research, and work-study packages to improve student commitment and allow students to build relationships over their academic career.
- The Task Force would like to see continued or increased support of campus Career Services offices as a way to create, explore, and market jobs to students, as well as identify internship and co-op opportunities.
- The Task Force recommends that state and federal funding for Federal Work Study and other "student connected employment" programs be increased.

2. Encourage Students to Take Advantage of Advance Placement (AP) Courses

With proper guidance and sufficient motivation, an undergraduate student could shorten his or her time to degree by taking advanced placement (AP) courses in high school that are accepted by their institution. According to The College Board, students who successfully complete AP courses while in high schools had better four-year graduation rates than those who did not take AP—for example, graduation rates for AP English Literature students were 62 percent higher than graduation rates for those who took other English courses in high school (2012).

Students who earn credit/placement on the basis of their AP scores are more likely to experience success in college, to earn higher G.P.A.s while in school, and to persist and graduate at higher rates than non-AP peers (The College Board, 2012). Thus, one apparent way to begin early to connect with students and enhance the probability of their completing a degree is to encourage their participation in high school AP courses. The Task Force believes in the value of The College Board's AP initiative and recommends continued support to increase the number of students who successfully complete AP courses.

In our discussions as a Task Force, we were less clear as to whether dual credit courses have the same impact in shortening time to degree or correlation with degree completion. Given the growth in dual enrollment courses, a better understanding of what the completion rates are for dual credit students versus AP students and the effect on student debt would be helpful.

What We All Can Do:

- The Task Force recommends that The College Board or the Texas Higher Education Coordinating Board review the impact of AP credits on cost of attendance and completion rates for students at The University of Texas System. More robust information on how these credits off-set the cost of attendance and correlate with graduation rates would be very valuable.
- With supporting data, the Task Force recommends improving counseling for students on the relationship between AP classes and potential cost-savings at different universities, specifically incorporating this as part of the training for teachers at the AP Summer Institute that some U.T. institutions host. The MyEdu application might also be a platform for providing data and information that communicate the cost-savings of AP classes for students. Other groups that may be part of this initiative are the Texas Association of College Registrars and Administrators, The College Board, and the Texas Association of Student Aid Administrators.
- The Task Force recommends further study of dual credits courses to evaluate the benefits related to completion and time to degree.

3. Redistribute Grant and Gift Funds

The Task Force participated in an interesting discussion regarding the potential impact of adjusting aid packages to provide more grant funding in the first year (in lieu of debt) and therefore more debt in the later years (in place of the grant funding given earlier). On the one hand, given that students are much more likely to withdraw from school in their first year, reducing debt for those students could be helpful and would lower eventual defaults. And, if students are more likely to understand the implications of their debt later in their college career, they might make more informed debt decisions. Some members of the Task Force suggested that, in certain cases, this grant aid redistribution might actually increase access and improve retention. But, on the other hand, would this approach make it easier for students to drop out, given that they have no debt to repay? And will students feel "deceived" if grant aid given the first year is replaced with loans in later years? The Task Force believes that a study of the impact of redistributing more grant funds into the first year of a student's academic career is merited.

In addition, the Task Force thinks that structuring university grant and gift aid policies to help equalize debt may be advantageous. For example, employing the concept of "equity packaging" when awarding grant and scholarship aid to students whose families have varying abilities to pay for college might ensure that needier students do not graduate with significantly more debt than their more affluent counterparts. In equity packaging, a student whose demonstrated financial need is $20,000 per academic year might have 75% of his or her financial need met with grant and scholarship aid, while a student whose demonstrated financial need is $10,000 per year would have 50% of that need filled with grant and scholarship aid, enabling both students to borrow only $5,000 per academic year.

What UT Can Do:

- The Task Force recommends The University of Texas System Board of Regents consider funding a targeted study to measure the impact of providing more grants (in lieu of loans) to a random sample of students in their first year of college when compared to a control group. The study would identify potential issues and determine the effectiveness of this model.
- The Task Force also recommends that data be gathered and reported from the current pilot program being conducted at U.T. Austin which provides additional grants to a student only when he or she completes 15 credit hours each semester with at least a "C" average.

What We All Can Do:

- The Task Force recommends soliciting a partnership with the Department of Education to further analyze and study any findings from the proposed grant redistribution study and pilot program mentioned in the bullet point above.

4. Find Ways to Better Engage Faculty

The Task Force understands that faculty play a key role in contributing to a student's success and it is critical that they are participants in the process for improving the student experience. In many cases, it is a caring faculty member who has intervened and provided the encouragement, support and/or advice a student needed to persist toward a degree, or simply make a better decision. The Task Force believes that it should be a priority to create opportunities to solicit and incorporate faculty feedback on how they can help enhance graduation rates, alleviate costs and/or reduce time to degree for students. It is vitally important for us to recognize faculty as critical partners in helping students complete their education in a reasonable time frame and at reasonable cost.

All too often the students most at risk academically are the most hesitant to approach faculty. Faculty set the tone of academic engagement and success at our institutions. Students see faculty as important adults in their lives, thus faculty are in an ideal position to engage students in a direct way about how the academic decisions they are making today will impact their futures. In addition, making faculty more aware of the financial challenges many students face may provide a helpful lens through which faculty can advise and help students.

An area where increased faculty engagement is particularly helpful is communication with first generation and minority students; these students often lack the guidance needed to efficiently complete a college degree. Mentoring these students will especially contribute to increased success on an individual and institutional level.

What UT Can Do:

- The Task Force recommends that the U.T. System Faculty Advisory Council (FAC) continue to engage faculty within The University of Texas System around ongoing discussions of best practices that help with retention, student engagement, and reduced time to degree. And that the FAC consider a process for soliciting and incorporating faculty feedback and information sharing on these topics.
- The Task Force encourages the U.T. System FAC to consider putting together a faculty committee tasked with considering specific ways to improve retention rates within their department, college and institution; and to explore creative ways to improve the student experience (perhaps through course offerings, higher engagement activities, or more specialized advising from professors).

5. Encourage Higher Parent Involvement

Due, in large measure, to real concerns about student record confidentiality, the current higher education advising system does not foster open communication with parents. Instead, it seemed to members of the Task Force, that many institutions have inadvertently created obstacles for parents who wish to be more engaged in the academic and financial decisions of their students. As the decisions students make often impact their families and as parents often offer experience and insight students need, the Task Force feels that finding appropriate ways to engage parents throughout the process could be helpful in encouraging degree completion and helping students make better debt decisions. We noted that the value of parental involvement must be balanced with the goal of helping students make sound decisions as young adults and become more independent. Many conversations on financial literacy and college planning should take place before students arrive on campus, when parents are most involved and can provide appropriate resources and knowledge. Helping demystify the process for parents and making information readily available is also important. We should do more, and earlier, communication with parents to promote better understanding of the options available to students (such as getting early college credits through AP examinations, concurrent enrollment or dual credit courses; community college enrollment and transfer after two years to a university; and/or supplementing coursework during the summer locally or at a lower cost institution).

The Task Force noted, anecdotally, that it seemed that many lower income students in particular may not share financial information with their families or parents. Fostering information exchange between these parents and

students may be particularly important. And, in calculating student need, parents are assumed to contribute to their student's education, but still may be excluded from the financial decision-making process.

Students should be encouraged to involve their parents in many aspects of the college decision process and academic life. Where possible, parents should be included on notifications of upcoming dates for orientation, registration, mid-terms, and grades. Parents would then know when to begin conversations with their students about current activities and upcoming decisions. Parents could be made aware of available incentives for on-time graduation or successful completion.

The Task Force encourages creating opportunities for students to communicate with their parents from the earliest point of institutional contact—during admissions or orientation—and suggests institutions consider, where appropriate, making it as easy as possible for students to give institutions permission to share their academic financial aid and other information with parents.

What UT Can Do:

- The Task Force encourages the use of a parental access form to be presented with financial aid award letters at orientation—or at other key points in the matriculation process--with some explanation of the long-term value of parental involvement in a student's academic and financial decisions.
- The Task Force suggests that messaging at The University of Texas System continue to actively include parents and families during advising and orientation sessions for traditional students.

6. Target the Students Most at Risk

Given the many challenges in working with tens of thousands of students in the U.T. System, and millions of students nationally, the Task Force recognized the need to focus efforts on those students most at risk for non-completion, loan default, and/or carrying unmanageable debt. It was suggested that there are a set of identifiable risk factors which correlate with a higher likelihood of a student acquiring debt without degree completion and/or acquiring more debt than he or she can manage. The Task Force sees great value in using these risk factors to identify students most in jeopardy and then to target the at-risk students first when implementing any of our recommendations (in all sections of this report).

What UT Can Do:

- The Task Force recommends that a group be appointed to identify a specific set of risk factors for incoming students which correlate to an increased likelihood of non-completion of a degree, student loan default, and/or acquisition of unmanageable student debt; and that this group then create a risk-factor-based, "educational success quotient" which might be used to target at-risk students.
- The Task Force also recommends that the "educational success quotient" identified above be used by The U.T. System Institutions to triage incoming students in order to identify at-risk students for specific help and intervention.

Costs and Returns

Costs and Returns

Working to reduce costs to students (including time to degree) while helping students match the resources they are investing to the returns they can expect to receive can have a significant effect in reducing the actual "burden" of debt students are carrying. It is clear that, for most, overall career earnings with a college degree outweigh the cost of student loans. The return on higher education is extremely beneficial to students and offsets the risk of debt in the long-term. But students must take responsibility for where they choose to go to school and what programs they wish to pursue. Students should consider which options are affordable given their circumstances. Sometimes it requires the help of a professional to navigate through the many loan options and to gain a better understanding of the ways to repay the debt (future career path, forgiveness programs, etc.). It is the responsibility of parents, faculty, college and university staff, and loan officials to provide appropriate information and realistic funding options for each student. Debt itself is not inherently bad, but if not managed well it can become an exceptional burden.

Below are the findings and recommendations of the Task Force related to this topic.

Findings

Risks Associated with Costs and Returns

While a college degree certainly can be an enormous benefit to the individual and to society (more than offsetting the investment required), it is also clear that there are financial risks one assumes in pursuing a post-secondary education. Some of those risks are magnified if:

- Students take longer than expected or required to finish their degree
- Students choose a career track where they cannot reasonably afford to repay loans or conversely only consider careers based on level of pay
- Students are not able to find a job in their fields of study after graduation

Mitigating the Risks

The Task Force identified a few ways in which risks associated with generating a positive return on educational investment can be mitigated:

- Encourage or incent students to take advantage of campus career education and counseling
- Teach students to be more aggressive in applying for scholarships and find ways for them to convey their passion (particularly non-freshmen, who currently receive only 60% of all available scholarships at The University of Texas Austin)
- Lower the cost to degree
- Potentially designate a staff member to identify more scholarship and grant opportunities for students

Program Costs and Benefits

It can be difficult to have individualized conversations with students and parents during the entrance counseling process or at other points in the student's academic career. The sheer volume of students at each university makes this nearly impossible in many cases. Despite that challenge, it is important to effectively articulate early on to students and their families the opportunity costs—the length of time to complete a degree and what a student potentially forgoes during that time—of extending time to degree. And we must educate students on how future lifestyle choices after graduation ultimately affect their ability to successfully repay student loans. It is imperative to

communicate to students that there is a cost to not having focus or knowing their desired career path and that taking time during college (instead of prior to starting school) to explore areas of interest has financial consequences. The Task Force feels that by educating students earlier in the process it could help them save money and encourage them to take on less debt. Investing in a college education makes best sense when there is demonstrated value upon graduation—including a college degree that opens doors for better employment opportunities and higher earning potential.

The Borrowing Process

There are several challenges with the way many families currently pay for college. College savings plans and low interest loans are not always an option for the families who need them. Often those families have the lowest disposable income and struggle to put dollars aside when their children are young. A new way of helping students and families invest in their child's education might be to manage the loan term to better match the situation of the student and his or family. Institutions and the federal government may wish to consider more aggressively promoting various borrower-friendly repayment options such as extended, graduated, income-based repayment plans. Through the contractors it retains to service loans, the federal government may also wish to offer more robust counseling services to students who are approaching, or in, repayment. State and private lenders may also wish to consider offering such plans and services. Carefully matching monthly payments to disposable income may improve overall repayment rates and make debt more manageable.

Guiding Students to the Best Major

Degree completion is strongly correlated with a student's timely choice of a major degree plan. Data from Florida State University during a decade-long study indicate that students are much more likely to complete their degree if they choose their major course of study by the end of their second year. Changing majors before that time does not appear to penalize students' ability to complete a degree, but changing the choice of major after the second year is associated with student completion rates that are only half of those for earlier-deciding students.

According to MyEdu founder Michael Crosno, roughly 70% of students will change their major or school during their undergraduate matriculation. Hence, it is crucial to build a system that allows students to change their minds, but assures they settle on a major within the first two years. Since it is unlikely that students will ever have an immutable course of study from their first day on campus, institutions should work towards better informing students of their options and helping them determine the best program fit for their skills, abilities, and interests. Some students (often with pressure from parents) are overly ambitious when choosing a career path. It might be helpful to demonstrate during the advising process—with scenario-based technology or other analytical tools—the chances of success in finishing a particular program based on aptitude and prior course performance.

Increasingly, universities are able to make use of software tools, including MyEdu, to demonstrate historical success tendencies for students in different majors and to correlate completion in a given major with a variety of possible career outcomes. Counseling students with the aid of these databases could be important in guiding students to an appropriate major that best matches their academic strengths with their career aspirations.

Ability to Pay

A sensitive topic is the idea that everyone should be encouraged to attend the school of their choice, regardless of their ability to pay. One Task Force member likened this to allowing someone with a low income to purchase a Ferrari simply because he or she is a good driver. This was balanced with the view that universities need diversity and that many campuses provide financial aid based on both need and merit.

Anecdotally, however, the Task Force members observed a general increased willingness to borrow in recent years, as well as an increased willingness to default or take risks with a loan.

Return on Education

Borrowing from the popular business concept of "Return on Investment" (ROI), Michael Crosno introduced the idea of "Return on Education" (ROE), suggesting that debt becomes part of the cost of school and must be weighed against the benefit of a college degree. Parents, faculty, and university staff have a shared responsibility to instill the concept of ROE in students while helping them build an understanding that education is a long-term investment which provides returns in the future with a graduate's career choices, life experiences, and overall earning potential. Understanding and utilizing ROE can help inform families to make better decisions. The most valuable part of the ROE concept is showing students how to maximize their return and reduce costs. This can be achieved by helping students understand true total cost, how time to degree affects cost, and which incentives or disincentives may be most beneficial.

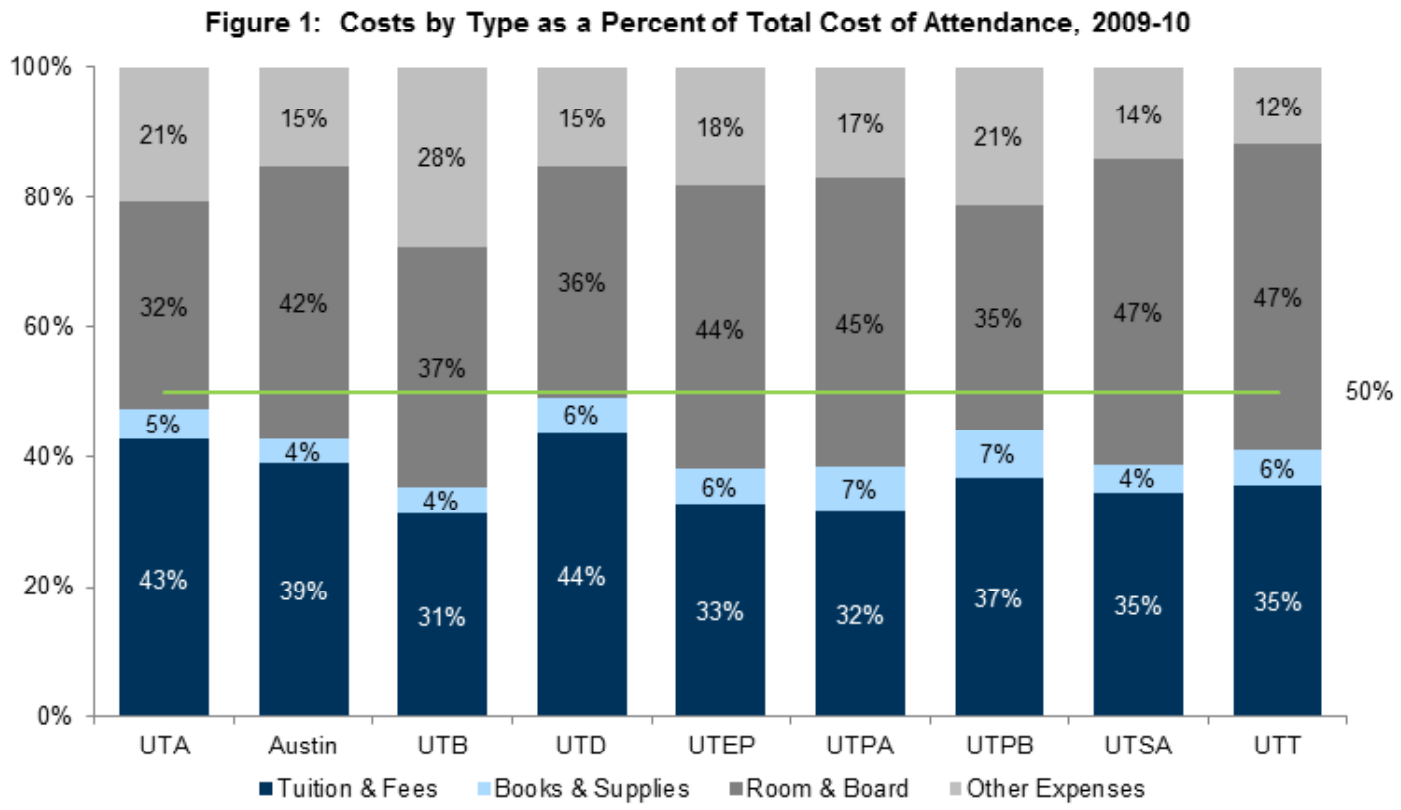
Costs of Higher Education

The actual cost of attending an institution of higher education manifests itself in both obvious ways that directly impact a student or family's immediate financial situation and in subtle ways that may influence a student later in life. Costs may include:

- Tuition expenses
- Books and supplies
- Transportation and parking
- Groceries or meal plan
- Dorm fees or rent and utilities
- Personal expenses for typical college student (clothing, lifestyle, etc.)
- Lost opportunities (i.e., time student could be working/earning wages and benefits, gaining different experiences, getting ahead in career if doing something vocational, etc.)
- Money not being set aside for retirement
- Accrued interest on loans while in school (depending on loan type)

Costs at The University of Texas System schools can be broken down by Tuition & Fees, Books & Supplies, Room & Board, and Other Expenses, as outlined in **Figure 1** on the following page. Please note that "Other Expenses" are defined as the amount of money (estimated by the institutions' financial aid offices) needed by a student to cover expenses such as laundry, transportation, entertainment, and furnishings.

Costs can be managed in one of two ways: lowering institutional costs (such as tuition, fees, and textbooks); or lowering the costs managed by the student (time to degree, choice of program or institution, choice of lifestyle while pursuing a degree, etc.). The Task Force believes that it is important to find solutions that manage costs in both of these areas.



Source: IPEDS, Institution Characteristics

Personal Return

According to the College Board Advocacy & Policy Center, the typical bachelor's degree recipient can expect to earn about 66% more during a 40-year working life than the typical high school graduate earns over the same period (2011). Students in higher education experience a wealth of benefits, some tangible, and some less so, including those outlined below:

- Future higher income
- Lower risk of unemployment
- Improved quality of life (more likely to stay married, have a stronger sense of civic duty, etc.)
- Increased connections/networking opportunities
- Expanded point of view/perspective/way of thinking
- Gained knowledge in subject of study
- Improved general business and communication skills
- Exposure to new opportunities and options
- Career services and support
- Heightened self-discovery
- Opportunities to attend graduate or professional school (should student wish to pursue)

Societal Return

The cost to society of citizens who did not graduate from college is significant. The percentage of high school graduates, age 25 and older, living in households which qualified for and are receiving Medicaid was three times as high as the percentage of those with a bachelor's degree or higher (College Board Advocacy & Policy Center, 2011). College graduates are not only less likely to use social services, they are more likely to volunteer, vote, and raise children who are prepared for school than those who do not graduate. Those with a post-secondary degree, on average, contribute more to the community as a whole.

Investments and Calculating "ROE"

Students expend significant resources when they choose to pursue higher education, including time, money, and lost opportunities. The Task Force believes that those expenditures are indeed investments which generate a significant personal and societal return. The Task Force further asserts that understanding and evaluating one's return on educational investment or ROE can greatly influence decisions and behavior for the better. Measuring ROE demands a clearer understanding of the "sticker price" of higher education vs. the actual net cost. And it requires a better grasp of the returns that accrue over one's lifetime including:

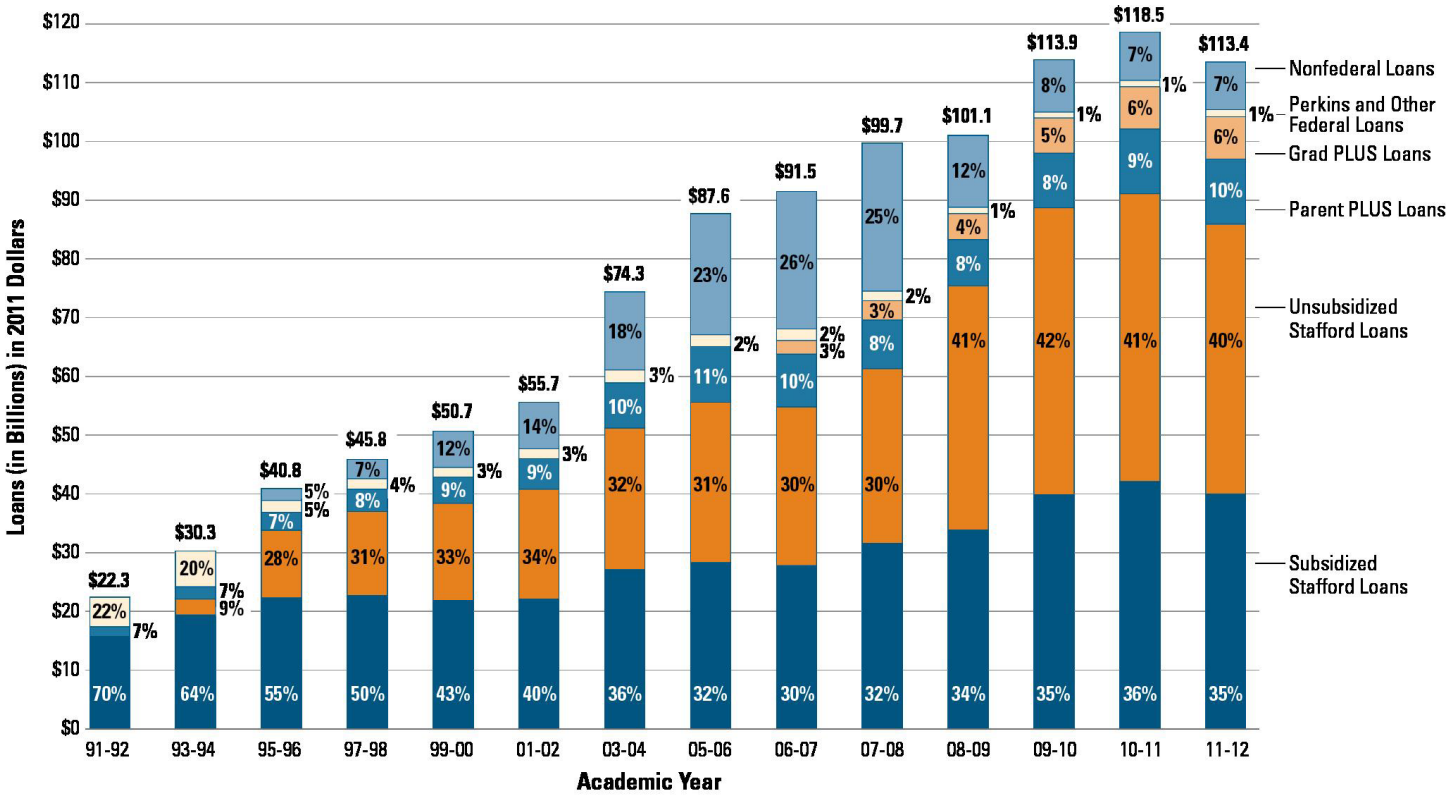
- Higher job earnings upon graduation
- Acquired tangible qualities such as better leadership skills, expanded horizons, making connections that provide a student an opportunity later in life, etc.
- Lifestyle and job satisfaction (ideally those with post-secondary education are better prepared to work in a field they chose—though this requires the student knowing what they want to do)
- Societal ROI such as increased wealth in communities, lower unemployment, more innovation/technology, improved sense of civic duty, stronger family ties, greater service to offspring, etc.

Students will see the best ROE when they are matched with the most affordable school that presents the best value for what they hope to achieve. Students who are matched to the best institution and the best career choices for their individual needs, while being sensitive to cost should see the highest return on their financial and time investment.

Student Support

The Task Force did a significant amount of research on current ways students are being supported, both financially and programmatically, on a federal, state, and campus level. Most students rely on traditional types of financial aid, such as grants and loans (further outlined in the table on the following page) which are often supplemented by work-study programs, tuition tax credits, and family savings plans.

Nationally, almost three out of four financial aid dollars (74%) come from the federal government, and 46% of student financial aid is in federal loans (College Board Advocacy & Policy Center, 2011). Additionally, in 2010-2011, an undergraduate student (FTE) took on an average of $4,907 in federal loans.



SOURCE: The College Board, Trends in Student Aid 2012, Figure 6. (trends.collegeboard.org)

Traditional Types of Financial Aid

Loan Type	Description
Direct Stafford Loans	***Subsidized Loans*** Direct Subsidized Loans are for students with demonstrated financial need. Schools review FAFSA results and determine the amount a student can borrow. No interest is charged while the student is in school at least half-time and during grace periods and deferment periods. The Federal government does not charge interest on these loans during such periods. Otherwise, students must pay a fixed, simple interest rate of 3.4% (set to rise to 6.8% on July 1, 2013). Also, as of July 1, 2012, interest may only be deferred until graduation, and not the six month grace period that used to follow. Graduate students are no longer able to take out subsidized loans. Annual and aggregate limits for Subsidized Loans have not kept pace with inflation, so students from low and middle-income households are increasingly borrowing Unsubsidized Loans to meet documented financial need. ***Unsubsidized Loans*** Students are not required to demonstrate financial need to receive a Direct Unsubsidized Loan. Like subsidized loans, the school determines the borrowing amount subject to annual and aggregate limits set forth in federal law. Interest accrues at a fixed, simple interest rate of 6.8% on an unsubsidized loan from the time it is first paid out. Students can pay the interest while they are in school, and during grace periods and deferment or forbearance periods, or they can allow it to accrue, be capitalized and added to the principal amount of the loan.

Loan Type	Description
PLUS Loans	***Parent PLUS Loans*** Federal Direct Parent PLUS Loans are based on the remaining costs a dependent undergraduate student has remaining after all other financial aid has been applied. Interest accrued on Parent PLUS Loans is not subsidized by the government, and the loans are subject to a fixed, simple interest rate of 7.9%. They include 4% origination fees. Repayment begins while a student is still enrolled in school. However, parents may opt to defer their payments while the student for whom they borrowed is enrolled—interest deferred is capitalized and added to the principal owed. If would be parent borrowers do not meet minimal credit worthiness, then their sons and daughters may borrow additional unsubsidized loan amounts. ***Graduate PLUS Loans*** Federal Direct Graduate PLUS Loans are based on the remaining costs a graduate or professional student has after all other financial aid is applied. As with Parent PLUS Loans, the loans include a 4% origination fee and accrued interest is not subsidized and is currently fixed at 7.9%. While repayment begins while student borrowers are enrolled in school, students may defer repayment and have interest capitalized and added to their principal balance until graduation. Graduate PLUS Loan applicants are subject to minimal credit worthiness standards, but are not reviewed for debt-to-income ratios or their ability to repay.
Perkins Loans	Federal Perkins Loans are low interest government loans made through a participating school to undergraduate and graduate students with substantial financial need. A 5% fixed interest rate is applied over the life of the loan, with some loan forgiveness programs, such as for teaching and nursing. These loans are funded from a revolving fund at each institution, and some schools have had to cut back or stop disbursing the loans because the Federal government has not issued allocations in recent years.
Nonfederal Loans (aka Private or Alternative Loans)	Credit-based private student loans are offered by states or banks, and can help fill the gap if federal loans, grants, and other financial aid do not cover all of a student's educational expenses. Variable and fixed rate loans may be available and the interest cost of these of these loans will depend on the credit-worthiness of the borrower and any co-signer.
Texas B-On-Time Loan (BOT)	The purpose of the Texas B-On-Time Loan program is to provide eligible Texas students with loans to attend colleges and universities in Texas. Loans have 0% interest and are forgiven if the student graduates within four years from an undergraduate program (or five years from a program requiring more than four years of study) with a 3.0 grade point average or higher. They are funded by legislative appropriations from the state's general fund and by designated tuition set asides for financial aid by Texas' public colleges and universities.
College Access Loan (CAL)	The College Access Loan (CAL) Program provides an alternative type of educational loan to Texas students that attend colleges and universities in Texas. Students do not have to demonstrate financial need to receive these loans, which have interest rates near 5.25%. These loans do not have to be paid until graduation, and the state does not capitalize accrued interest. Unfortunately, like the "B-On-Time" loans, College Access Loans are not well known and utilized by students. Recent federal regulations make it very difficult for colleges and universities to market these loans, and as a result these more attractive loan options are often an untapped resource for students.

Tuition Tax Credits

The Hope and Lifetime Learning Tax Credits are two federal tuition tax credits available to taxpayers. Whoever claims the student as a dependent for tax purposes can claim the credit. The HOPE credit can be claimed for each of the first two-years of college or vocational school for classes that lead to a degree or recognized certificate. The student must be enrolled at least half time to qualify for the HOPE credit. The amount of the HOPE credit equals 100% of the first $1,000 of qualified expenses plus 50% of the second $1,000, for a

maximum of $1,500. The Lifetime Learning credit is available for any postsecondary education, including graduate and professional school, and unlike the HOPE credit, there is no minimum enrollment. The credit is 20% of the first $10,000 postsecondary tuition and fees paid each year, for a maximum of $2,000. Qualified expenses include tuition and required fees, minus any grants and scholarships received. There is an income limit for taxpayers to qualify for the credit. Single tax filers with up to $42,999 of modified adjusted gross income (MAGI) and joint tax filers with up to $84,999 of MAGI qualify for the tax credit. It is gradually phased out for single filers in the $43,000 - $53,000 range and for joint filers in the $85,000 - $107,000 range, and is not available for those whose income exceeds the upper limit of those ranges.

Family Savings Options

College savings plans, called 529 plans, are offered in some form in all 50 states and the District of Columbia. According to the U.S. Securities and Exchange Commission, a 529 plan is a tax-advantaged savings plan designed to encourage saving for future college costs. 529 plans, legally known as "qualified tuition plans," are sponsored by states, state agencies, or educational institutions and are authorized by Section 529 of the Internal Revenue Code. There are two types of 529 plans: pre-paid tuition plans and college savings plans. Texas offers both types of plans.

Pre-paid tuition plans generally allow college savers to purchase units or credits at participating colleges and universities for future tuition and, in some cases, room and board. The Texas Tuition Promise Fund is designed to help families and individuals prepay for all or some future tuition and required fees at any two- or four-year Texas public college or university. Account holders purchase Tuition Units, which represent a fixed amount of undergraduate resident tuition and required fees charged by Texas public colleges and universities. The number of units needed varies depending on the school, but generally 100 units represents 30 semester hours, which is considered to be one academic year. If the beneficiary attends a private or out-of-state college or career school where tuition and fees are not locked in, the transfer value of the units can be applied toward the cost of tuition and required fees. Some private colleges and universities also sponsor a pre-paid tuition plan.

College savings plans generally permit a college saver (also called the "account holder") to establish an account for a student (the "beneficiary") for the purpose of paying the beneficiary's eligible college expenses. An account holder may typically choose among several investment options for his or her contributions in which the college savings plan invests on behalf of the account holder. Investment options often include stock mutual funds, bond mutual funds, and money market funds, as well as, age-based portfolios that automatically shift toward more conservative investments as the beneficiary gets closer to college age. Withdrawals from college savings plans can generally be used at any college or university.

There are other options for saving for college such as credit card rebate and loyalty programs, US. Treasury Savings Bonds, Coverdell Education Savings accounts, UGMA/UTMA Custodial Accounts, Crumney Trust, Section 2503(c) Minor's Trust, and Variable Life Insurance policies.

Career Services

The Task Force identified the career services, career exploration, and counseling provided at most schools as an underutilized resource for most students. These programs often teach students how to build a résumé and interview; they help identify gaps while still in school so the student might pursue additional internships, research projects, or work opportunities to round out his or her experience. A polished résumé also makes students more desirable candidates for scholarship applications. Career Services offices provide practical support for seniors and recent graduates through interview coaching, job listings, and networking opportunities. The Task Force believes this is an existing area that has great potential for further promotion or growth on many campuses.

Recommendations

1. Require Undergraduate Students to Complete a Personal Education Plan

In order to better understand the costs and value associated with obtaining a higher education degree as well as the impact of various related decisions, the Task Force feels that undergraduate students would benefit from completing a personal business plan relating to their educational pursuits. This "Personal Education Plan" (or PEP) should have the basic elements of a business plan including perhaps: a "signature page" where the student, his or her parents, and or advisors or others review and agree to the plan; a section on objectives and goals; a section relating to how the objectives could be obtained; a section on costs associated with meeting the goals; a section on sources of support required to fund the costs; a section on potential returns from completing the objectives; and a section on risks and opportunities. For example, a student might begin with the question "What do I want to do?" (rather than "Where do I want to go to school?"). Answering that initial question will lead to questions of how best to achieve the objective and the costs and benefits associated with different paths toward the goal. One would likely consider the degree(s) needed, the costs of that degree in varying scenarios (at different schools, the cost of taking additional time for degree completion, etc.), different sources of support (loans, work-study, part-time work, scholarship opportunities), the accrued benefits (higher income, greater opportunities, enhanced satisfaction), and risks and contingencies.

The Task Force strongly believes that the earlier a student (or potential student) considers and completes the PEP, the better prepared he or she will be to effectively and efficiently manage his or her higher education toward a successful outcome. The Task Force considered and recommended several scenarios for facilitating the completion of PEP's including online completion with an application which takes one through the process and/or including it as part of a High School or Undergraduate course.

A sample of a Personal Education Plan can be found in **Appendix C**.

What UT Can Do:

- The Task Force seeks funding from The University of Texas System Board of Regents to develop a pilot program using the Personal Education Plan model. The U.T. System would request and fund proposals from U.T. institutions (and perhaps others) to develop and implement a pilot process for completing Personal Education Plans, to report data and impact to the Board of Regents, and to propose how the process might be scaled to include all students in the University of Texas System.

2. Identify New Opportunities for Competency Based Learning Credits

In considering ways to shorten time to degree—thereby lowering a student's costs—the Task Force realized that competency based learning credits would allow students much greater flexibility in the time required to complete their degrees. Removing the structured timelines usually required in traditional instruction might be a great benefit to students balancing other priorities, needing a specific course or credit to complete a degree, and/or willing and able to complete the required materials more quickly. Competency based credit is challenging and still the exception rather than the norm. Evaluation for academic competency must be fair, consistent, and rigorous. Still, the Task Force believes that increasing the number of degree credits that could be earned by demonstrating competency (rather than solely through course completion) could have a significant impact in reducing overall time to degree and potentially improve the overall number degree completions.

What UT Can Do:

- The Task Force endorses the work of the Transformations in Medical Education (T.I.M.E.) pilot programs which are currently studying and implementing some competency based education into their proposed curriculum. The Task Force recommends that, if proven successful, the competency based courses being implemented by T.I.M.E. be leveraged and expanded to other areas.
- The Task Force recognizes the significant commitment by The University of Texas System in the areas of blended and online learning. We support work being done to increase online course delivery and feel that U.T.'s Institute for Transformational Learning is the right organization to continue to develop and utilize appropriate competency based evaluations for course credit.

What We All Can Do:

- The Task Force also supports Texas Governor Rick Perry's call for more competency based education and suggests that best practices in this area be shared nationally.

3. Build on Incentive Programs for On-Time Graduation

According to The College Board Advocacy & Policy Center, just over half of public four-year college graduates earn their degrees within four years (2011). While current on-time graduation incentive programs exist in Texas, such as the B-on-Time loan program, the programs have been underutilized and, in our opinion, not run as effectively as needed. The Task Force believes incentives for on-time graduation can make a difference in reducing the burden of debt for our students and that, with proper management and funding, these programs can be run more efficiently and impact more students. The Task Force recommends better promotion of the incentives to entering students, underclassmen, and their families; increased state aid allocated to this incentive program; and that on-time graduation incentive funds remain on campus so they can be dispersed more quickly to the appropriate constituents.

What UT Can Do:

- The Task Force urges the U.T. System Institutional Financial Aid Directors to consider and recommend ways to enhance communication and improve marketing of existing on-time graduation incentive programs to entering students and their families.

What We All Can Do:

- The Task Force supports continuation and ongoing investment in state and federal on-time graduation incentives. We hope that the State of Texas' current B-on-Time program might be reinvigorated and/or expanded under a revised format.

4. Re-examine Current Campus Cost Structures (Other Than Tuition)

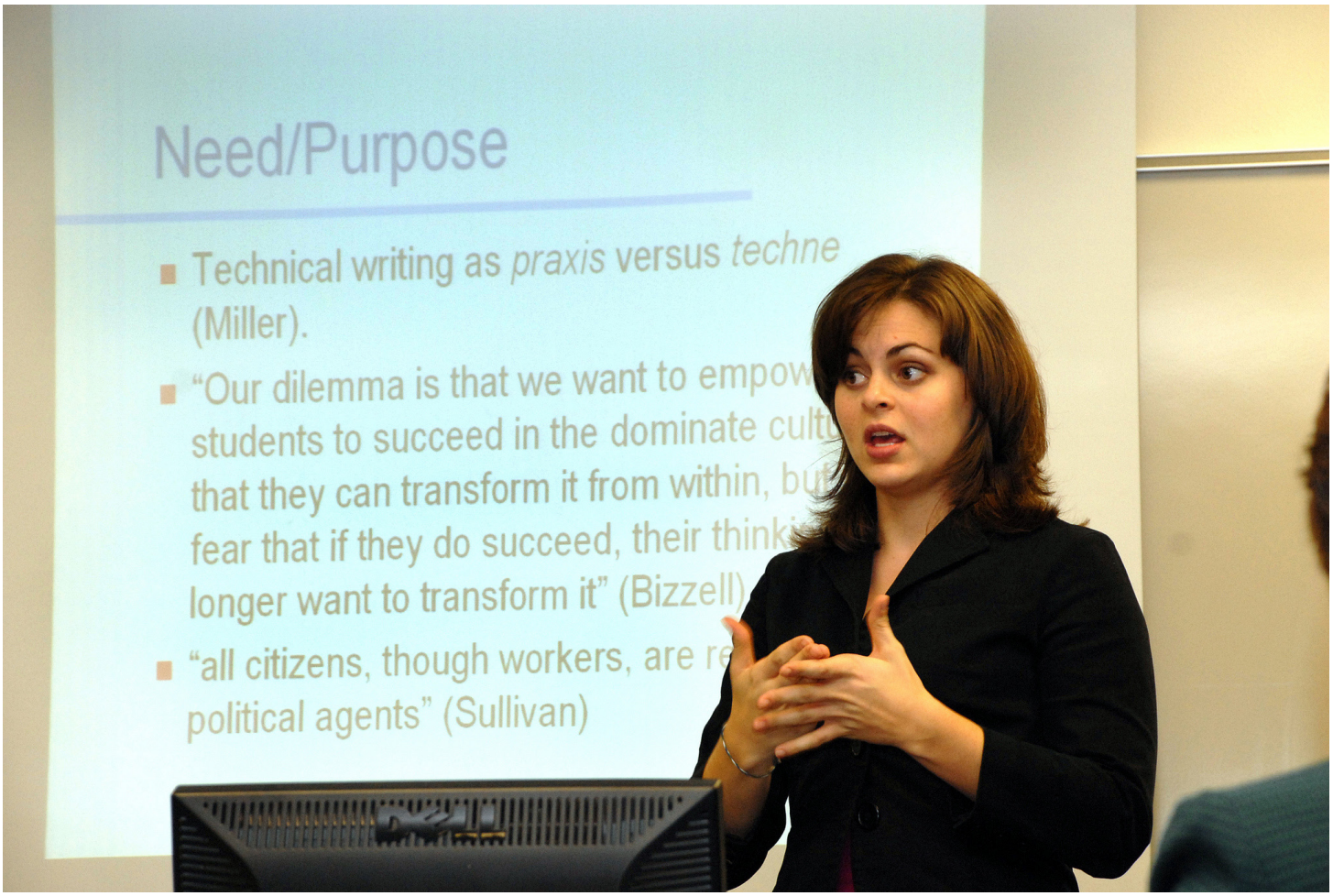
While Tuition has risen significantly over the years, the majority of the costs of attendance (approximately 60%) at a U.T. institution are room, board, books and other expenses (see **Figure 1** on page 31). A rise in expectations and a demand for more student services (i.e., better equipped student centers, health and recreation centers, better technology) have also impacted the fees students pay, shifting the non-tuition costs of attendance to as high as 70% in some cases.

The Task Force understands the value of the services and amenities that have grown on campus over time and recognizes that they often contribute positively to the holistic educational experience many students are seeking. We are not recommending that such services be curtailed but suggest that campuses continue to spend time considering how the services and amenities provided relate to or enhance the core mission of the institution and provide the best value for the student. At times, mandatory student fees for campus amenities—even when approved by students—can become a challenging burden which might be unnecessary.

The largest non-tuition expense for students is room and board; accounting for roughly 40% of a student's cost of attendance. Again, some of this expense is driven by the growing expectations of students seeking larger, nicer and more private living accommodations. The Task Force respects the ability of each campus to understand its targeted student population and to market and supply itself accordingly. However, given the magnitude of this cost and the growing concern regarding access and affordability, the Task Force feels that it might be beneficial to explore the value in providing lower-priced, "no frills' housing options for students to consider.

Many campuses already have a scaled pricing structure in place for different dormitories with different amenities. Within this structure The University of Texas at Austin is considering the provision of need-based scholarships to discount cost-of-living so all dorms have a mix of students, who share in the savings.

The cost of regulation that is required of public universities by state and federal agencies is also a significant and growing expense. Colleges and universities (particularly public institutions) spend countless hours in reporting and compliance activities which did not exist in years past. The Task Force recognizes the need to safeguard the public trust colleges and universities have been given and to accurately report to their many constituents. We also applaud the efforts of the Texas Legislature in reviewing and eliminating many burdensome, unnecessary reports and regulations during the 2011 Legislative Session. However, the Task Force believes more might be done to evaluate and accept a bit more risk on campus, allowing competent campus leaders to have more autonomy over their institutions, thereby reducing the burden and costs associated with non-productive compliance and reporting activities.



What UT Can Do:

- The Task Force suggests that campus budget committees continue to evaluate a student's total costs of attendance seeking ways to moderate or lower all costs, rather than just costs funded by tuition.
- The Task Force recommends that the Office of Facilities and Planning partner with each campus to explore possibilities for new lower cost living facilities, soliciting input from students at each campus so as to consider new markets and student opinions on the design and features of this housing.
- The Task Force suggests that institutions explore the possibility of utilizing directed grant money towards housing on campus to increase student engagement.

What We All Can Do:

- The Task Force encourages university boards, states and the federal government to continue to pursue strategies to reduce the regulatory and reporting burden on college and university campuses; and that the costs associated with such requirements be evaluated against the associated risks (including likelihood) of non-compliance.

5. Create Better Assessment Tools for Coursework Completed Elsewhere

The Task Force noted that, in addition to maximizing course load each semester, students could shorten their time to degree by taking summer and online courses at home town institutions. However, in the State of Texas, the current process/system for evaluating transfer credit is not user-friendly or consistently updated. Students find it difficult to understand which courses—taken elsewhere—are eligible for credit within their program of study. Some states, such as California, have a state-wide database of coursework that shows which course credit will transfer to which programs at other schools. The California database, known as ASSIST, can be found online at www.assist.org.

What UT Can Do:

- The Task Force proposes that The U.T. System Office of Strategic Initiatives (perhaps partnering with the Texas Higher Education Coordinating Board [THECB]) should begin a process to work with campuses to create a database of course equivalencies similar to the State of California ASSIST system. Once this database is established and reviewed, it could possibly be expanded to include all Texas public universities.

Transparency and Decision Support

Transparency and Decision Support

There is an appropriate maxim that "if you give people the right information, they will do the right thing." The Task Force believes that a major obstruction to students acquiring and managing an appropriate level of debt is the lack of transparency and accurate information on which decisions can be based. Inaccurate, incomplete, or untimely information raises the risk of students making poor academic and financial decisions leading, perhaps, to greater debt, reduced ability to pay, and/or a lower likelihood of earning a degree. Improving the delivery of information and getting it to the proper people at the proper time, can significantly improve the educational decisions of students and their families. Better decisions will decrease risk and lower the number of individuals who are struggling with the student debt they carry.

Below are the Task Force's findings and recommendations to provide more well-timed information to those preparing to pursue or currently pursuing post-secondary education.

Findings

The Borrowing Process

From an administrative standpoint, it is generally more efficient for schools to give students the maximum loan amount up front and avoid reworking the loan package should the student later need more aid. This practice expects students and their families to police themselves when deciding how much loan debt to acquire. However, most students (particularly entering freshmen) may not truly understand how interest works or what future loan payments will be like in relation to an entry level salary in their field.

It seems that most schools do not have the resources to efficiently counsel students to help them think through the resources needed each semester and whether students are taking on more debt than they can reasonably expect to repay upon graduation. Students might be able to get by on less debt if they receive proper education on the lending and repayment process. The sheer number of students wanting to borrow can make individualized coaching impractical during the compressed timeframe in the beginning of the academic period. More resources may be needed to assist schools in this process. The Task Force supports the concept of financial literacy i nstruction combined with career exploration for incoming students, as well as creative new ways to package loans so they best benefit the student. Developing simple rules-of-thumb to help students understand reasonable debt levels and creating new ways to educate students and their parents on the borrowing process is very important in encouraging better student debt management.

In some cases, it may be beneficial to front-load a student's financial aid package with grants, and move interest-accruing loans towards the end of a student's academic career to reduce the repayment amount upon graduation.

Transparency

Each student's college experience is unique. Many factors such as course load, living expenses, and choice of school impact how much a student or family pays for college. With the shift towards personal decision-making and the recognition that each student's situation may be complex, it is important that students and families are educated on their borrowing, course selection and repayment options to make the best possible decisions. The consequences of debt and how decisions made early in a student's career impact outcomes over the long-term are crucial concepts that all potential college students should understand.

Students and families should know they have options and that higher education is not a "one size fits all" endeavor. Families must have information to weigh the costs and benefits of college and learn to choose the best school and program of study for them. The challenge is to determine what information to provide, to get that

information to a large group of constituents at the appropriate time, and to make the information accessible to millions of students nationally.

Communication Vehicles

The vehicles by which information is delivered can be as important as the information itself. Information is now shared with students through the admissions and financial aid application process, at freshman orientation, in personal finance classes (such as "Bevonomics" at U.T. Austin (see **Appendix B**), and through various online resources such as MyEdu and campus, state and federal web sites.

Additional, and more targeted methods of communication discussed by the Task Force include a centralized online resource center for The University of Texas System, new interactive applications (including those for mobile devices), required personal finance coursework for high school and undergraduate students, new tools used during the advising process, and additional Career Services support.

Information Timing

It is also important to disseminate information at the right time (in high school, during the freshmen year, at graduation, etc.) so that it is meaningful and has the largest impact in the decision-making process. After much discussion around the right time to communicate financial planning information to students, Task Force members agreed that it was best to interact with students and families at multiple points between high school and graduation.

High School
Ideally, counseling would begin when high school students are exploring college options. Providing educational materials for teachers, guidance counselors, and parents may help improve planning and allow families to see education as an investment which, if managed well, will provide significant long-term benefits. Communication at this time will help students and their families become smarter about loans and debt before they actually borrow. A personal finance component would help provide context for students to evaluate and better understand loan types and repayment options.

Freshman Year of College
Federal regulations drive the entrance counseling process, which most students complete by reviewing on-line modules that require 20-30 minutes to complete, and for which parental participation and in-person interaction with financial aid counselors are not required. With such a significant amount of information presented in a short time-frame, this is not always an effective process. The Task Force could not find any research to show that the current entrance counseling has helped students lower their risk of loan default or better manage their debt.

At this time there is not a mechanism to clearly show students or parents the personal impact of their borrowing. The Task Force supports the current initiative of the U.S. Department of Education to produce a "Financial Aid Shopping Sheet," which provides much useful information. (The University of Texas has committed to adopt use of the "Shopping Sheet.") However, we also suggest the "Shopping Sheet" might include information related to average expected monthly salary for a graduate in the student's selected degree.

Some Task Force members suggested incorporating into freshmen orientation material that encourages students to think about costs. Offering ongoing financial planning opportunities such as courses in personal finance may help students at different points in their academic career. The University of Texas at Austin's "Bevonomics" program (see **Appendix B**) is an example of such a course. Another option might be to require a "Personal Education Plan" to be completed by the students, either as part of a course or with on-line direction.

Senior Year of College

Contact with students prior to college graduation would also be useful and help students have a realistic understanding of loan and interest payments associated with their debt. At this stage one could communicate different repayment options that are available to graduating students, and basic expectations on entry level salaries in their chosen fields.

Each institution's Career Services office is another student resource that more seniors and underclassmen should utilize to improve their resume and interviewing skills, as well as increase their job prospects upon graduation.

Entrance/Exit Counseling

While the traditional entrance and exit counseling process makes students aware of their loan criteria at a high level, the Task Force felt that there was significant room for improvement in how and when information is disseminated. The introduction of new practices could better ensure students comprehend and retain the important information that is being given to them regarding the financing of their education.

Recommendations

1. Build on MyEdu Application

The Task Force reviewed the current work being done by MyEdu and believes it offers a unique opportunity to reach students with the type of information that will facilitate better decision-making regarding college costs and student debt. The University of Texas System is currently partnering with MyEdu to expand its use and value among U.T. students. MyEdu provides students with sophisticated degree and cost planning tools in a format comfortable and familiar to today's youth and young adults. MyEdu is becoming a valuable addition to the advising process. However, while the MyEdu application offers a student great insight of the cost consequences of various academic decisions (taking an extra class, utilizing AP credits, changing majors, taking an extra year to finish college, etc.), it does not yet allow students to assess the effect of taking on student debt nor does it provide information regarding the likely benefits accruing to a student who completes a degree in a particular field of study.

The Task Force recommends further enhancements to the MyEdu partnership to build additional applications that allow users to conduct scenario planning based on multiple factors which impact time to degree, cost of attendance, debt needed, potential future earnings and debt repayment. The Task Force envisions the MyEdu application as a combination degree and cost planner for students, helping them easily understand the short and long term financial consequences of their educational choices in a format that is friendly and easy to navigate. The MyEdu application might also tie into the creation of the Personal Education Plan mentioned earlier.

A helpful component in creating the type of scenario planning tool recommended above is the pending release of over eight years of degree and earnings data that states have been collecting as part of a federally funded study. The study connects student transcripts to individual earnings, which would allow for development of a scenario planning tool which would generate data-based potential earnings ranges for most fields of study (and possibly even for study at different institutions). Michael Crosno is currently working to obtain the data to create this tool. The Office of Strategic Initiatives at The University of Texas System is partnering with MyEdu and THECB to facilitate the acquisition of these data.

The Task Force also discussed another opportunity for MyEdu or similar application developer. We determined it might be useful to research tools available through government web sites, such as www.studentaid.gov, and to collaborate, leverage, or build on these technologies in developing new educational applications for students and their families. For instance, the recent "Education Data Initiative," hosted by the United States government, educated developers about information available in public databases (such as the Department of Education) and encouraged them to create useful educational applications which could be marketed to students and their families. More information on this initiative can be viewed at www.data.gov/education.

What UT Can Do:

- The Task Force recommends The University of Texas System Board of Regents provide support and resources for additional development of the MyEdu application so as to include scenario planning tools and possibly information related to the creation of a personal education plan.
- The Task Force suggests an ongoing discussion between representatives of the U.T. System Office of Strategic Initiatives, the U.S. Department of Education, and representatives of MyEdu to explore other opportunities for developing useful educational applications.

What We All Can Do:

- The Task Force encourages ongoing promotion of the MyEdu application to students, families, faculty, and university staff. As the scenario planning tool is developed and refined, its ability to support better decision-making should be emphasized.

2. Invest in Personal Finance Training

The Task Force identified a need for greater personal finance understanding among many entering college students. The Task Force concluded that potential college students who already possess the proper vocabulary, tools, and basic understanding of personal finance are better equipped to evaluate tuition costs, living expenses, grant or loan options, debt repayment responsibilities, opportunity costs, and a host of other economic decisions related to their education. We believe there is benefit to engaging high schools—perhaps starting with those with which the U.T. System institutions already have close recruiting relationships—in developing a financial literacy program for current high school students and their families. We also believe such a program would lend itself to an online component which could, in fact, be exposure to and work with the MyEdu application mentioned above. Furthermore, a course requirement might be the creation of a Personal Education Plan previously discussed.

In addition, the Task Force became aware of an innovative proposal to implement a teaching fellowship program at U.T. health institutions to teach financial literacy and competency to a minimum of 2,500 people within two years and to evaluate the impact of that training. The Task Force supports the proposal and believe it fills a specific need for students enrolled in health professions and underrepresented students enrolled in community colleges. The proposal abstract is included as **Appendix D**.

What UT Can Do:

- The Task Force requests support from The University of Texas System Board of Regents to develop and pilot a high school personal finance course, perhaps by fielding proposals from U.T. academic institutions and existing partner high schools.
- The Task Force recommends funding of the Academic Success, Financial Literacy and Competency Teaching Fellowship Program included in **Appendix D**.

What We All Can Do:

- The Task Force suggests that once a high school personal finance course has been piloted and evaluated, that consideration be given for introducing such a course into the high school curriculum.

3. Develop Standardized Borrowing Rules of Thumb for Students and Families

When purchasing a house, new home owners are often given rules of thumb to help determine an appropriate price range given their resources, such as a purchase price of no more than 2.0 to 2.5 times their household income or a monthly payment under 25% of their gross income. Similarly, the Task Force sees value in developing a set of guidelines for students and parents who are considering educational debt options.

Given the similarity of the size of an average student's debt upon completing a college degree, it may be instructive to consider the guidelines that financing companies use when reviewing applications for auto purchase loans. Such guidelines might prove insightful in creating the rules of thumb for student borrowers. (Please see **Appendix E** for an example "rule of thumb" being implemented at U.T. Tyler). A more sophisticated model might also be developed from extrapolated data about earnings potential of students from various career tracks. This information, developed in conjunction with an advisor experienced in evaluating finance risk, might facilitate the construction of useful data-driven rules of thumb for student debt capacity.

What UT Can Do:

- The Task Force recommends The University of Texas System begin researching and developing a set of standardized guidelines for students (such as limiting borrowing to no more than half of one's projected starting income). Once these guidelines are evaluated and reviewed, consideration should be given on how to best communicate the rules of thumb to incoming students and their families.

4. Develop a Standard Set of "Cost of Attendance" Criteria

When establishing the amount of financial aid for which a student is eligible, cost of attendance is a key factor. However, the Task Force noted that some schools report data differently due to unique definitions, semester length, and type of school (i.e., commuter school vs. residential campus). Additionally, some schools under-disclose the actual costs incurred by their students to enhance the competitiveness of their recruiting efforts, and then recommend Federal Direct Unsubsidized and PLUS Loans when students find themselves short of resources. In some cases, these inconsistencies can encourage over-borrowing. The Task Force believes that calculating the cost of attendance more consistently and more frugally would provide students with better information and encourage better debt-related choices. Setting a standard for cost of attendance assessments could improve lending accuracy and prevent excess student borrowing and has been done successfully at other schools.

What UT Can Do:

- Because of the value of having uniform data across campuses, the Task Force recommends that the Financial Aid Directors from each U.T. System institution work toward creating common metrics for reasonable cost of attendance standards and criteria,
- The Task Force also suggests that the U.T. System institutions' Financial Aid Directors continue to share and promulgate best practices in educating students on how accommodation choices (i.e. where one lives, whether one has a roommate, etc.) can impact one's future student debt burden.

5. Produce Enhanced Financial Aid Statements

The University of Texas System was among the first set of institutions in the nation to voluntarily adopt a new College Cost Transparency Shopping Sheet developed by the Consumer Financial Protection Bureau, Department of Education, and the White House. The U.T. institutions will use the Shopping Sheet beginning in 2013 to more clearly show prospective students the cost of education at U.T. Institutions. Providing prospective students and their families clear and concise information regarding the cost to earn a college degree is an integral part of the *Framework for Advancing Excellence Throughout The University of Texas System*, which The University of Texas System's Board of Regents unanimously approved in August 2011.

The Task Force applauds the adoption of the College Cost Transparency Shopping Sheet, but also sees value in supplementing the Shopping Sheet with a financial aid statement that is generated each semester to show students how much they owe, how much interest has accrued, what their loan payments will be upon graduation, what projected income will be needed to manage their current level of debt, and how their financial situation compares to others. This information, when presented in a clear visual format, might help students better understand the costs of graduation delays and the future impact of their current loan commitments. Additionally, with these data available, situations exceeding certain parameters might be flagged for personal intervention by appropriate faculty or staff.

What UT Can Do:

- The Task Force endorses U.T. System's support of the College Cost Transparency Shopping Sheet.
- The Task Force also recommends that additional data be amended to the "Shopping Sheet" and provided to students regularly throughout their college career. The recommended additional data include: amounts owed, interest accrued, projected loan payments upon graduation and projected income needed to manage the expected debt level.

Report Conclusion

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Student debt is one of the most critical issues facing young people today. If used prudently, student loan debt is an important and effective tool for bettering one's life through the attainment of a post-secondary degree. But, if that debt becomes unmanageable, it can create a lifetime burden that affects one's employment and lifestyle decisions for years. The recent growth in national student loan debt, the number of borrowers, and especially in the number of student loan defaults is of grave concern. Collectively, faculty, staff, administrators, governing boards, state and federal officials, students, and families have a shared responsibility to create a "culture of success" where students can complete their degree and make informed decisions about borrowing. Now is the time to develop and implement tools and strategies to address the issue of unmanageable student loan debt and assure the future success of the rising generation.

This report hopes to provide an objective, evidence-based consideration of the issues and recommended solutions which might be shared with and considered by university officials, policy makers, interested groups, and the public. It is our hope that The University of Texas System and others will carefully consider, support, and implement the Task Force's recommendations and that those recommendations will help create that culture of success for students within the U.T. System, the State of Texas, and across the nation. Carrying out the recommendations of this report will require an effective combination of time, strategic oversight, and financial investment. However, by increasing support and education for students pursuing their college degrees, we can impact the borrowing process and help prevent more students from entering the workforce with the severe obstacle of overwhelming student loan debt.

Appendix A: Task Force Members

The U.T. System Student Debt Reduction Task Force

Scott Kelley, Ed.D. (Austin, Texas)

Executive Vice Chancellor for Business Affairs, The University of Texas System
Committee Chair
Scott C. Kelley serves as the chief business officer for the U.T. System overseeing financial operations of the nine academic and six health institutions and System Administration. He directs the preparation of short-term and long-range plans and budgets based upon U.T. System strategic goals and growth objectives; directs the organization and administration of procedures and systems necessary to maintain proper financial records and to provide adequate accounting controls and services; and directs and coordinates the establishment of the U.T. System total annual operating budget. He oversees management of the following System Administration offices: Employee Services/Benefits, Finance, Facilities Planning and Construction, Facilities Management, Controller, Accounting and Purchasing Services, Risk Management, HUB Programs, Travel, University Lands, Police, System-wide Information Services, Technology and Information Services, Shared Services and Shared Business Operations. Dr. Kelley served until June, 2012 as chairman of the College Board Finance Committee. Additionally, he is a member of the Board of Directors, M. D. Anderson Services Corporation.

Dr. Kelley earned a bachelor of science degree in economics from Brigham Young University, a master's of business administration in finance from Oklahoma City University, and a master's degree and doctoral degree in higher education administration from Harvard University. Prior to his appointment as Executive Vice Chancellor for Business Affairs in July 2004, he served as Vice President for Administration, Finance, and Human Resources at West Virginia University for nine years. From 1990 to 1995, he worked in several senior financial affairs positions with increasing responsibilities at the University of Toledo. Previously he worked on the audit staff at Harvard University and served as an assistant to the president at Middlesex Community College in Bedford, Mass. Dr. Kelley began his career in the treasury operations department at the Hertz Corporation in 1982.

Dr. Kelley and his wife, Elizabeth, have eight children and six grandchildren.

Philip Aldridge, M.B.A. (Austin, Texas)

Special Advisor to the Executive Vice Chancellor for Business Affairs, The University of Texas System
Philip Aldridge is currently serving as Special Advisor to the Executive Vice Chancellor for Business Affairs. He is also the Athletic Director and coach at Hyde Park Baptist Middle School in Austin, Texas. Until mid-2011, Philip was the Vice Chancellor for Finance and Business Development at The University of Texas System, where he administered departmental programs regarding debt issuance, cash management, capital project review, business development, and the analysis of market trends. Philip was also the staff liaison to the University of Texas Investment Management Company (UTIMCO).

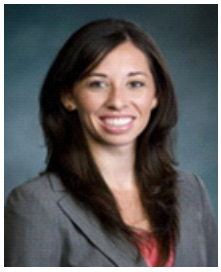
Prior to joining the U. T. System, Philip served as the Vice President, Finance and Treasurer of the Columbia Energy Group, a vertically integrated, Fortune 500 energy conglomerate based in Herndon, Virginia. At Columbia, Philip was responsible for conducting all corporate finance, capital allocation and business development activities. Philip received his BBA in Finance from Texas Christian University and his MBA in Finance and Accounting from

The University of Texas at Austin. He 2005 he earned his Chartered Financial Analyst (CFA) designation. Philip has completed Executive Development programs at the Harvard Business School and the Wharton School of Business. Philip resides in Austin, Texas with his wife and three sons.

Natalie Butler (Austin, Texas)

Student Body President, The University of Texas Austin (2011-12)
Natalie Butler is a Senior Plan II Honors, Government, and Communication Studies major from Tempe, Arizona. She is a 3rd generation Longhorn, and an avid U.T. Football fan. Since her freshman year, Natalie has been involved in Student Government, and she has enjoyed serving as the Student Body President at the University of Texas at Austin for the 2011-2012 Administration. Natalie is a member of Orange Jackets and serves as a peer advisor in Plan II. She is also a member of Phi Beta Kappa and the Friar Society. Natalie is passionate about service and civic engagement, and she wrote her Plan II Senior thesis about high school government classes and how they impact the way young people view voting and civic participation.

She graduated in May 2012 with a Plan II Honors, Government, and Communication Studies Degree, and plans to work in Dallas doing management consulting for the Boston Consulting Group, and hopes to attend Law School before pursuing a career in education policy and law.

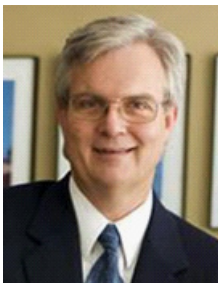


Samantha Dallefeld, M.D. (Austin, Texas)

The University of Texas System Student Advisory Council President (2011-12)
The University of Texas Medical Branch Medical Student
Samantha Dallefeld served as the chair of the Student Advisory Council to The University of Texas System Board of Regents 2011-2012. She previously served as a representative to the council and chair of the Graduate and Health Affairs Committee. She also served as the student representative to the Texas Medical Association Council on Medical Education, alternate representative to the Council on Public Health, student representative to The University of Texas Medical Branch at Galveston Alumni Board of Trustees, and member of the Galveston County Medical Society executive committee.

Samantha graduated from medical school at The University of Texas Medical Branch in May 2012 and is pursuing a career in pediatrics. She graduated with honors in 2008 from The University of Texas at Austin with a Bachelors of Business Administration. She has a passion for serving others and has done so by offering medical care to the local Galveston homeless community, the underserved in Laredo, Texas, and abroad at the Africa Inland Church in Kijabe, Kenya.

Samantha is currently in her first year of residency and hopes to pursue a career in pediatric hospitalist medicine or pediatric emergency medicine. In her spare time she enjoys country western dancing, running, and rock climbing.



John Frederick, Ph.D. (San Antonio, Texas)

Provost and Vice President for Academic Affairs, The University of Texas at San Antonio
A native of San Antonio, John Frederick has been Provost and Vice-President for Academic Affairs at the University of Texas at San Antonio (UTSA) since February 2008. He also serves currently as interim Vice-President for Research at UTSA. In these roles, he is responsible for oversight of the university's nine colleges and graduate school, the Office of Information Technology, academic support and administrative services, research and sponsored projects administration, and compliance with federal, state, system, institutional, and accreditation statutes and policies.

Dr. Frederick earned his A.B. (1980) from Princeton and his A.M. (1982) and Ph.D. (1985) from Harvard, all in Chemistry. Following a three-year postdoctoral research appointment at the University of Washington in Seattle, Dr. Frederick joined the faculty of the University of Nevada, Reno, where he served as a faculty member and chair in the Department of Chemistry and, from 2001-2007, as Executive Vice-President and Provost. In 2007-08, he held an appointment as Senior Fellow at the Association of Public and Land Grant Universities, contributing to its Science and Mathematics Teacher Imperative project.

Dr. Frederick's research interests have been in the area of computational molecular dynamics, with a special emphasis on the study of molecular vibrations and structural rearrangements induced by the absorption of light. His work has appeared in some 50 articles in the chemical physics literature and has been funded by more than 15 external grants totaling over $2.7 million. He has also received recognition for his teaching, receiving the Alan Bible Teaching Excellence Award in 1995, and the F. Donald Tibbits Distinguished Teacher Award in 1996 from the University of Nevada, Reno. From 1997 to 2004, he served first as Treasurer, then as President of the Telluride Science Research Center, a non-profit organization dedicated to facilitating scientific workshops in all areas of molecular science.

Dr. Frederick currently serves on the boards of the Keystone School, the Youth Orchestras of San Antonio, and Gemini Ink, a literacy and literary arts non-profit organization. He is married to Mimi Yu, who is the assistant associate director of the East Asia Institute and a lecturer in the Department of Modern Languages and Literature at the University of Texas at San Antonio, and has two children, Alice and Peter.

Willis Hulings, M.B.A. (Weston, Massachusetts)

President, MiddleGrounde Partners
Willis Hulings is President of MiddleGrounde Partners, an advisory and investment firm located in Weston, MA. He has more than 30 years of experience in consumer and corporate finance and a deep interest in education.

From 2005 to 2012, Mr. Hulings was President and CEO of TERI (The Education Resources Institute), a nonprofit student loan guarantor and major provider of college access services for low-income students. Prior to TERI, he served as Chief Operating Officer of AmeriFee LLC, a consumer finance company acquired by Capital One Financial Corporation, and as a Managing Director - Head of Corporate Finance and Specialized Industry Banking at First Union Corporation. Before joining First Union, he worked in investment banking in New York and Tokyo for Kidder Peabody & Co. and began his career as a corporate lending officer at the Manufacturers Hanover Trust Co.

Mr. Hulings' interest in education began during college when he worked for the Jersey City Public School System teaching ESL, GED, and Life Skills Curricula in the Adult Education and Vietnamese Refugee Programs.

Mr. Hulings holds a BA degree from Yale University and an MBA degree from the Wharton School. He is a Board Member for the National College Access Network (NCAN), World T.E.A.M. Sports and is on the Advisory Board for Boston College's Carroll School of Management.

Leon Leach, M.B.A., Ph.D. (Houston, Texas)

Executive Vice President, The University of Texas MD Anderson Cancer Center

Dr. Leon Leach is executive vice president and chief business officer at The University of Texas MD Anderson Cancer Center in Houston. In this role, Leach provides executive leadership for finance, business development, marketing, facilities, human resources, information systems and technology commercialization. He also serves as chairman of the board of directors of MD Anderson Services Corporation, a non-profit subsidiary facilitating partnerships to further the MD Anderson mission, and as a member of the board of directors of the Proton Therapy Center-Houston.

Leach is involved in many service and community endeavors including reappointment by Texas Governor Rick Perry to a second term on the state's Health and Human Services Council. Prior to serving on the Council, he served one term on the Texas Board of Mental Health and Mental Retardation. Leach also chaired the Texas Higher Education Coordinating Board's Health-Related Institutions Formula Advisory Committee.

Prior to joining MD Anderson in 1997, Leach spent 25 years in various executive leadership positions at Cornerstone Physicians Corporation, CareAmerica Health Plans Inc., Prudential Insurance Company of America, the Prudential Health Care Plan (PruCare), and Prudential Real Estate Affiliates.

Leach earned a PhD in health management and policy from The University of Texas School of Public Health, an MBA from Widener University, a master's degree in Christian Education from Southwestern Baptist Theological Seminary and a bachelor's degree from Rutgers University. In 2006, Leach served as the Sid Richardson Visiting Fellow at Rice University James A. Baker III Institute for Public Policy, focusing on health policy and economic incentives that influence the quality and cost of healthcare.

Leach and his wife, Tensel, have three sons, two grandchildren, and enjoy raising longhorn cattle on their ranch.

Budge Mabry, B.B.A. (Austin, Texas)

Director of Texas Medical & Dental School Application Service, The University of Texas System (retired)

Budge Mabry served as the Director of the Texas Medical and Dental Schools Application Service (TMDSAS) and the Joint Admission Medical Program (JAMP) until his retirement in February 2012. He became Director of the U.T. System Medical Dental Application Center in February, 1994. During his tenure as Director of the Application Center, Budge expanded The U. T. System Medical and Dental Application Center to include all the state supported medical schools, dental schools and veterinary school in Texas. Prior to 1994, he served for 13 years as the Associate Registrar at The University of Texas Health Science Center at San Antonio.

Budge received a B.B.A. in Accounting from The University of Texas at Austin in 1962 and worked in the

accounting field before joined the Health Science Center. Budge has made presentations at state and national meetings for organizations including the Association of American Medical Colleges, Texas Medical Association, Texas Association of Collegiate Registrars and Admissions Officers, State Legislative Committees, National Association of Advisors for the Health Professions and is a regular presenter at the annual Texas Association of Advisors for the Health Professions.

Budge is a musician of great talent. Wherever he lives, he participates fully in musical opportunities. He was a member of the Longhorn band; he played with the Heartbeats, a 1940's style orchestra in San Antonio, he danced with an award winning San Antonio Adult Tap Group; he played with the Alamo City Jazz Band for over 20 years and met his wife of 16 years, Bobbie, during a music festival in California.

Rod Mabry, Ph.D. (Tyler, Texas)

President, University of Texas at Tyler

Dr. Rodney H. Mabry became the third president of The University of Texas at Tyler, appointed by the U.T. System Board of Regents July 1, 1998. President Mabry's higher education experience spans more than 35 years. He served as dean of the business college at the University of Tulsa (1994-1998) just prior to taking his U.T. Tyler post and as department head and professor of finance at Clemson University (1984-1994), and head of the department of economics and finance at the University of Louisiana-Monroe (1979-1984). He began his career on the economics faculty at Clemson (1973-1979) and, while there, served two years as a field research associate for the Brookings Institution in Washington.

President Mabry, who is also the Dr. Ben R. Fisch Professor of Economics and Finance at U.T. Tyler, has been active in professional organizations throughout his career. He currently serves as treasurer of the Council of Public University Presidents and Chancellors (CPUPC) and serves on the board of the Texas International Education Consortium (TIEC). As a member of the American Southwest Athletic Conference (ASC), he serves on the ASC's governing board.

He has also served on the board of directors of the American Association of University Administrators (AAUA) and on several core committees of the American Association of State Colleges and Universities (AASCU), including representing Texas on AASCU's governmental affairs committee. He was also elected to the Commission on Colleges of the Southern Association of Colleges and Schools (SACS).

President Mabry, a native of Kentucky, earned a bachelor's degree in commerce from the University of Kentucky (1969) and a Ph. D. in economics from the University of North Carolina at Chapel Hill (1975). He also received a University Management Certificate from Carnegie Mellon University (1994). He has published a textbook in economics, completed research grants from agencies (ranging from the U.S. Department of Justice to state legislatures) and has published numerous articles and reports on economic and social issues.

Tom Melecki, Ph.D. (Austin, Texas)

Director of Student Financial Services, The University of Texas at Austin

Tom Melecki is Director of Student Financial Services at The University of Texas at Austin. He has served in this position since April 2008, when he returned to the university after a 26-year absence. Melecki also spent 25 years with two nonprofit entities that helped administer Texas Guaranteed Student Loan Corporation and the National Student Loan Program, two of the

nation's 10 largest student loan guaranty agencies. There Melecki led initiatives to educate students on better manage money and credit management and to teach higher education professionals about federal student financial aid regulations.

Melecki recently addressed the Association for Counseling, Planning and Education on Sending Johnny to (and Keeping Him In) College: The Role of Financial Counseling, Planning, and Education. In 2006, he co-authored A Primer on the Federal Budget Process for the National Association of Student Financial Aid Administrators. He has also chaired the Program Regulations Committee of the National Council of Higher Education Loan Programs.

James M. Montoya, M.A. (New York City, New York)

Vice President for Relationship Development, The College Board
James M. Montoya is the vice president for higher education relationship development for The College Board, which includes oversight responsibilities for the offices of community college initiatives and diversity initiatives. Before joining The College Board in 2001, he served Stanford University as vice provost for student affairs and as dean of admission and financial aid. Prior to his years at Stanford, Montoya was director of admission at Occidental College and director of admission and dean of student life at Vassar College. He was a trustee of The College Board and chair of the Guidance and Admission Assembly from 1993 – 1995.

Though best known for his work in college admission and the transition from high school to college, Montoya has a deep interest in public policy related to education. Montoya earned both his bachelor's and master's degrees from Stanford University. He is the recipient of the Dinkelspiel Award, the highest honor bestowed on graduating seniors at Stanford. He currently serves on the national advisory board of the Stanford University School of Education.

Elaine Rivera, M.B.A. (Edinburg, Texas)

Executive Director for Student Financial Services, The University of Texas—Pan American
Elaine Rivera is currently serving as the Executive Director Student Financial Services at University of Texas Pan American in Edinburg, TX. Ms. Rivera provides executive leadership to the Financial Aid Office, the Scholarship Office, and the Undergraduate Recruitment Office. She previously held the position of Assistant Vice President Enrollment Management at Tulane University in New Orleans, LA.

At both universities she has served on multiple Task Forces, and committees. She has served in various capacities in professional organizations at the national, regional, and state level. Service at the national level included being a member of the Board of the National Association of Student Financial Aid Administrators, and serving on the Policy Advisor Roundtable of the National Conversation Initiative to revamp student aid. Has also served on the Board and chaired several committees for the national, regional, and state financial aid organizations. She has been a conference presenter at national, regional, state, and local conferences, and received a Lifetime Leadership Award from NASFAA and SWASFAA in recognition of sustained outstanding leadership and contributions to the financial aid profession.

Ms. Rivera earned her Bachelor of Science from Louisiana State University, Baton Rouge, LA and her Master of Business Administration from Tulane University, New Orleans, LA.

Sandra Woodley, M.B.A., D.B.A. (Austin, Texas)

Vice Chancellor for Strategic Initiatives, The University of Texas System

Sandra Woodley currently serves as the U.T. System's vice chancellor for strategic initiatives overseeing the offices of Strategic Management and Institutional Studies and Policy Analysis. She provides leadership to coordinate key System initiatives, streamline reporting requirements and track the progress and impact of the U.T. System strategic plan and related administrative and institutional activities. She oversees the development and production of the annual U.T. System Accountability and Performance Report, which includes information on the nine academic and six health institutions' academic, health care and service missions and emphasizes measures such as student outcomes, research, faculty productivity, clinical care and efficiency.

Before joining the U.T. System, Dr. Woodley served as the chief financial officer and the chief planning officer for the Arizona University System. There she handled policies and analyses related to university finance including: funding models, capital needs assessment, efficiency and productivity initiatives, budgeting, monitoring financial strength, and developing and maintaining accountability systems and reporting. Sandy was the lead staff to the board on all strategic planning efforts, including long range planning, performance, and financial projections to achieve goals for the system to 2020. She was also lead staff regarding tuition policy including monitoring and analyzing affordability, financial aid policies, and developing new models and proposals for tuition setting.

Before joining the Arizona system, she served in similar positions both in Kentucky and Alabama. Her work in Kentucky involved managing more than 350 million dollars in strategic incentive funding for the Kentucky system related to Kentucky's statewide strategic plan. She also led a comprehensive funding review process aimed at streamlining funding policies to be more directly related to the strategies and goals of the system.

Prior to her work on the three higher education boards, Sandy was a financial analyst for the Alabama Legislature specializing in higher education and economic development. She also served Auburn University, Center for Government, in revenue forecasting and economic cost benefit analysis for the State of Alabama.

Sandy earned a Bachelor of Science from Auburn University in Business administration, double majoring in Finance and Economics. She also earned two additional advanced degrees: a Master of Business Administration and a Doctor of Business Administration, with specialization in both finance and management. Sandy is married with three children.

Paul Wozniak, M.B.A. (Park City, Utah)

Chairman, College Loan Corporation

Mr. Wozniak has been the College Loan Corporation's Chairman since November 2008. He has actively worked on financing solutions for funding student loans for more than 30 years, many of those spent as the head of the UBS student loan group. Mr. Wozniak has been involved in all aspects of investment banking for both federal and private education loans, including assistance on structural, economic, tax and legislative matters. Mr. Wozniak has been an active participant in the education loan community through his service on the congressionally created Alternative Index and Market Mechanism Study Groups, testimony before Congressional Committees and various Consumer Banking Association, Education Finance Council, and National Council of Higher Education Loan Programs Committees.

Mr. Wozniak holds a B.S. in Economics with honors from the Wharton School of Finance and Commerce and earned his M.B.A. from Columbia University with a concentration in Finance.

Consultants and Staff

Loretta Loyd, B.A. (Austin, Texas)

Administrative Projects Coordinator, The University of Texas System
Ms. Loyd is an 18 year employee of the U.T. System. She serves in a variety of administrative roles and functions in the Office of Business Affairs and has served on behalf of the U.T. System Administration as a member of the System-wide Insurance Advisory Committee and the Employee Advisory Committee. She was a member of the U.T. System 2004 Class Two Management and Leadership Development Program. Ms. Loyd was the 2006 recipient of the U.T. System A. W. "Dub" Riter, Jr. Humanitarian Award (Chancellor's Award), and a recipient of the 2007, 2008 Bronze level and 2009, 2010 Silver level Presidential Volunteer Service Award.

She earned a bachelor's degree in German from Central College, Pella, Iowa and spent two years in the field studying Dutch in the Netherlands, Germanic studies in Vienna, Austria and international business in Chicago. Ms. Loyd has two sons, one of which will be entering college in the fall of 2013.

Meg McConnell, M.A. (Charleston, South Carolina)

Consultant, Knowledge Capital Group
McConnell is a consultant with over ten years of professional experience creating communication materials and managing projects for national and international corporate, nonprofit, and small business clients.

She has worked with copy writing, marketing, and graphic design in both the corporate and nonprofit sectors, and was also selected as a national winner in the 2008 American Inhouse Design Awards by Graphic Design USA Magazine and The Creative Group. She specializes in helping nonprofits deliver consistent branding and messaging through events, print materials, and online communications.

McConnell completed her Master of Communication degree at The College of Charleston, where she also earned her Bachelor's degree in Communication with a minor in Fine Art.

Appendix B: Successful Program Models

Nebraska's EducationQuest Model

Nebraska is home to the nonprofit organization EducationQuest Foundation. EducationQuest's mission is to improve access to higher education in Nebraska through free college planning services, outreach services, need-based scholarship programs, and college access grants. The organization has planning centers with impartial counselors who help match students to the best in-state institution and provide hands on financial aid guidance. They work with all in-state high schools and colleges and often collaborate with the local public educational broadcasting network.

While Nebraska is a much smaller state, and the organization may not be completely scalable to Texas, it may serve as a good model for ways to provide additional outreach to rising and current college students. The organization's web address is www.educationquest.org.

The University of Texas TIME Program

The University of Texas at Austin is collaborating with the University of Texas Health Science Center Houston Medical School and the University of Texas Southwestern Medical Center, to implement a seven-year course of study called TIME (Transformation In Medical Education). Other participating pilot schools include The University of Texas at San Antonio and The University of Texas Health Science Center at San Antonio. This program reduces the traditional undergraduate and medical professional time-to-degree by one year each, and adds a "flex year" during the years in residence on a health campus that will enable intensive study and enhance professional development.

Admissions criteria evaluate leadership, communication skills, and other non-cognitive/non-test score characteristics. Students take a risk by participating in the new pilot program, however it allows them to complete their medical program in six to seven years instead of eight, as well as receive provisional acceptance to medical school and exempt the MCAT standardized test (as long as they meet other requirements). This allows students more years to work and earn income (to pay back loans), and less time to accrue interest on loans while in school. Participating pilot schools are in a start-up phase and will be admitting their first groups between Fall 2012 and Fall 2013.

Many other benefits could come from the TIME Program, for example, redundancies in the undergraduate science and pre-professional curricula will be eliminated so that students will not duplicate core undergraduate science coursework in medical school. Faculty from the academic and medical campuses will work jointly to develop competency-based advancement tools so that when the student is ready to move on, they move on (i.e., a medic in the military can demonstrate competency of skills and move through more quickly than traditional student without any training). Additionally, potential students must demonstrate a certain level of competency before moving from undergraduate to graduate work.

The program has to meet certain credentialing guidelines, such as a minimum of two years in school instead of a minimum number of credits, and has seen new challenges that have arisen from difficulties in financial aid, staffing, and degree requirements.

Evaluating a student's mastery of competency in a particular skill area instead of awarding credit hours is a big shift for most universities. A program like this should improve efficiency, and create better capacity. Other schools are doing competency-based curriculum, but they are fairly new programs without strong outputs to evaluate yet. The goal of the TIME Program is to demonstrate that this is a viable model for the University of Texas System.

Virginia Community College

Virginia Community College recently created an online video highlighting their new pilot program showing beneficial results of proactive and preventive financial literacy training for entering students. This video and similar testimonials provide support to the proposal for Academic Success, Financial Literacy, and Competency Fellowship Training Project. The video can be viewed online at the following web site address: http://www.youtube.com/watch?v=neDUgG_ITjs.

The video focuses on the policy at Virginia Community College that requires a personal financial plan be developed and presented prior to a student being awarded financial aid. Students lack the resources to be fiscally responsible and it is becoming increasingly critical to find ways to incorporate financial planning as early as high school to get students thinking about their choices.

University of Texas at Austin "Bevonomics"

The Bevonomics program currently puts on a series of workshops on budgeting and building credit as a college student. Some workshops focus on areas that are mostly relevant to younger students (such as how to apply for scholarships or how to move off campus), while others are targeted at upperclassmen (such as managing student loan repayment, understanding stocks, mutual funds, and employee benefits). With proper grant funding, a program like this could be made available at other schools (on or offline) and perhaps even become mandatory in order to receive financial aid for future semesters (full program information is available at www.bevonomics.org).

B-on-Time Program

This State of Texas financial aid program offers interest-free loans to Texas undergraduates, which are forgiven if students maintain a 3.0 or higher grade-point-average and graduate within four years (five years if the students are enrolled in programs requiring more than four years of study). The loans have zero-interest and state law requires the amount loaned annually in 2012-13 for four-year public institutions to be limited to $3,700/semester ($7,400/year) per student. A student may not receive the B-on-Time loans for more than 150 hours and must make satisfactory academic progress towards a degree as determined by the institution.

Students who cease to be enrolled at least half-time must begin repayment of the loans after a six month grace period at a minimum of $75.00 per month.

Appendix C: U.T. System Personal Education Plan Template

The University of Texas System Student Debt Considerations

Signature Page

The student should carefully review various expected costs, post-employment income potential, student debt levels, financial aid options, along with other considerations before undertaking a decision attend college. It may be helpful for the student to summarize the various considerations in a document and to have others involved with the student's education sign the document outlining the strategic, financial, and personal rationale for undertaking post-secondary education; the potential student debt level that may be needed; how any debt will be repaid; and the risks of taking on student debt.

Objective and Goals

- Determine objectives and goals for your selected college(s). Do you want to live far away from home and what are other identifiable factors will enhance your satisfaction at your selected college(s)?
- What degree plans are you considering? Unsure? Pick two or three possible degree plans and research requirements for graduation and possible careers for those degrees.
- What are the graduation rates and time to graduation at your selected colleges?
- Look into the policy at each college for transfer credits from community college and high school Advanced Placement courses.
- Consider how each college treats switching majors and if/how courses can be transferred so as not to extend time to graduation.
- Will you study abroad? How do the colleges you are considering factor in study abroad? Will it be less or more expensive than tuition and costs at each college considered? Will study abroad credits transfer and how will it affect your degree plan?

Cost Considerations to Meet Objectives and Goals

- What are the all-in costs associated for one academic year of study at each college under consideration? Include at least the following: tuition and fees, books and supplies, room and board, travel to and from college, transportation while at college and personal expenses.
- Beginning in October, 2011 all U. S. colleges and universities were required by law to provide a "net price calculator" on their web sites. Find the net price cost of your selected colleges on their web-sites and compare it against your own calculations. Are they different?
- Determine the difference in costs between some options at your selected colleges:
  - Transportation at college – public/university provided transportation vs. car and car insurance
  - Room and Board – on-campus living, off-campus living, or at home

Sources of Support to Meet Costs

- Identify any and all sources paying for college: Financial aid, scholarships, loans, grants, gifts and other income.
- Do you plan to work during college and/or during the summers? How much money could you reasonably make with these jobs?
- Have your parents saved money in a 529 plan (the tax-advantaged investment plans)? If yes, are there restrictions on its use at any of the colleges on your consideration list?
  - Keep in mind that 529 plan money is restricted and can be used only for tuition, fees, books, supplies and equipment required for study

  - 529 plan money can be used for room and board, as long as you are at least a half-time student, however there are restrictions on use of 529 plan money for off-campus housing
- Do your selected colleges offer need and merit-based financial aid?
- Ensure that you complete the FAFSA (Free Application for Federal Student Aid) to best reflect the situation of your family.
  - FAFSA applications are available January 1 and due June 30 of each year, however it is recommended that you file by March 1st for maximum financial aid eligibility
  - Submitting the FAFSA is FREE and can be completed online
  - More information and forms can be found here, http://www.fafsa.ed.gov/
- Max out all federal grants and loans and other programs available and then determine how much in college costs are left to be covered.
- How much of the balance will be covered by private loans, gifts and other income?
- Add together all federal loans and private loans (if any) and determine the post-graduation monthly loan payment. Figure out the final year your loan payments will be due.
- Compute how much you will pay over the life of the loan and compare it to how much you intend to borrow.
- Compare the monthly payment on the loans with the expected income from potential employment.
- The answer to 'How Much Debt is too Much' will depend on who you ask, but a good rule of thumb is that monthly payments should be no more than 10% of your monthly income.
  - A similar rule: it is not advisable to borrow more than your first year's salary post-graduation

Potential Returns for Completing Objectives and Goals

- What are the job placement statistics of your selected college(s)?
- What are the job placement statistics of your interested majors at your selected college(s)?
- What are some of the career opportunities and exposure to companies and potential employers offered by your selected college(s)?
- How much do you expect your salary to be post-graduation?
- How does that salary compare to the potential debt you may borrow?

Risks and Opportunities

- Can you get the same quality education elsewhere, for less?
- What benefits to you expect to achieve through higher education (i.e. higher income, greater opportunities, enhanced satisfaction, etc.)?
- How much will you owe if you drop out of school before finishing?
- Will your identified profession require additional years of education for a Masters, JD, PhD, or other qualifications beyond the costs identified for your undergraduate education?
- Do you expect to work in the public sector post-graduation? In 2007, Congress created the Public Service Loan Forgiveness Program (PSLF) to encourage individuals to enter and continue to work full-time in public service jobs.
  - Borrowers may qualify for forgiveness of the remaining balance due on eligible federal student loans after they have made 120 payments on those loans under certain repayment plans while employed full time by certain public service employers.
  - Only loans received under the Direct Loan Program are eligible for PSLF. Loans under the Federal
  - Family Education Loan Program, the Perkins Loan Program, or any other student loan program are not eligible for PSLF.
  - For more information: http://studentaid.ed.gov/PORTALSWebApp/students/english/PSF.jsp

Appendix D: Teaching Fellowship Program Abstract

The Teaching Fellowship Program will be implemented with four U.T. Health Science Center Institutions (Dental, Nursing, Public Health, and Biomedical Informatics). Students will be trained to instruct, counsel, and coach Advanced Academic Training, and Financial Literacy and Competency for their immediate student peers (i.e., entering and enrolled and underrepresented urban student populations, i.e., community college students).

The program goals can be summarized by the following objectives:
1. Develop and implement a Teaching Fellowship Program that teaches in-depth Advanced Academic Training, Financial Literacy and Competency to a minimum of 12 Fellows from four U.T. Health Science Center institutions;

2. Train Fellows to teach the knowledge and skills described above to student peers (i.e., students in health profession schools) and underrepresented, urban college-age students from community colleges. The target goal is to teach financial literacy to 2,500 people in two years.

3. Evaluate all aspects of the program for acquisition of knowledge, skills, and behavior change in Advanced Academic Training and Financial Literacy and Competency, using competency tests and pre- and post-surveys of Teaching Fellows, Fellowship Coordinator, Trainers, and students described above.

4. Determine replication of the Teaching Fellowship Program for community colleges and higher educational institutions.

- Assessment and Career Guidance - New assessment and career guidance (Instruments and resources)
  - The *Personal Background and Preparation Survey* (PBPS) will be administered to assess each student's risks, concerns, and needs. An *Introduction and Sequencing Questionnaire* and *Advanced Academic Training Survey* will be administered to assess typical study behavior.
  - An *Advanced Academic Training Survey* will be administered post-training with a second semester follow-up to evaluate participants' post-training behavior.
- Vertical Alignment Between Different Levels of Education
  - Vertically aligned *Advanced Academic Training* modules implementing curriculum reform as *Advanced Academic Training* will help allied health students manage the information necessary to advance toward baccalaureate, master's or professional degrees.
- Enhanced Retention Support
  - *Advanced Academic Training* is a proactive early alert and intervention strategy that employs retrieval strategies, among other cognitive technologies. Retrieval is the daily development of questions and answers from lectures, assignments, mock licensure or board examinations, and repeated spaced self-testing.
- Enhanced Data Collection and Accountability
  - A unique data collection system assessing Adverse Academic Status Events (AASE) and Nonadvancement Adverse Academic Status Events (NAASE) will capture students' academic progress by semester at the end of each academic year.
- Strategic Partnerships
  - Collaborations have been initiated with Houston Community College, Lone Star Community College, El Centro Community College (Dallas, Texas), the U.T. Health School of Biomedical Informatics, and other University of Texas Health Science Centers.

During the second year of the project, the 30 elite participants will be trained as a select cadre of students pursuing advanced degrees. Each participant will receive a $1,000 stipend for successful completion of an allied health pathway completion plan. Each student develops their plan in collaboration with their advisor. The project will cost approximately $400,000 for project staffing, consultants, retention specialists, and special services designed for nontraditional students (e.g., transportation, child care).

Appendix E: Sample Student Debt Counseling Rule of Thumb

The University of Texas at Tyler

U.T. Tyler uses a 42% rule of thumb to help students determine the right amount of student loans to borrow.

For each student who requests an admission application for U.T. Tyler, Career Services includes a "career choice survey." This survey asks them about career options and potential earnings. For each returned survey, an advisor contacts the applicant to discuss how salary projections and job outlook can be a part of career choice, especially if a student is concerned about accumulating a lot of debt during their college years.

Rule of Thumb

- **42% Rule:** A student education loan should not exceed 42% debt ratio of anticipated income upon graduation.
- **8% Rule:** An individual's student loan monthly payment should not be more than 8 percent of their gross monthly earnings.
- **Example:**

Top Majors U.T. Tyler	Average Starting Salary*	Maximum Recommended Education Debt 42% of gross salary**	Monthly Recommended Payment for Education Debt 8% of gross monthly salary**
Accounting	$ 49,60	$20,832	$ 331
Biology	$ 42,300	$17,766	$ 282
Civil Engineering	$ 54,500	$22,890	$ 363
Criminal Justice	$ 30,600	$12,852	$ 204
Finance	$ 53,600	$22,512	$ 357
Kinesiology	$ 38,200	$16,044	$ 255
Management	$ 44,500	$18,690	$ 297
Marketing	$ 55,300	$23,226	$ 369
Mechanical Engineering	$ 57,700	$24,234	$ 385
Nursing	$ 49,800	$20,916	$ 332
Psychology	$ 32,100	$13,482	$ 214
Tech-Industrial Technology	$ 57,900	$24,318	$ 386

To ensure that each new student, whether they returned a survey or not, has an introduction to labor market information about salary and job outlook information, Career Services partners with Academic Advising during new student counseling sessions. Career Services professionals consult with academic advisors on using the rule of thumb to help students find and integrate salary projections into the process of choosing major.

Career Services shares information during individual counseling sessions throughout the year about salary projections and job outlook information using the rule of thumb; to help choose a major, what to do with a major, while researching and considering participating in an academic or career related internship and all job search activities.

Of course, these steps are taken in addition to the Money Management and Financial Aid counseling conducted during registration and throughout the school year that continue to reinforce the 42% rule of thumb debt counseling standard.

Appendix F: Resources

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