


Financial Management Education Courses as Social Societal Learning Tools at Minority-Serving Colleges and Universities


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ABSTRACT

A 2016 article in the Nation outlined that in the United States the average Black family would need 228 years to build comparable wealth to the average white family. Today, achieving the dream of higher education has posed many threats to the Hispanic and African American communities. In order to achieve the dream, many minority students receive student loans to fund their higher education pursuits with hopes that future employment will afford repayment. However, most do not realize the risks. Student loan debt is a severe and mounting problem in the United States. In the United States, seven million student loan borrowers are now in default. Forty-five percent of college students obtain some sort of credit card debt. Lack of knowledge on financial literacy and student loan debt management is a serious issue. This article presents findings that support making financial literacy courses mandatory for college students just like Mathematics and English courses, especially at minority-serving colleges and universities.

KEYWORDS

Debt Counseling, Debt Management, Financial Literacy, Minority Students, Money Management Education, Student Loan Debt, Wealth Disparity

INTRODUCTION

Achieving the dream of higher education has posed many threats to the non-white Latino and African American communities. Student loan debt is a severe and mounting problem in the United States. The US Consumer Financial Protection Bureau (CFPB) guesstimates that unsettled student loan obligation is approaching \$1.2 trillion. About seven million student loan borrowers are now in default. Millions

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of Americans are struggling to pay off their student loans and desperate to find a way to reduce their payments (Weisbaum, 2014). One of the growing financial scammers is the increase deceptive student loan “debt relief” companies that pledge to be an advocate for those in need for small fee. Lack of knowledge on financial literacy and student loan debt management is a serious issue (Weisbaum, 2014). The direct and indirect cost factors pose threats to college students as they accept and agree on loans that will afford their college education (Stinson, 2014). The biggest problem that post-graduates face is the ability to afford college loans in a declining financial economy. The reality of graduating into a declining financial economy is post-graduates being unemployed or underemployed (Stinson, 2014).

One of the defining reasons for financial disaster is the inability to control spending, mismanaging loans, and being enticed with low introductory interest credit card programs. These issues along with a host of other problems create a negative financial impact that severely results in low credit scores and student loan delinquency or defaults (Stinson, 2014). Because of the rising student loan default, it is vital that college students and families understand the costs and financial implications of a college education (Stinson, 2014). In order to educate the college students, there is a need to create financial literacy programs that will provide sufficient financial guidance (Lowrey, 2013). To demonstrate the efficacy and need for financial literacy programs this study conducted three qualitative focus groups that consisted of 11 certified financial planners in each focus group for a total of 33 participants. The results provided insight from pre and post-test scores on the participant’s ability to improve their understanding of financial literacy. Financial literacy is defined as the standardized teaching and learning of different financial topics including personal finance and money management and investing processes (Kenton, 2019). Some scholars think financial literacy programs should be added to both high school and college curricula (Malcolm, 2014).

The student loan debt rate has increased exponentially and have contributed to the high attrition rate at universities (Malcolm, 2014). However, an issue many colleges and universities are having is that many students are not interested in budgeting courses because of their low income status. Ultimately, it is hard for students to focus on improving their budget and credit scores when they have not or inconsistent income. The results of a study by EverFi and Higher One of 65,000 college students explain that first-year college students are more likely to be “financially responsible” than their peers if they are obligated to take a financial literacy course (Malcolm, 2014, p. 1). The EverFi and Higher One study (2014) illustrated that introducing financial literacy to matriculating students can make a difference in their financial decisions and behaviors. Future implications of the study are that educators and policymakers are persuaded of the importance of adding financial literacy courses to both high school and college curriculum (2014).

Lastly, the student loan debt crisis affects many Millennials ability to retire and contributes to the already existing wealth gap. Backman (2019) explains over 70% of student loan borrowers are reducing, delaying, or not contributing at all to their retirement accounts. Not only are the 25- to 35-year old’s borrowers putting off retirement contributions but so are the parents and grandparents of that age group. Backman argues that older borrowers are at a larger disadvantage because older borrowers have less time to save for retirement versus younger borrowers (2019). To combat this student debt crisis, Backman suggests borrowers must “simultaneously” pay on student loans while contributing to their retirement to ensure they have a significant retirement savings later in their lives. Based on racial demographics, African-American borrowers suffer the most with the student loan debt crisis. Brooks (2019) and Harris (2019) believe factors such as relatively lower median incomes in African-American households, African-American students are twice as likely to borrow larger amounts, African-American borrowers are more likely to drop out, and African-Americans that do graduate have lower starting salaries with their first post-college jobs. All of those factors impact African-American borrower’s ability to pay off their student loans in a timely manner and save for retirement.

Naturally, it would appear that there is a gap in knowledge of financial resources between the have and have-nots. Seemingly, the sources of the poor do not have as extensive financial knowledge or

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