

Youth Subcommittee Report July 16, 2012

Subcommittee Members: Ted Beck, Sherry Black, John Bryant, Samuel Jackson, Beth Kobliner, John Rogers (ex-officio), Amy Rosen (Chair)

Background

One of the key objectives of the President's Advisory Council on Financial Capability is to find ways to improve the financial capability of young Americans. As previously reported the Youth Subcommittee continues to focus on several key areas of concern and proposed solutions. We continue to investigate opportunities to promote all aspects of financial education with a particular focus on underserved communities and ways to improve on opportunities in their schools. To this end we continue to focus on ways to promote the use of “Money as Your Grow” both to families and schools and are happy to report that there continues to be a great deal of interest in this tool (see **Updates**, below).

We also are reviewing the materials issued by the White House for their Summit on Financial Capability and Empowerment and looking at ways to build on the information relating to schools and look for ways to get them into the hands of more teachers and School Leaders.

We also are doing a deep dive into ways that we can promote the creation of pilots that align common core objectives and basic financial education concepts. In addition we are looking at how the two major consortiums created to assess common core learning’s can help support this effort. We are having discussions with several organizations including the American Federation of Teachers as well as the Jump\$tart Coalition to look for ways that we can encourage others who share our concern to work together to create opportunity.

We also continue to support the promotion of college savings accounts and our related recommendations.

Student Loans: The Challenge

We are unanimous in our concern around the level of student loan debt that our young people are assuming. Americans collectively owe more than \$1 trillion in student loans. A [March report](#) from the Federal Reserve Bank of New York estimates that 27% of all student loan borrowers are delinquent or in default. The bulk of these are federal loans, but it’s not just federal student loan debt burdens that are causing distress among families. In order to meet the soaring costs of college, families are obtaining costlier private loans to pay education costs.

As students navigate their way through a complicated financial aid system, they are required to participate in some form of entrance and exit counseling in college, but the quality and value of such programs may range dramatically. Furthermore, there is no requirement for high schools to counsel students or families about student loans at the point at which they are agreeing to take on student debt. Research has shown that many of the factors related to defaults—such as a borrower’s lack of understanding about debt—are determined before students enter college.

While we applaud the Administration for all of their initiatives that are providing opportunities for young people to make their debt more manageable, we are focused in our discussions around strategies to provide educational tools that will assure that every young person in America has developed the competencies necessary to make smart decisions around student loans before they sign up for these long term obligations.

While we are not yet ready to make any formal recommendations on this complex problem to the PACFC, we are considering several ideas that we wanted to share with the Council for feedback on in order for us to firm up recommendations for our next meeting.

IDEA #1: The Subcommittee is interested in encouraging use of a standardized college financial aid shopping sheet.

Currently, colleges send financial aid award letters that vary widely, making it hard for families to compare options. A standardized financial aid shopping sheet would allow families to be better consumers, improving the financial capability of parents and students alike. Mark Kantrowitz, founder of Finaid.org, testified before the Advisory Committee on Student Financial Assistance last year in support of standardization. In May, Senators Al Franken (D-MN) and co-sponsors including Chuck Grassley (R-IA) introduced the "[Understanding the True Cost of College Act](#)," a bill which would require colleges to use standardized financial aid award letters. And last month the National Association of Student Financial Aid Administrators' (NASFAA) task force released a report calling for more transparency in these letters. The Consumer Financial Protection Bureau (CFPB) is working with the Department of Education to create a "financial aid shopping sheet" as part of its "Know Before You Owe" campaign. We are interested in strategies to make sure that all students are provided with this kind of standardized information, comparing their opportunities in order to allow them to make informed decisions.

IDEA #2: The PACFC could encourage high schools to do more to prepare students for the financial aspects of college.

The Subcommittee believes that many of the decisions regarding student debt begin when students, especially high school students, begin planning for and applying to college, and therefore there are opportunities to better integrate the financial costs related to college in this planning.

For example, the Council could convene experts around determining best practices for high school counselors to help them assist families in applying for financial aid. There are no national standards in place to train high school guidance counselors to talk to families about financial aid and the options available. The Council could encourage the creation a working group with organizations such as the National Association of College Admissions Counselors (NACAC), FinAid.org, The College Board, the CFPB, the NASFAA, and the Department of Education to create a training tool for high school counselors. This tool could be based on a common set of professional competencies for high school counselors focusing on college affordability and student career development. NACAC just released a

[paper](#) urging the development of these professional competencies and their adoption in training programs for guidance counselors.

The Subcommittee is also considering other approaches that would include students' financial preparedness for college as part of their college readiness. It is increasingly clear that students with high debt may not earn college degrees, despite their best intentions. Collecting and analyzing data, for example, on the average level of student debt upon college completion, or rate at which graduates repay student loans, may be helpful to assess practices among secondary and post-secondary institutions.

Updates:

MyMoneyAppUp Challenge

As recommended by the Council last year, the Treasury Department, in conjunction with two non-profit partners, has launched the MyMoneyAppUp Challenge to encourage members of the public to submit ideas for mobile apps that help people manage their money. The Subcommittee applauds this effort, and encourages Council members and other interested individuals to encourage to submit ideas relating to helping students and families make informed decisions around student loans and college affordability. Information about the Challenge can be found at mymoneyappup.com

Money as You Grow

The *Money as You Grow* Working Group is reviewing ways to continue to broaden the reach of www.MoneyAsYouGrow.org. Since the site went live in May 2012, more than 250,000 visitors have logged on, and news stories about the Council's effort have appeared in *Time*, the *Washington Post*, *U.S. News & World Report* and dozens of other media outlets. Nonprofit organizations that are participating in promoting www.MoneyAsYouGrow.org include the National Endowment for Financial Education, the National Parent Teacher Association, the Boys and Girls Clubs of America, Junior Achievement USA, the National Association of Elementary School Principals, the American School Counselor Association, FINRA Investor Education Foundation, the American Savings Education Council, and the Women's Institute for a Secure Retirement. Other participants in the initiative include the Federal Reserve Bank of Chicago, the Securities and Exchange Commission, the Office of the Comptroller of the Currency, and the USDA's National Institute of Food and Agriculture, Division of Family and Consumer Sciences. The American Library Association is distributing the site through three of its divisions—the Public Library Association, Smart Investing @ Your Library, and the Association for Library Service to Children.