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Financial Literacy: A Misunderstanding at Duquesne University

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Financial Literacy: A Misunderstanding at Duquesne University

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Students attend college to earn a degree and become successful in their desired field of study. In order to achieve this objective, they rely on a quality education that helps them reach their goals. Although many colleges and universities provide a satisfying education for students, they are not preparing them for what lies ahead of them financially. As this virtually non-existent instruction in financial literacy is a common problem for college students across the country, it is a problem among many students at Duquesne University as well. This not only affects undergraduate and graduate students at Duquesne, but it also indirectly affects other members of the institution including parents, school employees, and the Duquesne community. It is the University's responsibility to fulfill their mission statement to "serve God by serving students-through a commitment to excellence in liberal and professional education" by providing their students with a quality education and experience for success in their field of study, but also including a background in financial literacy to assist students who lack knowledge about their loans and investing for their futures (Duquesne University 1). Through offering them the necessary recourse and opportunity, students will be well informed about achieving financial stability upon graduation. Incorporating financial coursework will benefit the university, students, and the communities that they impact.

First of all, adding financial literacy to the curriculum for a college education would provide students with vital information who lack knowledge about their loans, allowing them to avoid defaulting on their student loans. Incorporating financial coursework allows students to understand vital details such as: the interest rate formula, the grace period, the payback period, the monthly payment, and the amount of interest due. These essential fundamentals can help students avoid defaulting on loans and other consequences later on in life. In an interview with John Falleroni, the Associate Director of Financial Aid at Duquesne, stated that over 70 percent of students have taken out federal loans to attend the university (Personal Interview). Taking out a loan for college is not necessarily a bad thing, if an individual understands the details within the loan applications. However, in a survey (see appendix A) conducted on campus, only 51.4 percent of students said they knew the interest rate of their loans, while 40 percent claimed not to understand any details of their loans. If students do not know what the interest rate is, they can underestimate how much their payments will be each month and also fail to understand the total amount of interest they have to pay in addition to the principal amount. To further prove this amount of personal financial illiteracy on campus, 42.9 percent of students gave themselves a D as a grade for their knowledge on the financial literacy survey (Papiano). These shocking statistics proves that there is a low proficiency level of confidence in financial knowledge among students at the University; therefore, having a financial background as part of the curriculum would not only provide students with knowledge in recognizing the consequences in the loan applications, but also help prevent the unexpected consequences which may force one into a challenging financial situation.

This misunderstanding of financial literacy has forced students to default on their loans due to lack of knowledge of the severe consequences that can happen from falling behind on making payments.

The rate of students defaulting on their loans has dramatically increased among the college student population across the country. In 2006, the national average for students defaulting on their loans was 5.2 percent, and increased to 9.1 percent in 2010. This high increase of students defaulting on their loans proves that students nationwide are not educated enough in personal finances. Although Duquesne's default rate was only 2.0 percent in 2010, the survey's results reflect the students' true understanding of their loans and that it is necessary to integrate financial literacy into the curriculum at Duquesne (Duquesne University 77). It is imperative that Duquesne provides students with financial literacy to help them understand the consequences of defaulting because it can cause serious financial situations including lower credit scores, decrease in pay, and eventually pay being garnished from their Social Security checks (Bidwell, par. 5). In a survey conducted on campus, 54.3 percent of students responded that they did not understand the consequences of falling behind on their monthly loan payments (Papiano). In an interview with freshman Josh Dalton, "I will have to learn about it when it [financial literacy] becomes an issue, like after graduation. I haven't had the chance to learn more about my finances and loans" (Personal Interview). Students' high uncertainty and full knowledge of the consequences would eventually cause students to default on their loans and become more financially stressed. Falling into default can take a toll on a college student, for example if their credit score is lowered, they will have a difficult time trying to get a loan for future purchases such as a car or a house. Requiring financial literacy as part of the school's curriculum would provide students with cognizance of these particulars, thus preventing damage to students' financial well-being.

Financial literacy should be part of Duquesne's curriculum because students will have the background and knowledge to make wiser financial decisions with long-term investments, ultimately yielding them to become prosperous later on in life. Financial literacy would allow young people to be more proactive in planning their future as they save, invest, and contribute to retirement plans and compound interest accounts when they begin full-time employment upon graduation. According to Dr. Austin who is the Provost and President for Academic Affairs at Duquesne University believes that learning about long-term investments is important for students to understand. "Absolutely, this is critical," he says:

> For one thing, decisions that one makes early in life have tremendous potential to pay off later in life...Due to the impact of compound interest, every dollar you use sensibly before you are 30 or 40 is worth many times that amount when you reach your 60s or 70s. As you mature, it gets tougher and tougher to make the kinds of changes that can really affect one's retirement savings, health care savings, etc. (Email Interview).

In addition to helping students become personally wealthy, the University itself could benefit from integrating financial literacy as well because if students have this background knowledge in college and consequently begin to make wise financial decisions, they would have significant financial resources at their disposal. As alumni of Duquesne, they would be able to provide more generous contributions to the University for years to come.

Although the financial aid office at Duquesne does provide some information for students, they could improve upon addressing the importance of understanding personal finances. The financial aid office does require students to fill out a brief quiz for students who take out loans before attending their freshman year, however it is the only required material for students to complete. Aside from the quiz, the financial aid office only offers students with two opportunities during their time at Duquesne with presentations about financial aid. The two presentations that students can receive information are during the open house programs and orientation week. These current attempts at supplying students with financial material are insufficient because open houses are only for prospective students and orientation is only for new incoming freshman. These events exclude the rest of the student body, as well as transfer students.

Since the presentations are only addressed during two brief time frames during freshman year, the rest of the students are unfamiliar with personal finance knowledge. In order to beware of the all of the information that is provided, students need to be reminded of its importance throughout their 4 years. The difference between the initial presentation at open houses and orientation week creates a wide gap spanning over a long period of time as students progress in their academic career, this is an inadequate way of providing students with such crucial information.

There are many different approaches Duquesne could utilize in order address the insufficient knowledge that students have about financial literacy. The first solution would be to require all enrolled students to take financial literacy coursework and meet with a financial aid counselor. This has been implemented at Huntington Junior College in West Virginia. These requirements resulted in students acquiring a stronger understanding of financial literacy as well as the default rate dropping from 30.2 percent to 12.8 percent in the first two years ("USA Funds Life Skills" 2). This proves that financial literacy programs play a vital role in students' higher educational experience. Experiencing a financial education class as part of curriculum benefits both the students and the University. The college was able to significantly improve their default rate and develop a better reputation for student loans. Even though this idea has had effects at a community college, where students have to often pay for school themselves, the results are still significant, and therefore could help Duquesne maintain their low rate on default loans and continue to support Duquesne's stellar reputation.

Financial literacy would allow young people to be more proactive in planning their future as they save, invest, and contribute to retirement plans and compound interest accounts when they begin full-time employment upon graduation.

Another possible solution for integrating financial literacy at Duquesne would be to implement a program that is similar to one being taught at Syracuse University. The University integrated USA Funds Life Skills programs that support financial literacy through other channels for students to learn from. The material is being made available in sororities, fraternities, and residence halls. The "SummerStart" program is being administered which requires all incoming freshman to complete financial related materials from USA Fund Life Skills as well ("USA Funds Life Skills" 1). This could be executed very well at Duquesne since Greek life is big part of student life on campus. Students who are not in Greek life or involved in other clubs could rely on the residence hall association to provide financial literacy information to students. These suggestions would allow students to partake in learning about financial literacy related activities in comfortable environments around campus.

Duquesne has indicated that they have started to respond to this problem and there are some faculty members within the University who agree this issue should be addressed more aggressively. John Sucha is the manager of student accounts and student finance, who believes that a program similar to USA Life Skills programs should be integrated at the University for the students. He mentions that a "web based site with a lot of help videos of various topics," would be one solution. "There is a lot of information to cover on the subject, so it needs to be something an individual can do in small pieces. Also, if instructors are available, I would like to see some group sessions offered where students could get their questions answered after listening to the presentation." (Email Interview). These ideas of incorporating financial literacy at Duquesne is a great foundation to build upon, as well as considering adding the solutions mentioned.

In conclusion, the research collected at Duquesne advocates that there should be more done to educate their students for financial literacy. The minimal effort put forth by the University is not providing students with the information and knowledge they need for succeeding in their future. The administration at Duquesne has options and resources to fix the problem and more thoroughly and effectively fulfill their mission statement. If the University does not implement a solution to this problem in a timely manner, students will continue to be deprived of the essential and life changing knowledge of financial literacy.

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Appendix A

1. What grade would you give yourself in terms of your knowledge about personal finance on a scale from A to F.

Create Chart Download

	Response Percent	Response Count
A	8.6%	3
B	11.4%	4
C	31.4%	11
D	**42.9%**	**15**
F	5.7%	2

2. Are you holding any of the following types of jobs while attending college?

Create Chart Download

	Response Percent	Response Count
Part-Time	31.4%	11
Full-Time	0.0%	0
Summer Job	**48.6%**	**17**
I Do Not Have Any Job	17.1%	6
Other (Please Specify) Show Responses	11.4%	4

3. Where do you think you have learned the most about managing your personal finances?

Create Chart Download

	Response Percent	Response Count
Parents or Guardians	**65.7%**	**23**
Highschool	5.7%	2
College	2.9%	1
Online Resources	0.0%	0
None of the Above	25.7%	9

4. Do you use any of the following when purchasing items? (Check all that apply)

	Response Percent	Response Count
Credit Card	28.6%	10
Debit Card	**85.7%**	**30**
Neither	0.0%	0

5. Are you currently taking out any type of loan to attend college?

	Response Percent	Response Count
Yes	**57.1%**	**20**
No	42.9%	15

6. Do you know any of the following details about your loans and/or credit cards? (Check off all that apply) If you know any items that are not listed below, please specify.

	Response Percent	Response Count
The Interest Rate	**51.4%**	**18**
The Grace Period	25.7%	9
The Payback Period	28.6%	10
The Monthly Payment	37.1%	13
The Amount of Interest Due	28.6%	10
The Principal amount	31.4%	11
None of the Above	40.0%	14

7. Do you understand the consequences of falling behind in payments for credit cards and loans? If checked yes, please briefly explain your understanding.

	Response Percent	Response Count
Yes	45.7%	16
No	**54.3%**	**19**

8. Who is responsible for paying your college costs? Create Chart Download

	Response Percent	Response Count
Parents or guardians	**62.9%**	**22**
Myself	31.4%	11
Other	5.7%	2

9. If Duquesne administration was considering adding a financial literacy course to the curriculum, how would you side with this proposal? Create Chart Download

	Response Percent	Response Count
Strongly Disagree	5.7%	2
Disagree	5.7%	2
Neither Agree nor Disagree	11.4%	4
Agree	34.3%	12
Strongly Agree	**42.9%**	**15**

10. Which of the following worries you most about personal finance? Create Chart Download

	Response Percent	Response Count
Not being able to pay my credit card debt.	17.1%	6
Not being able to repay my student loan debt.	**62.9%**	**22**
None – I do not have any financial worries.	20.0%	7