

**Testimony of Dr. Kathryn Nemeth Tuttle**  
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**University of Kansas**  
**Before the**  
**House Financial Services Subcommittee on Oversight and Investigations**  
**Field Hearing at the Robert J. Dole Institute of Politics**  
**University of Kansas**  
**Lawrence, Kansas**  
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**Chairman Moore, Representatives Jenkins and Cleaver, I appreciate the opportunity to testify today about a new financial literacy education program for KU students at the University of Kansas.**

**Executive Summary**

Financial literacy for college students is a significant concern across the country. Not only does it affect students' financial lives, but their ability to persist and graduate, another nationwide issue.

KU students returning to campus last week were greeted with a new way to improve their financial literacy education, and their ability to graduate, when Student Money Management Services opened its doors in the Kansas Union. Student Money Management Services is dedicated to improving KU students' financial situations by empowering them to analyze their finances, develop a budget, manage funds, make sound decisions, and commit to controlling their financial lives at KU and into the future.

The need for this service is clear and convincing: we are in the midst a financial crisis; the average debt for KU graduating seniors is \$22,478, an increase of \$4200 in just six years; and we have evidence of *both* KU students' lack of financial knowledge and their understanding that this education is important. This evidence is from the research of the KU Financial Literacy Task Force:

- The average financial literacy score in a study of KU students was 3.26 on a scale of 1-6, where 1 represented no understanding and 6 indicated complete understanding of financial competency;
- 82% of KU students in the study think it is important to learn more about money management and credit and debt management; and
- 84% indicated it is important to learn more about savings/investing.

Leticia Gradington, a KU alumna with extensive experience in financial planning and with teaching college students, is the new Program Coordinator. We are in the process of hiring several financial Peer Educators—trained KU students who can work one-on-one with students, give class presentations, and do outreach to student groups and organizations. Information will also be provided through publications, websites, and other electronic communication methods.

The staff will provide information to KU students on managing personal finances, developing budgets, tracking expenses, understanding credit card and loan indebtedness, planning for life after graduation and appropriate referral to campus resources such as Financial Aid and Scholarships, Legal Services for Students, Bursar's Office, and the School of Business Personal Finance 101 course.

The program is a collaborative effort that is funded through the Office of the Vice Provost for Student Success, School of Business, Student Senate, and a new initiatives program fund. An Advisory Board with membership from the campus -- faculty, staff and students -- and the community will continue to provide guidance for our efforts. An assessment plan is being developed.

Student response has already been enthusiastic—hundreds of students talked to us about the new service at an on-campus job fair just last week.

Other KU innovations, available to all KU students, include:

- Financial Literacy Guide: available on the Financial Aid and Scholarships website which includes sections on planning for college, managing finances while in college and life after graduation.
- CashCourse: a free, online personal finance course, developed by the National Endowment for Financial Education, which includes a budgeting and financial planning section with a budget wizard for student use and sections on dealing with debit and credit cards and economic survival tips.
- Financial Aid TV: short, on-line videos on a variety of topics including money basics; saving and borrowing money; credit cards; credit scoring and tips on saving money. Available on the Financial Aid and Scholarships website.

In our Task Force survey, students indicated utilizing websites was a preferred method for receiving financial literacy information. For today's college students, social media such as Facebook should also be utilized to connect with students on this important issue.

In addition, the School of Business offers a FIN 101 course, a 3 credit-semester long course which provides much more in-depth financial education, including understanding the basics of mortgages, renting and leasing, savings, investments, and insurance. Course enrollment averages 140 students each semester. Students who have completed this course will be candidates for the financial Peer Educator position.

Barriers to greater financial literacy include better coordination between K-12 and Higher Education. As you are hearing today, KU is making strides in this area. Efforts should be made with faculty members to increase financial literacy education across disciplines. Special attention should be paid to better help low income and first generation college students in this area; in addition some cultures are averse to borrowing, even from low-interest federal financial aid loan programs. In general, we should consider all opportunities to provide more financial education, such as when students are employed, or are hired for their first full-time jobs.

The development of Student Money Management Services is based on the work of the KU Financial Literacy Task Force that issued its report in 2009. Mr. Chairman, I request that this report be included as part of the record.

Mr. Chairman, I appreciate this opportunity to provide information on the efforts made by the University of Kansas to improve the financial literacy of our students. Improving the financial education of our citizens is a vital issue for the University of Kansas, our state, and our nation. Thank you.

## **Report of the University of Kansas Financial Literacy Task Force**

### **Background**

The U.S. Financial Literacy and Education Commission defines financial literacy as “the ability to make informed judgments and to take effective actions regarding the current and future use and management of money.” Therefore, financial literacy should include the ability to understand financial choices, plan for the future, spend and manage money wisely, and be ready for life events such as losing a job or saving for retirement. At the heart of the definition of financial literacy is the term “informed,” as emphasized previously. It is the effective use of information in the decision making process that separates the more financially literate from the less financially literate decision.

Financial literacy or lack thereof, is of critical concern to students, financial aid administrators and others on and off-campus. Recently, many institutions have implemented campus-wide Financial Literacy programs to assist students in managing personal finances, including information about how to graduate with as little debt as possible.

Although Financial Aid and Scholarships currently offers individual debt counseling services, we believe a comprehensive program would benefit students, colleagues and community constituents through more coordinated efforts and communication. Our proposal to create a Financial Literacy Task Force was approved in the spring of 2008, with the primary goals of assessing the current financial management tools available on this campus as well as other institutions and exploring new ideas for connecting students with the appropriate resources to help them achieve financial awareness while pursuing their post-secondary education.

### **Research**

We have conducted research to determine the level of need for a financial literacy program at KU and the necessary skills and resources needed to effectively educate our students on financial management issues. Through our research and discussions, the Task Force members believe it is imperative that KU provide financial literacy information to students, parents, and alumni. For example, the average debt for undergraduates continues to rise, as does the use of credit cards. May 2009 graduating seniors who borrowed educational loans in 2009 had an average loan debt of \$22,478, up from \$18,271 in 2003, a jump of over \$4,200 in just six years. Effective financial education and tools must be provided to students so they are better equipped to make sound financial decisions and enhance their success, both in and out of the classroom.

The need for financial literacy programs appears to be universally recognized and many universities already have programs in place. To determine the need for financial literacy education at the University of Kansas, Master’s degree students in Dr. Susan Twombly’s Assessment and Program Evaluation class surveyed students in 13 fall 2008 PRE101 courses (194 first-year students responded). Based on the students’ self-reported responses to this survey, we learned the following:

- The average financial literacy score for the population surveyed was 3.26 on a scale of 1-6, where 1 represented no understanding and 6 indicated complete understanding of the financial competency (financial competencies included: money management, credit management/debt, insurance, and savings/investing).

- When asked if respondents thought it was important to learn more about each financial competency while in college:
  - 82% indicated it is important to learn more about money management and credit and debt management;
  - 84% indicated it is important to learn more about savings/investing; and
  - 77% indicated it was important to learn more about insurance
- In response to the survey question asking how they would like to learn more about financial literacy, the majority of respondents indicated they would most likely use websites and printed resources to obtain financial literacy information in the future, followed by classroom instruction and one-on-one counseling.
- These responses are consistent with the approach taken by other institutions that currently have financial literacy programs.

Additionally, the Task Force found that key components of programs at other institutions include:

- online information via the university website (most common approach)
- extracurricular seminars or workshops on personal finance topics, often presented in cooperation with student organizations;
- financial counseling services;
- informational publications (either printed and/or downloadable from the university website)
- online interactive courses or modules on financial topics; and
- public service announcements on university radio stations.

#### Recommendations:

- Develop a Financial Literacy Office. (Student Money Management Students opened August 2010.)
- Develop a Financial Literacy Advisory Board. (First Board meetings held in Summer 2010.)
- Provide online financial literacy information for students, parents, and alumni. (CashCourse added Spring 2009.)
- Develop curriculum and create a peer-to-peer mentor program. (Peer Educators to be hired by September 2010).
- Provide professional development opportunities for faculty and staff across campus to enhance financial literacy across disciplines (e.g. offer a certificate to faculty/staff members who complete the training).
- Encourage students to enroll in FIN 101 Personal Finance.
- Increase collaboration with high schools to develop or enhance financial education.
- Continue to assess the need for financial literacy among KU students. Personal finance modules should be developed and infused into courses such as PRE 101, PRE 210, and LA&S 492.
- Consider and possibly develop a noncredit certificate program through an academic unit such as the School of Business

#### Summary

The KU Financial Literacy Task Force strongly believes that KU should play a role in educating our students on managing personal finances. We are committed to developing programs to help KU students become more financially literate while receiving their KU education, and to persist and graduate from the University of Kansas.