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# Student Loan Counseling Challenges and Opportunities

## Findings from Focus Groups with Financial Aid Counselors

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# Disclaimer

The views and opinions expressed in the following presentation are those of the author. They do not represent an official position of the Board of Governors or the Federal Reserve System.



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# Background



# Study Background

## Federal Reserve Interest in Financial Aid Counseling

- With its mandate to maximize employment, the Federal Reserve has an interest in labor productivity and how individuals acquire human capital.
- At the macro level the Federal Reserve is concerned with all factors that could impede economic growth.
- The Federal Reserve also advances research to increase understanding of the impacts of financial services policies and practices on consumers and the broader economy.

## Study Purpose

- To understand student decisionmaking about paying for their education
- To understand counseling techniques used by financial aid administrators
- To understand challenges financial aid administrators face in helping students navigate their financial decisions

# Methodology

- Partnered with the National Association of Student Financial Aid Administrators (NASFAA) to conduct two focus groups during their annual conference in July 2016.
- NASFAA recruited 12 participants for each session, of which 10 attended the first and 7 attended the second. Sessions lasted about 75 minutes.
- Questions were developed in collaboration with NASFAA and the Texas Guaranteed Student Loan Corporation (TG).
- ICF International developed the moderator's guide, facilitated the focus groups, and produced highlights of the discussion.



# Methodology

Characteristic	Focus group 1 (July 11) (n=10)		Focus group 2 (July 12) (n=7)		All participants combined (n=17)	
	Number	Percent	Number	Percent	Number	Percent
<b>Type of institution</b>						
Two-year	3	30%	1	14%	4	24%
Four-year	7	70%	6	86%	13	76%
<b>Public/private</b>						
Public	6	60%	3	43%	9	53%
Private, nonprofit	3	30%	4	57%	7	41%
For-profit	1	10%	0	0%	1	6%
<b>Size of institution</b>						
Large	5	50%	4	57%	9	53%
Medium	2	20%	2	28%	4	24%
Small/very small	3	30%	1	14%	4	24%
<b>Selectivity (% of applicants accepted)</b>						
0-50%	4	40%	3	43%	7	41%
51-99%	2	20%	3	43%	5	29%
Open admission	3	30%	1	14%	4	24%
Not available	1	10%	0	0%	1	6%
<b>Participant experience</b>						
Average years of experience as financial counselor	19 years	n/a	20 years	n/a	20 years	n/a

Note: Institution size was defined according to the Carnegie Classification system. Note that the definition of "large institution" (based on size of student population) differs depending on whether the institution is a two-year or four-year degree granting institution.  
n/a: Not applicable.

# Federal Student Loan Counseling

- All students borrowing Federal Direct loans must complete entrance counseling before the loan's first disbursement, as well as exit counseling when they graduate, leave school, or drop below half-time enrollment.
- The Department of Education establishes minimum elements that must be addressed by the school's counseling program, but schools have some discretion in determining the mechanism for delivering the counseling.
- The Department of Education provides a free online counseling tool that meets all regulatory requirements.
- Schools cannot require, as a condition of loan disbursement, any other counseling programs aside from entrance and exit counseling.



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# Counseling Tools and Strategies







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*"They go through the motions, may or may not retain a lot of what they heard and, under the current requirements, the next time they might hear something about their loans ... may be in exit counseling."*

*- Counselor at a public, four-year institution*

# Institution-Wide Approaches

- Most participants stated that their institutions do offer either required or optional counseling beyond the standard online entrance and exit counseling programs. These include:
  - General financial education sessions for first-year students;
  - Special programs on loan repayment at the end of the academic year.
- In some cases, special counseling programs were established as part of a plan to reduce an institution's high default rate.
- One institution with a high default rate requires students who are withdrawing from school to get "sign-off" from the financial aid office.

# Institution-Wide Approaches

- Participants described several attempts to better inform students of their debt burdens:
  - Some schools have incorporated data from the National Student Loan Data System into their systems so students can easily see how much they have already borrowed.
  - One counselor for graduate students at a highly selective public institution noted that it removed the cost of attendance adjustment application from its website and now requires students to contact their office to receive it.

# Targeted Programs

- Many counselors described reaching out to students whom they believe may struggle with financial management or who are at elevated risk of default. These include students who:
  - Are from low-income households;
  - Did not reenroll at the start of the semester;
  - Are supporting families while attending school.
- The specific channels for these efforts vary, but participants noted that they partner with student organizations on campus or with outside organization to reach particular student groups.
- Though the counselors conduct outreach, they did not describe the programs being customized to the unique needs of these students.



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# Administrator Challenges







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*"They don't want to give us a spotlight, because it's not as fun as all of the other activities and student clubs. It's a fight to get time in front of the students."*

*- Counselor at a public, four-year institution*



# Support from Administrators

- Several counselors noted that university administrators are often reluctant to include them in student activities such as orientation or campus fairs because they believe financial aid discussions would detract from the tone of the events.
- In some cases, participants also described conflicts with staff from university admissions offices regarding the presentation of financial aid information to students.

# Communication

- Counselors generally use e-mail to communicate with students, but several participants noted that it is not an effective way to reach them.
- Counselors have experimented with alternatives, including text messaging and social media.
  - **Text Messaging:** Some counselors have found that students find text messaging from the financial aid office to be intrusive and not appropriate for university communications. There are also concerns about violating the Telephone Consumer Protection Act.
  - **Social Media:** Some counselors have found success reaching students via social media, but they have since moved away from social media because of concerns about confidentiality, as students began sharing information about their personal financial situations.

# Interest from Students

- Though institutions often offer many opportunities for counseling throughout the academic year, counselors noted that optional programs are typically poorly attended because of lack of interest from students.

*“We build workshops surrounding the results [of student surveys about financial aid], but then when we have the workshop, nobody shows up.”*

*- Counselor at a private, for-profit, four-year institution*

# Resources

- Participants generally agreed that in-person counseling tended to be more effective than online alternatives.
- However, most financial aid offices, particularly those at large universities, simply do not have the resources needed to meet individually with students or in small groups with students.



# Statutes and Regulations

- Counselors reported that their inability to require counseling beyond entrance and exit counseling is a significant barrier to assisting students with their financial decisions.
- Participants described some attempts to improve participation without violating regulations.



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# Administrator Recommendations





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*"When you're talking about a younger student, can they project what it means to have a \$550 a month loan payment? No. No, they can't."*

*- Counselor at a public, two-year institution*



# Administrator Recommendations

- Improve communication with students
- Mandate additional counseling
- Provide earlier general financial education
- Simplify repayment
- Provide financial aid counseling earlier in the college selection process
- Improve financial aid information



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# Policy Questions for Consideration





# Policy Questions for Consideration

- What are the desired outcomes for financial aid counseling programs?
- How might more-robust program evaluation mechanisms help improve financial aid counseling?
- How could counseling programs be redesigned to incorporate lessons from behavioral economics and psychology research?
- How can financial aid counseling be responsive to the family circumstances that many students face?
- How could statute and regulation be adjusted to create a culture of responsible innovation related to financial aid counseling?



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Thank you.

Questions?

A large, faint watermark of the Federal Reserve seal is visible in the bottom right corner of the slide, partially overlapping the "Questions?" text.