Managing Student Debt

A Discussion with the Board of Trustees

September 13, 2019
Keys to Managing Student Debt at Penn State

- Controlling the Total Cost of Attendance
- Financial Literacy
- Ensuring Graduation
- Promoting Career Success
A National Primer on Debt

• Annual increases in student debt are declining steadily.
• More students are borrowing.
• Grants-in-aid are now almost 2 times the amount of loans for undergraduates.
• Federally subsidized loans are steadily declining; risk growing with rise in private lenders.
• 1/3 of the $1.5 trillion debt was borrowed by the top income holders.
• 36% of borrowers owe less than $10,000 and 57% of borrowers owe less than $20,000; medical and law students are the biggest borrowers.
• For-profits dominate student debt loads.
• Time to degree and age are highly correlated with debt loads.
• Lifestyle borrowing contributes to student debt (Indiana University financial literacy programming resulted in $30M in reduced borrowing/less debt.)
• Students who don’t graduate are 3 times as likely to default.

Source: Sandy Baum, Urban Institute, to APLU in June 2019
Changes in Penn State Average Loan Debt at Graduation

- **Out-of-state students**
- **All students**
- **In-state students**

In-state average = $36,044
Out-of-state = $40,770
Who is borrowing?

• 50% of PSU students have loans; 68% have some type of financial aid.
• Borrowing rises faster as time to degree increases.
• 2010 cohort: Graduation in 4 years or less has average debt of $35,575; in 4.3+ average debt is $41,202; in 6+ years it’s $47,376.

Penn State: Average Baccalaureate Loan Debt by Income Band 2017-18

<table>
<thead>
<tr>
<th>Income Band</th>
<th>Average Loan Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0-$50K</td>
<td>$36,086</td>
</tr>
<tr>
<td>$50.1K-$75K</td>
<td>$38,146</td>
</tr>
<tr>
<td>$75.1K-$110K</td>
<td>$40,022</td>
</tr>
<tr>
<td>&gt;$110K</td>
<td>$37,503</td>
</tr>
<tr>
<td>No FAFSA</td>
<td>$36,710</td>
</tr>
</tbody>
</table>

Source: 2017-18 Annual Report, Undergraduates
Do loans impact graduation rates?

There’s little or no difference in graduation rates between those with and without student debt:

- University Park
  - 87% no loans
  - 84% with loans

- 5 Larger Commonwealth Campuses
  - 62% no loans
  - 60% with loans

- 14 Smaller Commonwealth Campuses
  - 46% no loans
  - 46% with loans
Student Loan Default Rates

Source: U.S Department of Education - 3-year Student Loan Default Rates
What Can We Do About It?

- Focus on targeted solutions
- Protect vulnerable borrowers
- Minimize future debt
- Ensure degree completion
Targeted Solutions
Impact of Targeted Solutions

- **Tuition Freeze vs. 2%**: All resident students save $175 a semester regardless of need. **2019-20 Impact: $12M**

- **Provost Awards**: Awards ranged from $5K to $7K per student/per year in 2019-20, for a cumulative total of $24K to each awardee. These are need-based awards for high achieving students. Notable fact: Since the Provost Awards began in 2013-14, $109M has been awarded to 13K students. **2019-20 Impact: $22.4M**
Targeted Solutions—*RaiseMe Scholarships*

- For students enrolled at specific PA high schools serving low-income areas. Includes micro-scholarships earned through outstanding work in high school.
- 390 awards to students on 20 campuses in 2019-20.
- Awards range from $145 to $4,000 per year.
- Notable fact: average first-year retention rate was 87%.
- **2019-20 Impact:** $676K
Targeted Solutions—PaSSS

- Pathway to Success: Summer Start bridge program to help entering students from underserved populations make a successful transition to a Commonwealth Campus. Includes $250 scholarship per credit for summer courses, employment, mentoring, and a “Math Academy.”
- 364 students across 16 campuses in 2019.
- Notable fact: PaSSS students maintain an average GPA of 3.0.
- Summer 2019 Impact: $754K
Targeted Solutions—Smart Track

• Designed for distance learners who are first-time students; offers $3,000 scholarship support, mentoring, prep courses, and support.

• 120 students received a minimum of $1,500 in scholarship support plus additional assistance in 2018-19.

• Notable fact: Participants are 34% active duty or veterans, 33% underrepresented minorities; 94% adult learners.

• 2018-19 Impact: $232K
Targeted Solutions—STEP

• Student Transitional Experience Program helps undergraduates successfully transition to University Park after 2 years at a Commonwealth Campus; Includes a scholarship, 2 courses that meet degree requirements, a professional seminar, mentoring, and networking experiences.

• 40 students awarded a minimum of $1,500 in summer 2019.

• Notable fact: At Smeal, one of the originating colleges, 4-yr and 6-yr graduation rates for STEP cohorts are: 4-yr is 96.4% and 6-yr is 98.3%, both higher than for non-STEP counterparts.

• Summer 2019 Impact: $95K
Targeted Solutions—Complete Penn State

• Addresses situations when students in good academic standing within 30 credits of completing their degree walk away due to some unforeseen challenge.

• In just over a year, 339 students from 15 campuses and 11 colleges have been assisted by the program.

• Notable fact: To date, 273 have graduated and an additional 59 will graduate in summer or fall.

• 2018-19 Impact: $1.0M
Impact of Open Doors

- 906 donors have contributed to 546 endowments;
- $2.8M has been awarded to 1,305 students.
- Average award: $2,146.
- Notable fact: Recipients have higher retention rates, higher grade point averages, and lower drop rates than the comparable population.

<table>
<thead>
<tr>
<th>Program</th>
<th>No. of Endowments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete Penn State</td>
<td>234</td>
</tr>
<tr>
<td>PaSSS</td>
<td>77</td>
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<tr>
<td>RaiseME</td>
<td>35</td>
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<tr>
<td>Smart Track</td>
<td>13</td>
</tr>
<tr>
<td>STEP</td>
<td>34</td>
</tr>
<tr>
<td>Any Open Doors</td>
<td>152</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>546</strong></td>
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Total Impact of Philanthropy:

- 809 new scholarships inspired by the matching program.
- $188.1M in endowed student support.
- $8.5M in annual support once endowments are fully funded.
- In total, we’ve raised more than $330M in the Open Doors campaign imperative.
Advising and Institutional Support
Sokolov-Miller Family Financial and Life Skills Center

• Named No. 13 in the top college financial literacy programs in the nation for 2019; No. 1 in the Big Ten.
• Received a generous endowment from the Sokolov-Miller family in July 2018 that expanded the operation to:
  • 5 full-time staff
  • 2 graduate assistants
  • 10 student ambassadors
• Received $100K gift from PSECU; $150K from PNC to support self-study modules and expand outreach.

Source: LendEDU

financialliteracy.psu.edu
First Year Experience: 499 sessions since 2013.
• 202 classes reaching 5,000 students last year.
• One-on-one staff and peer counseling sessions.
  o 388 personal meetings last year
• Mentoring program with alumni.
• Bi-monthly webinars; 24 held last year.
• Financial literacy programs for student-athletes.
• ZOOM presentations to Commonwealth Campuses.
• Pilot peer mentoring program at Penn State New Kensington.
Academic Advising Drives Student Success

• Goes beyond selecting classes and checking degree requirements.
• Sustained conversation to bring together the many parts of education and to transition to post-graduate life.
• It’s about intentionality and impact.
Starfish Facilitates Connections

- Introduced university-wide in 2015.
- Allows all academic advisers to use the same platform to maintain advising notes and monitor student progress.
- Identifies at-risk students in real time and connects students to valuable services.
- Serves undergraduate and graduate students.
- Allows easy appointment scheduling.
- New data analytics will further improve effectiveness.
Starfish Impact (2018-2019)

- 50,000+ unique students heard from at least one instructor about their course progress.
- 49,339 students scheduled 159,657 academic advising appointments with 808 different advisers.
- 11,972 students scheduled 26,280 meetings with 575 other people who are here to help—Instructors, Financial Aid coordinators, Fellowships directors, College Engagement specialists, Study Abroad counselors and others.
Career Services
Penn State Career Services

• Since 2018, a single, integrated career enterprise system for 37 career units across Penn State.
  o Provides access to all jobs and services for all students and alumni.
  o Allows employers to post career opportunities on one central system.
  o Enables both university-wide reporting and college-specific/campus-specific reporting of career success activity.

• Penn State is a national leader among large universities for holistically, collaboratively managing career services.
The Largest College Career Operation

In 2017-2018...

- 73 Career Fairs; 4,675 employers; 33,315 students/alumni; Fall Career Fair alone: 550 employers and 10,000 students.
- 17,000 on-campus interviews annually.
- 44 interview rooms in Career Services Center.
- 42,898 individual career coaching sessions annually.
- 1,934 career workshops/events: 67,696 participants.
- 78 career courses taught to 2,597 students.
Penn State Students are Career Ready: Feedback from Employers at Career Fairs

• When asked, “How would you rate the overall preparedness of students?” 95% rated “Excellent” or “Good.”

• “Penn State students were far more prepared and professional than students at the other schools I attended.”

• “I have been in talent acquisition for many years and attended career fairs all over the country. I have never been more pleased with the preparedness of a student body at a fair than I was today.”
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