REDUCING STUDENT LOAN DEFAULT

Best Practices for Postsecondary Institutions in North Carolina

MAY 2020
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Policy makers, philanthropists, and researchers have raised questions about how recent trends in student borrowing for higher education may impact our economy and society. The Center for Community Capital’s research program in higher education finance seeks to inform public policies and institutional best practices regarding educational debt, student financial literacy, and the future of postsecondary education.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>EXECUTIVE SUMMARY</td>
</tr>
<tr>
<td>5</td>
<td>INTRODUCTION</td>
</tr>
<tr>
<td>7</td>
<td>PROVIDING INFORMATION</td>
</tr>
<tr>
<td>12</td>
<td>SUBSIDIES AND COST SHARING</td>
</tr>
<tr>
<td>16</td>
<td>INTEGRATED DATA-DRIVEN SUPPORT</td>
</tr>
<tr>
<td>20</td>
<td>RECOMMENDATIONS</td>
</tr>
<tr>
<td>21</td>
<td>REFERENCES</td>
</tr>
<tr>
<td>23</td>
<td>APPENDIX</td>
</tr>
<tr>
<td>23</td>
<td>FIELD SCAN</td>
</tr>
<tr>
<td>28</td>
<td>INTERVIEWS</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

Recent estimates suggest that more than half (54%) of young adults who attend college take on some form of debt in order to do so. Student loans represent the most common type of debt incurred and are relied on by 93% of those with educational debt. Unfortunately, delinquency and default rates for student loan debt can also be high and carry lasting negative effects for borrowers. However, there is variation in delinquency and default rates observed across institutions, which raises the question of what postsecondary institutions are or can be doing to improve student loan outcomes.

With the goal of exploring this topic, this report provides an overview of organizational practices and innovative solutions being implemented by some of North Carolina’s two- and four-year educational institutions, as well as by some institutions outside the state, aimed at reducing the likelihood of student loan default. The reports draw on three main sources of information – academic literature, interviews with administrators and other experts, and a scan of existing programs – to provide examples of these efforts.

The findings indicate that common institutional approaches include the following: 1) providing information to impact decision-making, 2) using subsidies and cost-sharing mechanisms to reduce costs and increase affordability, and 3) developing integrated data-driven support systems to coordinate action campus-wide.
Lessons learned from this report suggest the following best practices for higher education institutions in North Carolina and across the country:

**Enable informed decisions**
Engage students early and often throughout their college enrollment. Enhance the ability to maintain contact with students after they leave the institution. Provide educational materials related to financial aid, and student loans in particular, as well as personalized notifications and reminders. Make sure that students are aware of available financial, academic, and psychological support that can aid in college completion. Actively promote these supports through multiple channels and through ongoing efforts, such as orientation materials, class syllabi, workshops, social media, and website materials. Leverage technology to enable students to help themselves. Establish supportive, ongoing relationships with students. Treat borrowers and their families with empathy and respect.

**Shift and reduce cost burdens**
To the extent feasible in light of institutional resources, provide subsidies and programs that increase affordability, reduce reliance on loans, and improve the repayment experience. Enhance other financial support programs that increase students’ ability to manage hardships and meet basic needs. Where resources are limited, seek to build large institutional endowments that will, over the long term, reduce institutional dependence on tuition and fees and thereby make it possible to reduce the educational expenses paid by students and their families.

**Anticipate problems and focus on completion**
Seek opportunities to be proactive, rather than reactive, in responding to delinquency and default. For example, identify and act on potential early warning signs that a student may be struggling or at-risk of leaving school, such as withdrawing from a course that may lead to stopping or dropping out. Actively promote existing financial and academic services aimed at supporting students throughout their college experiences and keeping them enrolled. For students who have stopped out, address barriers to re-enrollment. Leverage data to assist with each of these practices and to identify potential intervention points, including reaching students as early as possible after missing a payment.

**Coordinate responses**
Identify the ways that administrative offices and student support services can work across siloes to improve cooperation and collaboration. Improve mechanisms for collecting and updating accurate data, and ensure systems can allow information sharing across these offices. Identify gaps in the system where students may fall through the cracks. Where possible, seek to consolidate information and services to create clear pathways for both students and administrators to follow in responding to needs.
INTRODUCTION

Students can pay for postsecondary education using funds from a number of sources, including personal savings, contributions from parents, employment income, grants, scholarships, subsidized and unsubsidized federal loans, private loans, and credit cards. Recent estimates suggest that more than half (54%) of young adults who attend college take on some form of debt in order to do so. Student loans represent the most common type of debt incurred and are relied on by 93% of those with educational debt.

Unfortunately, delinquency rates for student loan debt can also be high and carry lasting negative effects for borrowers. Approximately 20% of those who owed money for their postsecondary educations as of 2018 were behind on their loan payments, although delinquency rates vary substantially with student educational attainment, socio-demographic characteristics, and geography. In particular, students who do not complete their degrees are the most likely to fall behind on their payments (37%), followed by those who complete an associate’s degree (21%), bachelor’s degree (10%), or graduate degree (6%). In addition, first-generation college student borrowers are more likely to fall behind in their payments than those who have at least one parent with a college degree, and black and Hispanic borrowers are more likely than white borrowers to be delinquent. Furthermore, students attending postsecondary institutions in the South have higher rates of default than students located in other parts of the country.

Student loan default rates also vary with institution type. Rates of delinquency are highest for those student loan borrowers who attend private, for-profit colleges (22%), followed by those who attend public colleges or universities (8%) and those who attend private, non-profit institutions (5%). The likelihood of loan repayment also varies by institution type, with a larger share of those who attend private, non-profit institutions paying off their loans (53%), compared with those who attend public institutions (48%) or private, for-profit institutions (38%). These differences across institutions substantially reflect differences in student body characteristics, as students who are less likely to complete their degrees and are less likely to have strong labor market outcomes are more likely to attend for-profit and other less selective institutions. Better resourced and more efficient institutions with greater capacity to attract and support high-performing students tend to have lower default rates. However, the variation in default rates observed across institutions also raises the question of what postsecondary institutions are or can be doing to improve student loan outcomes.

1 Stoddard, Urban, and Schmeiser (2017)
2 Subsidized federal Stafford Loans are available to undergraduate students based on financial need, while unsubsidized Stafford Loans are available to all undergraduates, regardless of need.
3 Board of Governors of the Federal Reserve System (2019).
4 Once a payment is behind by more than 90 days, servicers report that to the three major credit bureaus. studentaid.gov/manage-loans/default
5 Board of Governors of the Federal Reserve System (2019).
6 Weber and Rogers (2014)
7 Belfield (2012), Kelchen and Li (2017), Hillman (2014), Goodell (2016)
8 These are also known as proprietary colleges. The phrases “private, for-profit” and “proprietary” will be used interchangeably throughout this report.
9 Board of Governors of the Federal Reserve System (2019).
10 Gross et al. (2010), Wilms, Moore, and Bolus (1987)
11 Gross et al. (2010).
The institutional practices identified fall into three types.

The first, and most common, approach to managing student loan borrowing and default is to provide students with information, which can take the form of financial education programs, individual financial counseling, web-based or in-person exit counseling, webcasts and other media campaigns, and nudges (such as letters or text messages).

The second type of program offers subsidies or cost sharing intended to reduce the financial burden of education: examples include work-study programs, free or limited tuition, completion grants, free housing, reductions in other non-tuition expenses, and income-sharing agreements; these programs require a higher commitment of institutional resources.

The third approach involves integrated, institution-wide student support programs that leverage data and predictive analytics; like subsidy-based approaches, these methods require greater institutional resources as well as a substantial, coordinated, and proactive organizational commitment.

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1 Although the field scan contains eight entries, three institutions are discussed in the last entry, for a total of ten.

2 A detailed description of the approaches implemented at each of these schools is provided in the field scan attached as an Appendix.

3 A description of interview methods may be found in the Appendix.
The most prevalent approach to managing student borrowing and default involves providing educational resources intended to improve student financial literacy and help students make informed borrowing and other financial decisions. At least 13 of the 20 institutions included in the field scan provide such information to students and their families. The informational resources take a variety of forms, such as websites and videos, online calculators, financial counseling, and personalized reminders and notices.

For example, through its Office of Student Financial Aid, Appalachian State University offers a suite of online resources, including financial literacy videos regarding saving money, debt management, and federal loan repayment. The website also includes openly accessible information on how to estimate a student’s cost of attendance, apply for various forms of aid (scholarships, grants, loans), speak with a financial aid counselor, and meet required financial aid deadlines. Similarly, NC State University’s Office of Scholarships and Financial Aid has offered its program “Dollars and Sense” since 2015 to enable students to make informed and responsible financial decisions.

Dollars and Sense is a multifaceted student education effort that utilizes workshops and classroom presentations, campus events, online resources, an alumni speaker board, and a strong social media presence.

Going a step further, Indiana University-Bloomington’s Office of Financial Literacy uses a multi-layered approach that targets student financial literacy and planning, reduces student loan borrowing, and connects students to resources. Online, the university targets student financial decision making, including an explanation of loan repayment strategies and default, financial aid information, and the MoneySmarts program. The MoneySmarts program offers online budgeting tools, one-on-one consultations, and for-credit personal finance courses. The university’s Office of Financial Aid also sends annual personalized loan summary letters to students, so that students are aware of their indebtedness and their estimated future monthly loan payments.
Providing Information

The institutional tendency to provide informational resources may stem from the perception that many students lack the knowledge necessary to make informed financial decisions before, during, and after attending college. The key informants at postsecondary institutions interviewed for this report frequently mentioned a lack of awareness on the part of student borrowers as a factor contributing to delinquency and default. Interviewees explained that students are sometimes unclear about what type of aid they used for their educations (scholarships, grants, loans, or a combination of the three), how many loans they took out, how much money they owe, who they owe money to, and – as mentioned above – how the repayment process works.

Cobbling together loans, grants, and scholarships is a complicated and often confusing process, and this is especially true for those who might never before have borrowed the amounts of money required to finance a college degree. Interviewees agreed that education must be provided early and often in order to help students – and their families – understand what types of aid they are getting, what amounts must be repaid after they leave the university, and to whom and over what period payments must be made. In addition, students who become delinquent on their loan payments may be unaware that student loans do not work like other bills, and this affects their decision making. As one interview participant noted:

Most bills will not let you negotiate payments. Like, you can’t call Duke Energy and be like, “Yeah, you guys asked for $78, but how about I just send you $8,” and they leave your lights on. No. They ask for $78, you send the $78 or they turn the power off. Student loans aren’t really like that. The commodity is different but [student borrowers] don’t understand that dynamic. (Interviewee 2)

Key informants repeatedly emphasized the importance of education around financial aid, and around borrowing in particular. However, the standard points at which students receive education about their loans are matriculation and exit from the university, and many of the experts felt that this approach was not sufficient. Rather, they suggested that education around financial aid and borrowing, and financial literacy more broadly, needed to be offered during students’ entire university careers. As explained by two interviewees:

Overall, I think getting the information in front of their face earlier in their time at school here will help it become repetitive enough that it will stick. If you can catch them at sophomore year, where they’ve finished partying freshman year, they’re starting to think more long term...they’re starting to plan their life, if you can get in front of them then with the information and keep saying it, say it sophomore year, say it junior year, by senior year, they hear you…. You’ve got to get it in front of their face early, but not too early that they don’t hear you…. (Interviewee 2)

I think [borrowers] need guidance...every year while they’re in college. Because the one time, I don’t think it sticks… I think there’s a need for more in-depth discussions around borrowing throughout their college journey, not just getting them through the door, and you understand what loans look like your first year, and then it’s kind of not discussed anymore. (Interviewee 4)

Moreover, a key concern is that existing education about borrowing and student loans is typically concentrated just prior to leaving school (for those who graduate), before they’ve entered the repayment process or faced the possibility of becoming delinquent. Continued informational engagement with students is viewed as critical for facilitating good loan repayment outcomes.
best means for reaching today’s tech-savvy students after they leave school. They told us about what types of communication strategies do not work (“snail mail”), which ones work best (email or text), and about the need for repeated and consistent efforts to reach students. Having put considerable thought and work into experimenting with and researching the success of their efforts to connect with delinquent student borrowers, they explained that personalized, attention-grabbing messages that are brief and informative yield the greatest success. Furthermore, they explained that individualized and empathetic support is critical in the process of assisting students in rehabilitating their loans. In the words of one default manager:

"If I get a student on the phone and they’re willing to do the rehab, rather than leaving them kind of on their own to do it, I’ll usually see if they have time to do it right then, and I’ll go ahead and call the servicer on three way and just kind of be on the phone with them to make sure all of their questions get answered and that the rehab gets set up all the way. Because a lot of times if you don’t, they don’t have the follow through… So you want to follow through with them and if they knew, “Hey, there’s somebody here that actually kind of cares about me, they called me specifically,” they’re more willing to do it… That one on one makes a big difference. (Interviewee 2)"

Finally, several interviewees felt that educating students alone was not sufficient. Because parents are often involved in the financial aid application process, several interviewees also identified parental education as an important matter:

"These are students that are over 18, but the way that FAFSA is now structured, you have to use your parents’ income as well up to a certain age. So if you have to use your parents income, we probably should be having this conversation with parents as well. (Interviewee 1)"

"We do make a very intentional push to get parents involved on at least those award letter conversations…. So that way the family is on the same page of what’s being offered, because they are going to be filling out these financial aid forms every year. We want them to be aware of what their child is signing up for. (Interviewee 4)"

Educating both students and parents is viewed as particularly important when the parents did not themselves borrow to attend college and consequently cannot guide their children through the financial aid process. To this point, one interviewee offered a potential new a layer of nuance to the term “first-generation,” suggesting the term might not only refer to the first generation in a family attending college, but the first generation borrowing for college. As this university director of lending said:
However, despite interviewees’ enthusiasm for promoting informed financial decision-making, evidence for the effectiveness of borrower education on mitigating student loan default is mixed. Wilms, Moore, and Bolus (1987) undertook one of the earliest analyses of the relationship between administrative practices and student loan default rates: they focused specifically on community colleges and vocational schools in California. In their univariate analyses, they found the following institutional practices to be significantly associated with lower default rates: campuses’ providing aid services on site; institutions’ informing students of the total costs of borrowing; campuses’ providing applicants with repayment schedules and information on repayment procedures; and institutions’ explaining to applicants the consequences of default.\(^\text{21}\) However, when these researchers conducted multivariate analyses on the predictors of default and included these institutional practices along with institutional characteristics and students’ background characteristics, institutional practices had no effect on default rates: instead, the researchers found that “default rates stem chiefly from students’ background characteristics” (p. 41).\(^\text{22}\) This finding is consistent with the large literature on financial literacy and financial education, which generally suggests that financial education does little to change long-term financial behaviors.\(^\text{23}\)

Nevertheless, much recent research into student loan borrowing, delinquency, and default has focused on messaging campaigns that might promote better outcomes. Receiving personalized, targeted information in the form of letters or messages has encouraged some students to reduce the amounts that they borrow, change to more lucrative majors, and/or improve academic performance. Because the first of these impacts implies a lower repayment burden and the latter two impacts are likely to be associated with better labor market outcomes, it is reasonable to infer that such students will also exhibit better student loan repayment behavior. These interventions appear most effective when information is provided early in a student’s educational program.

For example, Stoddard, Urban, and Schmeiser (2017) undertake an experiment whose goal is to reveal how providing borrowing and academic information jointly affects students’ subsequent borrowing behavior and academic performance. Some of these borrowers received a letter that contained a “warning” statement about their debt levels, “encouraging” statements about academics and the requirements of borrowing, and offers of financial and career counseling. The experiment resulted in several significant findings: an increase in students’ GPAs in the semester they received the letter; increased retention in the subsequent semester; and increased retention in the following year. The authors find that the academic responses for first-year students were even larger than for the entire population;\(^\text{24}\) Pell grant recipients (i.e. lower-income borrowers) saw a larger increase in current semester credits;\(^\text{25}\) and non-white students were more likely to reduce their loan amounts.\(^\text{26}\)

Probing a different question with these data, Schmeiser, Stoddard, and Urban (2016) assess whether providing students with information about potential default early in college might lead them to make different choices about their chosen majors. The results indicate that students who receive a warning letter are significantly more likely to switch majors in the semester after they receive the letter: specifically, they are more likely to change into a business-related field and out of a health-related field.\(^\text{27}\)

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\(^{21}\) The univariate analyses also revealed that several practices are not significantly associated with default: institutions conducting personal interviews to determine student aid eligibility; institutions running credit checks on aid applicants; and institutions conducting exit interviews with student borrowers about their responsibilities for repayment.

\(^{22}\) As concerns the power of students’ background characteristics, Wilms, Moore, and Bolus (1987) conclude that “by knowing a borrower’s ethnicity, family income, citizenship, and program – as well as whether the borrower had graduated from high school and completed his or her program – one can accurately predict whether or not the borrower will default in almost two out of three cases” (pp. 48–9). Of these factors, “defaulting is most strongly associated with whether or not students complete their program” (p. 49).

\(^{23}\) For a meta-analysis of the relationship of financial literacy and financial education to financial behaviors over time, see Fernandes, Lynch, and Netemeyer (2014). These authors examine 168 papers covering 201 prior studies and determine that “interventions to improve financial literacy explain only 0.1% of the variance in financial behaviors studied, with weaker effects in low-income samples.”

\(^{24}\) As opposed to junior-year retention for those who received the letter as sophomores.

\(^{25}\) The letter explains that tuition doesn’t cost more after registering for 12 credits in a semester and encourages students to enroll for more credits, graduate sooner, and thereby reduce their overall tuition.

\(^{26}\) The authors point out that only 13% of the student body is non-white, and that the majority of non-white students are Native American. They warn that, “Caution should be taken in extending these results to other groups. The small sample results in findings that have large standard errors.” (p. 103)

\(^{27}\) This does not include pre-med students.
Looking specifically at the effect of how information is provided, Marx and Turner (2019a) undertake a field experiment at a large community college to reveal what factors might explain why most students either forgo federal student loans or choose to borrow the exact amount offered to them in their financial aid award letters. They examine the effect of emails sent from the college’s financial aid office that include a reminder that students don’t have to borrow the full amount offered to them and one of two references to average borrowing amounts by past students. The reminder that students might borrow less had no effect on either loan take-up or the amount borrowed. However, the references to average amounts borrowed reduced the probability that students borrowed at all, “suggesting that the reference-point treatments induce students who would have borrowed the maximum amount to instead borrow nothing” (p. 3).

Darolia (2016) also examines the effect of receiving information on student borrowing, looking into the effect of students’ being made aware about their future monthly payments and their peers’ borrowing. Students in the treatment group received individually tailored letters containing this information; they also received a summary of their borrowing to date and an invitation to meet with a financial aid officer. The borrowing-related choices of these students (post-letter) were compared with those of a control group of students who did not receive letters. The author finds no evidence that the letter affected the average amount that students borrowed; however, the author finds effects for students with relatively low GPAs, who “were 4.3 percentage points less likely to have a loan because of the letter” (p. 22).

Similarly, Barr, Bird, and Castleman (2017) undertake an experiment to evaluate the effect of borrowing of a text messaging campaign designed to prompt student loan applicants to make informed, active decisions. Their month-long text messaging campaign’s goal was to “prompt loan applicants to make more active and informed decisions about their student loan borrowing amounts, and the ability to access assistance from a financial aid counselor by simply texting back if they had questions or needed help” (p. 4). The messages emphasized students control over how much they borrowed, the difference in monthly repayments by amount borrowed and repayment plan chosen, and lifetime limits on how much students can borrow. The researchers found that students who received the texts were 3.1 percentage points less likely to take out unsubsidized federal loans, and students who received the texts and who took unsubsidized federal loans borrowed, on average, 5.3% less on these loans.28 Importantly, the effects were most pronounced for those from groups29 that traditionally have lower-than-average levels of financial literacy, and the effects are also greater for those “with high levels of accumulated debt prior to the intervention” (p. 4).

Thus, the literature emphasizes that, to the extent that information provision is effective, it needs to happen early enough that students have the opportunity to make financial and educational choices based on what they have learned.

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28 The authors note that all effects were driven by the fall cohort of students. They explain that this may be the case in part because “students who wait to apply for loans in the spring may be making borrowing decisions based on money they have already spent, whereas students in the fall cohort likely had more flexibility in rearranging their finances as a result of the intervention.”

29 The authors lack measures of financial literacy for most of their sample. Therefore, they “focus on subgroups shown to have lower average financial literacy levels (female students, black students, and students with low GPAs)” (p. 4).
SUBSIDIES AND COST SHARING

The second-most-common approach to mitigating student loan default, which exhibits substantial variation across institutions, involves programs that lower the cost that students pay for their education, address financial gaps, and/or provide students with additional payment- or repayment-related options. Such programs have been implemented in at least nine of the 20 institutions considered in the field scan and include work study, subsidized housing, scholarships and tuition waivers, income share agreements, and completion grants.

As an example of work-study implementation, East Carolina University offers a unique program designed to provide first year students with work experience and also reduce the need for student loan borrowing.\(^{30}\) Offered through Campus Living, ECUWorks offsets the cost of campus housing for the full academic year for students who are eligible and who work an average of 16 hours per week within the ECU community. After admission to the program, students may be assigned to jobs in dining services, landscaping and grounds, or administrative office support positions. In addition to no-cost on-campus housing, the program offers priority registration, early move-in, leadership development, and resume building activities for selected students.\(^{31}\)

Berea College combines work study with full tuition coverage. Berea is one of few colleges in the United States at which no student pays tuition. Instead, each student receives a Tuition Promise Scholarship, worth about $100,000 over four years, which covers tuition expenses. These scholarships are funded through the college’s endowment and through donations from alumni and others. Every student attending Berea is automatically enrolled in the Labor Program, which allows students to work 10–15 hours per week to gain work experience and earn money for books, food, and other expenses.\(^{32}\)

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\(^{30}\) East Carolina University, Financial Literacy, 2019
\(^{31}\) East Carolina University, ECU Works, 2019
\(^{32}\) Berea College, 2019
Other schools offer scholarships and grants that do not carry work requirements. To help students avoid student debt and promote college affordability, Princeton University’s Undergraduate Financial Aid and Student Employment Office offers comprehensive, need-based financial aid packages. For the most recent first-year students, financial aid awards covered 100% of students cost of attendance (which includes tuition, room, and board) for students whose families made less than $65,000 a year. The financial aid packages only include scholarships and grants, and Princeton was the first university in the United States to eliminate loans from its aid packages. This approach seems to have had sizable effects on student borrowing, with 82% of seniors in the most recent graduating class exiting debt free.

As is the case for Berea, Princeton’s program is made possible by its large endowment. Some schools have also found ways to offer modest offsets to student debt through contributions from alumni. For example, beginning in October 2018, the University of Pittsburgh implemented a program titled “Panthers Forward” to support student success and reduce student debt. In the Panthers Forward model, participants have $5,000 cut from their federal student loan debt at the end of the school year and receive increased opportunities for professional networking and alumni mentorships. The program is funded through a system of charitable donations in which previous Panthers Forward participants are asked to “pay it forward” to future students. Participants are not contractually obligated to pay University of Pittsburgh back the money, but their support is strongly encouraged, as it is needed for the program’s sustainability. Applicants to the program must have taken money out in student loans for the upcoming school year and be in good standing with the university.

At some universities tuition subsidies are made possible through taxpayer dollars. To combat student debt and improve overall college affordability, North Carolina legislators implemented the North Carolina Promise Tuition plan (NC Promise) at Western Carolina University (WCU), UNC Pembroke, and Elizabeth City State University in 2018. NC Promise is a program that allows undergraduate in-state students at these schools to pay only $500 in tuition and out-of-state students to pay $2,500 in tuition per semester. Reduced tuition rates are also available for part-time and transfer students, and there are no eligibility requirements to take advantage of the program. The state of North Carolina formed this program to meet its goal of “helping meet demands for a well-educated workforce, increasing recruitment of high-performing out-of-state students, and decreasing college indebtedness.”

The commonality among subsidy-based approaches is that they involve a reduction in the educational costs paid by students while in school. This reduction is intended, in part, to reduce the likelihood of student loan default by limiting the extent to which students incur student loan debt, thereby potentially reducing the repayment burden that students experience after leaving school. However, given that even borrowers with relatively small amounts of debt sometimes still default, a reduction in borrowing alone does not guarantee a reduction in default.

A newer approach being explored by some institutions and in small pilot tests provides an alternative to traditional loans and ties the repayment schedule to the income that students earn during a set repayment period. Known as income share agreements, or ISAs, these require that instead of paying back loans with typical interest rates, students complete an agreement to pay back a set percentage of their post-education salary over a set number of years. This aspect
of ISAs is similar to income-driven repayment plans (IDRs) which set monthly payment based on income and family size. However, because this option is so new, there is little data available to determine how and if ISAs are effective at improving borrower repayment and whether they truly create safe and affordable alternatives to financing higher education.

Purdue University, for example, offers an ISA program, its “Back a Boiler-ISA Fund.” The Back a Boiler-ISA Fund is available to students on Purdue’s West Lafayette campus who are rising sophomores, juniors, or seniors. The standard ISA repayment period is about ten years, and all recipients receive a six-month grace period following graduation. The Back a Boiler ISA is similar to a loan in that it is borrowed money that is repaid over time, but because there is no full repayment requirement and no accrued interest, students may decide it is a favorable option for their long-term financial planning.

Similarly, Clarkson University offers the Lewis Income Share Agreement (LISA), which provides students with up to $10,000 per year. The expectation is that students will pay this money back, interest free, after graduation. The rate of pay is based on a percentage of students’ earned income. According to Clarkson, this alternative to federal student loans makes it easier for students to make decisions about their educations – knowing that they may defer payments if they want to attend graduate school or take time off for personal reasons – along with the understanding that there is a maximum duration of repayment obligations.

Direct financial support is another way that institutions are working to address students’ expenses, and it can be critical for meeting unexpected needs, filling gaps in funding, and improving retention. For example, completion grants, which “are delivered to students who have made substantial progress in college but still face substantial hurdles to degree completion,” may enable students who would have left their programs for financial reasons to successfully complete their degrees.

Completion grants may be particularly relevant for students who would otherwise withdraw from school intending to return and complete their degrees, a practice known as “stopping out.” According to the same university administrator, these students are motivated by financial difficulties rather than academic struggles:

Our Completion Grant students can get a $1,500 micro-grant if they’re a senior and are two semesters within graduation and have unmet need… [The grants] are really designed to be that micro-grant, one-time assistance to help get you across the finish line. We've just got amazing feedback from our students. We surveyed the group, we have a control group also… We run about 4% higher on our graduation rate among those who receive the grant than those who didn’t in the control group. (Interviewee 6)

We did stop out research to figure out why our students were stopping out. I knew it was related to probably financial aid, but I really needed to study our stop out population… We had 643 students per term stopping out. We took a look at those, and a significant part of those students had very good GPA’s… GPA wasn’t the reason… 74% of them cited that they were stopping out for financial reasons. (Interviewee 6)
Withdrawing or stopping out puts borrowers in the difficult position of having to repay loans with income from jobs that, in general, pay less and have fewer benefits, i.e., jobs that don’t require a college degree. As one director of default management explained, “Usually if they drop out, then they don’t pay it back. Or they have a harder time paying it back.” (Interviewee 2)

The interview participants explained that those who default on their loans are stymied by confusion, fear, anxiety, helplessness, and anger. In particular, a number of interviewees identified feelings of helplessness and being overwhelmed as affecting borrowers’ repayment behavior: “[There’s] just a lot of avoidance, because the debt is so large that the thought that you could even potentially pay it off is not there.” (Interviewee 1) Moreover, several interviewees identified disappointment and a lack of satisfaction with the college experience as motivating student loan default:

*Do you have $30,000 of debt and you’re walking around with no degree? Or did you get the degree, and what happened after you got the degree? We look at job placement. We look at the degree that they achieved based on the debt that they took out. What’s the return rate on that? [We’re] finding that people are not finding a return on investment.* (Interviewee 1)

Sadly, the students that withdraw are more likely to default because they’re either unsatisfied with the education they got here and they figure, well I’m just not going to pay that back. They’re unaware that they kind of have no choice, [they] signed a master promissory note. [They’re] going to pay them back one way or the other, either by choice or by force. (Interviewee 2)

Given both these emotional dynamics and practical realities, efforts focused on degree completion are essential for improving borrower experiences and reducing default. Although not the focus of this study, opportunities for reducing the non-tuition costs of education – such as books, supplies, technology, housing, and food – may also impact students’ ability to afford their educations and graduate. Many institutions are undertaking such efforts by ensuring library access to textbooks, offering technology lending programs, expanding affordable housing options, addressing homelessness, and establishing food pantries on campus.
INTEGRATED DATA-DRIVEN SUPPORT

The least common, but perhaps most promising, approach to reducing student loan default is a proactive and coordinated university-wide response that involves a combination of the approaches already discussed, is personalized for each student borrower, and is made possible by predictive analytics.

While not unheard of, such an approach represents a departure from the way that institutions have historically chosen to operate. Across our interviews, we heard that institutions have seen much success in their efforts to address delinquency and default; however, they have generally taken a reactive approach. In some cases, action comes when default rates begin to threaten access to federal funding, or when accrediting bodies require that universities address default. As one interviewee described:

When the Department [of Education] made the decision to shift to a three-year model to assess delinquency…we knew that that would impact our students and our rate, so we wanted to be ahead of that by investing in a position that would monitor this and work with students before they got into default status, cure the loans before they became delinquent. So that was one of the initiatives that led us to hire a default manager. (Interviewee 5)

In the absence of such external pressure, some administrators may not receive the information that they need to effectively intervene until it is too late. As one university default manager noted:

The academic advisors are supposed to reach out…about class attendance and things like that, but that's not information that we get in this office until it's a matter of canceling aid or something like that…. We usually don't find that out until midterm grades…or even sometimes the end of the semester when they get that all F's because they haven't been to class all semester and they didn't drop…. (Interviewee 2)
Not all universities take a reactive approach to these matters: sometimes, the right person in the right place can make a big difference in addressing delinquency and default.

That really was a personal mission of mine, to educate our campus, because when I took over...financial aid was this little siloed office that no one really cared about. They had a wealth of information and they weren't sharing it at all. I really needed to bridge that gap between the information they had, and educate the entire campus on the true need of our student population.... (Interviewee 6)

In particular, the information available to academic counselors and the financial aid office can be pooled to permit integrated, personalized education and advising that helps students understand the relationship between their academic choices and their financial ones and, consequently, make more informed decisions. One interviewee mentioned a particularly innovative initiative that helps educate students on the relationship between their borrowing and their academic progress:

We've realized that just educating students about their financial aid debt alone is not enough. Just educating students about where they are in their degree...and how much it's going to take to graduate is not enough. That unless you merge the two, and talk about the financial aid along with the academic plan...you're not meeting the students' needs.... So we've created an app where students can lay out their degree plan, and it updates what their loan debt is.... We pre-populate their loan debt each semester as they fill in how many courses they plan on taking each semester, and it's a semester after semester plan. It can show them, if they withdraw from a course, what happens to their loan debt, or what happens to their financial aid package. It's a program that takes a little bit of work on the student's part, to put all that in, but at the end, they walk away knowing exactly where they stand, not only academically, but financially. (Interviewee 6)

Such an approach requires buy-in from senior leadership and a willingness to break down silos across administrative units, but it can yield significant reductions in student loan default. As this same person described:

Our school has done a tremendous amount of work transforming the knowledge base of our entire campus in relation to the amount of debt and the amount of significant financial need our students have.... Today our provost speaks that language all the time. Our chancellor can tell you how many Pell students we have, tell you our average unmet need.... We meet, the registrar, the financial aid director, the student service center director, and the bursar, meet on a weekly basis to analyze data. Larger groups meet on a semester basis to analyze the data and execute problem solvers around those issues. And so we've seen our number of calls, even though we have more students, we've seen the number of calls about loans and about verification go down, because we've fixed a lot of the traps that students were falling into. (Interviewee 6)

Perhaps most importantly, the interviewees consistently emphasized that institutions need to collect and leverage data in order to effectively combat student loan default. Data are critical in enabling university staff to identify trends among student borrowers in order to intervene successfully:

Perhaps most importantly, the interviewees consistently emphasized that institutions need to collect and leverage data in order to effectively combat student loan default. Data are critical in enabling university staff to identify trends among student borrowers in order to intervene successfully:
Integrated Data-Driven Support

One of the things that we do when we receive our default rate, we look at the defaulters to find out who they are and try and do that type of analysis...because it helps us plan and prepare to know the red zones, the zones that we need to really work on.... (Interviewee 5)

Financial aid data is complex, it is difficult to get at. It really is difficult to dig deep enough with data to get what I want from it. I've run the tip of the iceberg data in looking at how many of our seniors are losing their Pell eligibility. They're up against...their lifetime loan eligibility. Looking at what point that happens in the senior year, were they native transfers, what's the common denominator among the group, all that data, I have now gotten to the point where I feel like we can pull that data, and it's right.... (Interviewee 6)

Data do not just allow for an understanding of trends among borrowers, however: they can also help those addressing delinquency and default tailor their efforts to individual borrowers, which allows those remediating delinquency and default to provide personalized support. As described by one default manager:

[We work with] a third party agency, and what they do is they'll provide you with the most current information on each student, their current address, the records that they may have added recently with their servicers.... And that kind of helps me know before I call this student, what direction I need to go in and what kind of conversation I need to have with the borrower.... (Interviewee 7)

Consistent with these observations, the academic literature provides instances of interventions underpinned by predictive modeling used to identify students at risk of non-repayment, and it confirms that an institution-wide approach to addressing delinquency and default can make a difference in mitigating these issues. For example, Dillon and Smiles (2010) conduct qualitative analysis of a number of actions intended to lower cohort default rates (CDRs); these were undertaken by a group of Texas-based historically black colleges and universities (HBCUs) that were at risk of losing eligibility to participate in the federal loan program. Institutions successfully adopted actions focused on two related things: default aversion

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41 The authors also undertake multivariate linear regression analysis to understand the impact of student and institutional characteristics on two-year CDRs for educational institutions throughout the nation. Because the findings from their statistical analysis are in keeping with those from other research presented in this report, only their novel, qualitative findings are presented here.
INTEGRATED DATA-DRIVEN SUPPORT

and student retention/graduation promotion. Efforts were more nuanced than one might expect. The first step was to develop total institution-wide buy-in through creation of default management teams and appointment of a default prevention manager; institution-wide buy-in was important because the coordinated efforts of multiple departments and offices promoted the ability of the colleges to intervene before students dropped out. New investments in technology allowed colleges to get accurate, real-time information on former students’ repayment statuses; this allowed for intervention in repayment processes, but also provided colleges with the opportunity to understand which current students might be most likely to default. Based on this information, the HBCUs made different decisions about aid packages, advising, and tutoring. The HBCUs also began changing the way financial aid was packaged to students, so that amounts borrowed reflected actual direct costs. On top of all this, the HBCUs worked to do a better job educating students about the benefits and disadvantages of borrowing: they developed financial literacy courses, held financial aid awareness fairs, and required frequent, and sometimes one-on-one, loan counseling. Descriptive data reveal that the default rates for the HBCUs who participated in these efforts fell faster and more dramatically than those of other HBCUs also facing sanctions.

Similarly, Herr and Burt (2005) created a student loan default model for the University of Texas at Austin. The model was designed to help identify the characteristics correlated with default in order to inform university intervention. The data used came from three sources: Texas Guaranteed Student Loan Corporation, the National Student Loan Database System, and UT Austin. The model assessed the relationship to default of four different categories of variables: student demographics and parent background; high school performance; college degree sought and college GPA; and college credit hours. These variables were selected in order to “identify the stage of a student’s educational experience where the school could best intervene to help avoid potential future loan defaults” (p. 34). The model revealed that two factors in particular strongly influenced loan defaults at UT Austin: student performance and degree completion. Specifically, students who graduated and who had a high college GPA were the least likely to default. Conversely, withdrawal from UT Austin was associated with an increased likelihood of default, and the earlier the withdrawal, the stronger the likelihood. Academic failure, which often preceded withdrawal, also had a strong effect on default. Finally, failing any credit hours at all increased the likelihood of default from 2.4% to 11.6%. The study gave UT Austin, “powerful information about the possibilities of lowering their overall loan default rate and preventing individual loan defaults” (p. 43).

Of course, a proactive, cohesive, data-driven approach to reducing student loan default requires greater organizational commitment and more resources than just providing information to students: it requires leadership from senior administrators, an investment of time and energy in pulling together multiple departments behind the common goal of supporting student outcomes, technical and analytic expertise, and ongoing, comprehensive efforts to ensure data security and protect privacy. Such an investment falls within most institutions’ commitment to promote student success, however, and may also pay off over time through of higher graduation rates, lower delinquency and default rates, and greater long-term support from satisfied alumni.
Drawing on three main sources of information – academic literature, interviews with administrators and other experts, and a scan of existing programs – this report provides examples of efforts aimed at reducing student loan delinquency and default that are being undertaken by institutions in North Carolina and beyond. The lessons learned through this investigation suggest these best practices for college and university administrators:

Enable informed decisions
Engage students early and often throughout their college enrollment. Enhance the ability to maintain contact with students after they leave the institution. Provide educational materials related to financial aid, and student loans in particular, as well as personalized notifications and reminders. Make sure that students are aware of available financial, academic, and psychological support that can aid in college completion. Actively promote these supports through multiple channels and through ongoing efforts, such as orientation materials, class syllabi, workshops, social media, and website materials. Leverage technology to enable students to help themselves. Establish supportive, ongoing relationships with students. Treat borrowers and their families with empathy and respect.

Shift and reduce cost burdens
To the extent feasible in light of institutional resources, provide subsidies and programs that increase affordability, reduce reliance on loans, and improve the repayment experience. Enhance other financial support programs that increase students’ ability to manage hardships and meet basic needs. Where resources are limited, seek to build large institutional endowments that will, over the long term, reduce institutional dependence on tuition and fees and thereby make it possible to reduce the educational expenses paid by students and their families.

Anticipate problems and focus on completion
Anticipate problems and focus on completion. Seek opportunities to be proactive, rather than reactive, in responding to delinquency and default. For example, identify and act on potential early warning signs that a student may be struggling or at-risk of leaving school, such as withdrawing from a course that may lead to stopping or dropping out. Actively promote existing financial and academic services aimed at supporting students throughout their college experiences and keeping them enrolled. For students who have stopped out, address barriers to re-enrollment. Leverage data to assist with each of these practices and to identify potential intervention points.

Coordinate responses
Identify the ways that administrative offices and student support services can work across siloes to improve cooperation and collaboration. Improve mechanisms for collecting and updating accurate data, and ensure systems can allow information sharing across these offices. Identify gaps in the system where students may fall through the cracks. Where possible, seek to consolidate information and services to create clear pathways for both students and administrators to follow in responding to needs.

For more information about how institutional data can be used in support of these efforts, see our companion report: Predictive Analytics for Reducing Student Loan Default.
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REFERENCES


Field Scan

Schools within North Carolina

APPALACHIAN STATE UNIVERSITY
Among universities in North Carolina, Appalachian State University is recognized as one of the most affordable and “highest value” public institutions (Stump, 2019). This recognition can be partly attributed to the university’s efforts towards providing affordable tuition rates and financial aid resources to students. Through the Office of Student Financial Aid, Appalachian State University offers a suite of online resources, including financial literacy videos regarding saving money, debt management, and federal loan repayment (Appalachian State University, Budgeting, 2019). The website also includes openly accessible information on how to estimate a student’s cost of attendance, apply for various forms of aid (scholarships, grants, loans), speak with a financial aid counselor, and meet required financial aid deadlines.

EAST CAROLINA UNIVERSITY
In addition to standard online financial literacy information, East Carolina University offers a unique program designed to provide first year students with work experience and also reduce the need for student loan borrowing (East Carolina University, Financial Literacy, 2019). Offered through Campus Living, ECUWorks offsets the cost of campus housing for the full academic year for students who are eligible and who work an average of 16 hours per week within the ECU community. After admission to the program, students may be assigned to jobs in dining services, landscaping and grounds, or administrative office support positions. In addition to no-cost on-campus housing, the program offers priority registration, early move-in, leadership development, and resume building activities for selected students (East Carolina University, ECU Works, 2019).

NORTH CAROLINA STATE UNIVERSITY
Starting in 2015, NC State University’s Office of Scholarships and Financial Aid has offered the program “Dollars and Sense” to enable students to make informed and responsible financial decisions (North Carolina State University, Dollars, 2019). Dollars and Sense is a multifaceted student education effort that utilizes workshops and classroom presentations, campus events, online resources, an alumni speaker board, and a strong social media presence (North Carolina State University, Get Well, 2019). Campus leaders are able to schedule classroom or event workshops that are presented by financial aid staff. If students are unable to attend particular events, they have access to select presentations that have been posted to the Dollars and Sense website. The Dollars and Sense program also provides information regarding external university financial aid and emergency assistance, including textbook/technology borrowing, University Legal Services, and food insecurity resources. NC State’s libraries each have at least one copy of every required class textbook to loan to students at no cost for two-hour increments. Additionally, the libraries may lend technological devices such as laptops, calculators, and video cameras at no cost.

UNC ASHEVILLE
UNC Asheville uses a combination of comprehensive online information and office staff availability to help students navigate loans and other financial aid options. The Office of Financial Aid provides a Net Price Calculator with which students can more accurately predict the cost of attendance. Through the federally funded Federal Work Study (FWS) program, financially eligible and full-time undergraduate students may work part time (maximum of 20 hours per week) in positions on campus as a part of their financial aid packages. UNC-Asheville’s financial aid website offers step-by-step instructions on how to apply for and accept financial aid awards (UNC Asheville, 2019).
UNC CHARLOTTE
In addition to standard financial aid application and federal loan information, UNC Charlotte’s financial aid office offers a visual timeline of pertinent financial aid deadlines, such as FAFSA openings and deadlines, award decision dates, and billing periods. The schedule’s layout can help students keep track of priority deadlines and can make them less likely to miss application dates for lower-interest loan options. In addition to timelines, UNC-Charlotte provides informational videos and brochures that explain the process of applying for federal aid, help students understand account bills, and explain aid awards (UNC Charlotte, 2019).

UNC GREENSBORO
When students visit UNC Greensboro’s Financial Aid Office website, they are greeted with a pop-up box where students may ask a chatbot financial aid-related questions. The site also contains a video series that explains various aspects of filling out the FAFSA, such as how to provide tax information or what to do if unable to provide parent information. On the site’s FAQs page, information is provided on financial aid awards, work study, scholarships, and academic requirements, as well as on the emergency loan process. There is also an online bill estimator that students may use to calculate their estimated tuition and fees per semester based on their degree program and residency status (UNC Greensboro, 2019).

UNC WILMINGTON
At a 3.5%, UNC Wilmington has the third lowest loan default rate out of all colleges and universities in North Carolina. It is possible that this rate could be attributed to university efforts to increase students’ awareness of student loan borrowing and overall financial literacy. UNC Wilmington’s Office of Financial Aid website includes money management information, cost estimation tools, and detailed FAQs regarding student loan borrowing and awards (UNC Wilmington, Money Management, 2019). In addition, the university encourages student financial planning through the automatic assignment of students to designated financial aid counselors. Counselors are assigned based on student last names (or on specialized benefits areas, such as Veteran or Athletic), and contact information for each counselor is made available online (UNC Wilmington, Counselors, 2019).

WESTERN CAROLINA UNIVERSITY
To combat student debt and improve overall college affordability, Western Carolina University (WCU), (along with UNC Pembroke and Elizabeth City State University), implemented the North Carolina Promise Tuition plan (NC Promise) in 2018. NC Promise is a program that allows undergraduate in-state students to pay only $500 in tuition and out-of-state students to pay $2,500 in tuition per semester. Reduced tuition rates are also available for part-time and transfer students, and there are no eligibility requirements to take advantage of the program. The state of North Carolina formed this program to meet its goal of “helping meet demands for a well-educated workforce, increasing recruitment of high-performing out-of-state students, and decreasing college indebtedness” (Western Carolina University, NC Promise, 2019). In addition to the NC Promise program, the WCU Financial Aid Office provides detailed, publicly accessible information online to instruct students about how to apply for scholarships and other financial aid (Western Carolina University, Tuition, 2019).
Schools outside of North Carolina

ALICE LLOYD COLLEGE (KY)
Alice Lloyd College guarantees $0 of out-of-pocket tuition costs for students from its 108-county service region in Central Appalachia. Students from these counties are awarded the Appalachian Leaders College Scholarship. This scholarship, which varies in amount based upon each student’s financial need and the amount of additional aid from outside scholarships, covers the cost of tuition for up to 10 semesters. Students are expected to cover other expenses, like room and board, books and lab fees, and the $1,115 student matriculation fee. Federal and state grants and/or scholarships awarded in excess of tuition may be put towards these fees, and the school’s Financial Aid Office may also assist, depending upon student need (Alice Lloyd College, Tuition Guarantee, 2019). Alice Lloyd is a federally recognized work college, and students are expected to work as a part of the school’s financial aid program. Full-time students are required to work a minimum of 10 hours/week (160 hours/semester) at either an on-campus or off-campus job. On-campus jobs are assigned to first-year students, typically in services like maintenance, food service, or janitorial tasks. Students provide information about previous work experience and skills prior to their arrival to assist the school in filling positions requiring prior experience. Students who are further into their college careers may seek on-campus positions of their choice by filling out Job Preference Forms and contacting area supervisors. Off-campus jobs provide needed services to surrounding communities (Alice Lloyd College, Student Work, 2019).

BEREA COLLEGE (KY)
It is within Berea College’s mission to offer “a high-quality education to academically promising students with limited economic resources” (Berea College, 2019). Berea College has the distinction of being one of the few colleges in the United States at which no student pays tuition. Instead, each student receives a Tuition Promise Scholarship, worth about $100,000 over four years, which covers tuition expenses. These scholarships are funded through the college’s endowment and through donations from alumni and others. The college only allows student loans as a last resort. Forty-one percent of Berea’s Class of 2017 graduated without student debt, and the average debt of those who graduated with debt was only $5,998 (versus the national average of $37,000) (Berea College, 2019). Every student attending Berea is automatically enrolled in the Labor Program, which allows students to work 10–15 hours per week to gain work experience and earn money for books, food, and other expenses (Berea College, 2019).
Best Practices for Postsecondary Institutions in North Carolina
Reducing Student Loan Default

Clarkson University (NY)
Clarkson University has one of the lowest reported student loan default rates in the nation: fewer than 1.6% of students default on their loans, significantly lower than the national average of 10.1%. Clarkson offers student loan counseling for both students and parents. The university also offers the Lewis Income Share Agreement (LISA), wherein Clarkson offers students up to $10,000 per year. The expectation is that students will pay this money back, interest free, after graduation. The rate of pay is based on a percentage of students’ earned income. According to Clarkson, this alternative to federal student loans makes it easier for students to make decisions about their education – knowing that they may defer payments if they want to attend graduate school or take time off for personal reasons – along with the understanding that there is a maximum duration of repayment obligations.

Kelly Chezum, Clarkson’s VP for External Relations, states that the LISA program’s continued success may be because “Clarkson and the student both have skin in the game and are invested in that student’s success.” The University’s Class of 2018 had a 97% job placement rate in their field of study within six months of graduation (Clarkson University, 2019).

Georgia State University (GA)
Student Financial Services at GSU offers an online program, The Guided Path, which breaks down the financial aid process into five steps from application to payment. The intention behind the program, in which content varies based on the individual student’s information, was to consolidate resources regarding financial aid into one centralized place. The first step, Learn, covers GSU’s tuition amounts based on degree and in-state status. The second step, Apply, provides links to applications for FAFSA and various scholarships. Step three, Check, prompts students to follow a link to check their student accounts for any remaining steps to complete or paperwork needed before moving on. Step four, Accept, shows students how to determine what types of financial aid they have been awarded and how to accept the aid they would like. The final step, Review, shows students what to do if there are balances or credits in their accounts; it also shows options for additional funding. Each step has a brief video component that provides information and answers questions (Georgia State University, 2019).

Indiana University-Bloomington (IN)
To combat the negative effects of student debt, Indiana University-Bloomington’s Office of Financial Literacy uses a multi-layered approach that targets student financial literacy and planning, reduces student loan borrowing, and connects students to resources. Online, the university targets student financial decision making, including an explanation of loan repayment strategies and default, financial aid information, and the MoneySmarts program (Nykiel, 2019). The MoneySmarts program offers online budgeting tools, one-on-one consultations, and for-credit personal finance courses (Indiana University, MoneySmarts, 2019). The university’s Office of Financial Aid also sends annual personalized loan summary letters to students, so that students are aware of their indebtedness and their estimated future monthly loan payments (Indiana University Bloomington, 2019). Since implementation, Nebraska and Florida have also passed laws that require colleges and universities to send similar information to students annually (Nykiel, 2019).

Princeton University (NJ)
To avoid student debt and promote college affordability, Princeton University’s Undergraduate Financial Aid and Student Employment Office offers comprehensive, need-based financial aid packages. For the most recent first-year students, financial aid awards covered 100% of students cost of attendance (which includes tuition, room, and board) for students whose families made less than $65,000 a year (Princeton University, 2019). The financial aid packages only include scholarships and grants, and Princeton was the first university in the United States to eliminate loans from its aid packages. This approach seems to have had sizable effects on student borrowing behaviors: for the most recent senior class, 82% of students graduated debt free; in comparison, in 2014 approximately 70% of undergraduates in the United States at large graduated with debt (Princeton University, 2019).

Purdue University (IN)
Purdue University offers an ISA program, the “Back a Boiler-ISA Fund.” The Back a Boiler-ISA Fund is available to students on Purdue’s West Lafayette campus who are rising sophomores, juniors, or seniors. The standard ISA repayment period is about ten years, and all recipients receive a six-month grace period following graduation (Purdue Research Foundation, 2019). The Back a Boiler ISA is similar to a loan in that it is borrowed money that is repaid over time, but because there is no full repayment requirement and no accrued interest, students may decide it is a favorable option for their long-term financial planning.
UNIVERSITY OF ILLINOIS (IL)
The University of Illinois (UI) provides financial education to students, parents, alumni, and employees through a division titled the Student Money Management Center (SMMC). The SMMC’s goal is to lessen individual financial burdens by empowering students to make positive financial behavior changes (University of Illinois System, 2019). The SMMC offers incentives to participate in online learning activities through a “Badges Program.” The program awards badges for the completion of courses (online or in person) that relate to financial core competencies. In addition, the center works to provide students with information related to their borrowing to help students make educated financial decisions. For example, if a student borrows more money in loans than the cost of attendance for the semester, they will receive a loan refund of the amount not paid automatically to the school; loan refunds are still a part of the total borrowed amount, and will need to be repaid, so it is important students understand how much money they have borrowed. If a student receives more than $200 in a loan refund, the SMMC reaches out personally to that student and provides more detailed information about the refund and budgeting. UI also combats negative outcomes in student debt with the iBudget Financial Literacy program, which allows students who are behind in tuition payments the ability to unfreeze their schedules after completing an online course that includes watching an information video, creating personalized monthly budgets, and agreeing to a university payment plan (Woodruff, 2015).

UNIVERSITY OF PITTSBURGH (PA)
Beginning in October 2018, the University of Pittsburgh implemented a program titled “Panthers Forward” to support student success and reduce student debt. In the Panthers Forward model, participants have $5,000 cut from their federal student loan debt at the end of the school year and receive increased opportunities for professional networking and alumni mentorships (University of Pittsburgh, 2019). The program is funded through a system of charitable donations in which previous Panthers Forward participants are asked to “pay it forward” to future students. Participants are not contractually obligated to pay University of Pittsburgh back the money, but their support is strongly encouraged, as it is needed for the program’s sustainability. Applicants to the program must have taken money out in student loans for the upcoming school year and be in good standing with the university (University of Pittsburgh, 2019).

WESTERN GOVERNORS UNIVERSITY (ONLINE)
In 2013, Western Governors University implemented the Responsible Borrowing Initiative to decrease student borrowing (Woodruff, 2015). Through the initiative, students who apply for financial aid each receive a personalized Financial Aid Plan from the university’s Office of Financial Aid. The plan outlines information about the cost of attendance and provides links to resources and budgeting tools; it also highlights each student’s “unmet direct costs” (tuition and fees minus any grants or scholarships) to provide a suggested amount that each student should borrow. Since the initiative launched, student loan borrowing has decreased by more than 40% (Western Governors University, 2019). The Responsible Borrowing Initiative is recognized nationally as one of the most innovative and effective approaches to combating loan default, and in 2016 it was awarded the WOW (WCET Outstanding Work) Award from the Western Interstate Commission for Higher Education (WCET) and the Exemplary Models Award from the American Association of University Administrators (Western Governors University, 2019).
APPENDIX

Interviews

Recruitment

The sample of interviewees was intended to provide rich information about institutional approaches aimed at reducing the likelihood of student loan delinquency and default. The sampling process was therefore purposeful, with the goal of yielding "insights and in-depth understanding rather than empirical generalizations." To identify interviewees for the study, UNC Center for Community Capital staff sought to recruit individuals who would represent diverse types of institutions (e.g., 2-year and 4-year institutions, HBCUs and PWIs, etc.), multiple regions within the state, and varying perspectives based on university/college affiliation (i.e., staff and organizations working with universities and colleges and/or with students directly). To identify specific individuals, CCC drew on its own relationships with individuals addressing default and delinquency and sought input from both the funder and UNC system administrators regarding potential interview participants.

Individuals were recruited by email invitation and asked to schedule a time for a telephone interview. While we reached out to 10 potential interviewees, we ultimately interviewed seven North Carolina-based individuals who are knowledgeable about institutional approaches intended to reduce the likelihood of student loan delinquency and default. The people we spoke with have expertise in the following areas: advising low-to-moderate income college applicants, default and delinquency management, financial education/literacy, undergraduate educational loans, scholarships, and grants, and – in one case – the administration of a university-wide initiative concerning undergraduate aid and debt.

INTERVIEWING PROCESS

The interview guide consisted of a standardized set of open-ended questions that were asked of each interviewee. Where appropriate, the interviewer asked follow-up questions to probe for additional information or to clarify the information being offered. The questions in the guide focused on each interviewee’s area of expertise concerning student loan delinquency and default (see interview guide below).

Interview length ranged from 33 to 51 minutes, with an average interview time of 42 minutes. All interviews were recorded, and the interviewer took notes during each interview session for several reasons: to provide back-up if the audio failed and to make note of anything particularly striking that an interview transcript might fail to convey.

DATA ANALYSIS

All interviews were digitally recorded and transcribed verbatim to allow for in-depth analysis. Each transcript was compared to its original audio recording to ensure accuracy. Transcripts were then linked to ATLAS.ti, where they were reviewed and coded. A subset of interviews were coded by multiple people to ensure consistency in coding.

Interview themes were determined in two ways. First, interviews were coded for consistent themes arising from the questions asked on the survey. Second, interviews were coded for consistent, unanticipated themes that arose, but that were not specifically asked about in the interview guide. Both types of findings are presented in the written analysis/report.

Where interview data are included in the report, all interviewees are referred to by a randomly assigned number in keeping with our promise not to identify interviewees by name. Interview quotes are verbatim, though tics of speech like “I think” or “you know” or “um” or “uh” have been removed. Similarly, repeated words or phrases and partial sentences have been removed while maintaining the speakers’ meaning and intent. At times, longer passages have been removed to facilitate smoother conveyance of people’s thoughts, though the integrity of their meaning has been maintained; in these instances, ellipses have been inserted to signify the deletion.

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Best Practices for Postsecondary Institutions in North Carolina

SECTION TITLE

Reducing Student Loan Default