Student Loan Repayment Education: Multi-State Texting Intervention Project

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Repaying student loan debt is a serious concern for many Americans (Lusardi, Scheresberg, & Oggero, 2016). The rising cost of a college degree and the decrease in the availability of grants and scholarships have forced students to borrow more (Burdman, 2005; Mezza & Sommer, 2015). Student loan borrowers have a difficult time managing their debt (Akers & Chingos, 2014). According to U.S. Department of Education data, 30% of federal student loans were in deferment and forbearance while 7% were in default (Cho, Johnson, Kiss, O'Neill, Mountain, & Gutter, 2016). Recent research has led to an understanding of the effects of loan debt on subsequent health, financial capability, transitions to adulthood, and wealth accumulation (Cho, Xu & Kiss, 2015). Student loan debt has been linked to higher levels of stress and anxiety (Andruska, Hogarth, Fletcher, Forbes, & Wohlgemuth, 2014); poorer academic performance (Hossler, Ziskin, Gross, Kim, & Cekic, 2009); longer expected time-to-degree (Letkiewicz et al., 2014); greater dropout rates (Joo, Durband, & Grable, 2008); and lower wealth accumulation (Steuerle, McKernan, Ratcliffe, & Zhang, 2013). Student loan debt also greatly affects young adults' decisions about getting married, buying a home, and having children (Bozick & Estacion, 2014; Nau, Dwyer, & Hodson, 2015).

We know that repayment default rates are more highly correlated with certain types of educational institutions, student demographics and socio-economic characteristics (students with more dependents, lower SES). We know much less, however about repayment barriers or effective tools and strategies that students can use to reduce these barriers. Depending on the number and types of loans taken out by the student and/or family members, the repayment process itself can be both confusing and frustrating. Many recent college graduates do not fully understand their repayment options (Whitsett & O'Sullivan, 2012), including basic information like the amount they owe on their loans, interest rates or terms of repayment (Mueller, 2014; Andruska et al., 2014). There is promising evidence that messaging interventions can yield positive results for behavior change (De Leon, Fuentes, & Cohen, 2014), including student loan behavior (Kennedy, 2015; Schmesier, Stoddar, & Urban, 2015).

Student loans have the highest rate of delinquency out of all consumer debt products (Sanchez & Zhu, 2015). Even consumers who are successfully repaying their loans still experience diminished psychological well-being (Walsemann, Gee, & Gentile, 2015). Because student loan debt has the potential to lessen subsequent health, financial capability, transitions to adulthood, and wealth accumulation (Cho, Xu, & Kiss, 2015), educators and other professionals who are interested in promoting better outcomes for the next generation are looking for new techniques and strategies in developing effective interventions and programming.

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According to the Pew Research Center (2017), 95 percent of Americans now own a cellphone of some kind. Using this device as a means of educating individuals could be very effective and convenient to reach a large sample. Short-message service (SMS), text messaging, has been studied in relation as an intervention in health behavior change (Fjeldsoe, Marshall, & Miller, 2009; Parker et al., 2009; Riley, Obermayer, & Jean-Mary, 2008). Empirical work focused on experimental interventions on student loans is emerging. For example, Schmeiser, Stoddard, and Urban (2015) found that by providing students timely information, a student can significantly decrease amounts of future debt. A large Midwestern University successfully lowered average loan amounts of current students by 12% through sending an annual "debt letter" detailing loan balances to borrowers (Indiana University newsroom). Studies have been found that incorporate text messaging and behavioral finance.

Objective

Although there have been prevention interventions designed to lower student loan borrowing, given the high default rate in repaying student loans, it makes sense to focus on those who have already borrowed and may need assistance in making informed decisions about repayment options. Federal student loan borrowers are asked to complete Exit Loan Counseling, however this requirement has been found to be ineffective (Cooley, 2013). We are not aware of interventions designed to assist students through the repayment process once they leave the academic institution.

A team of Cooperative Extension Service professionals from the North Central Region came together to create a financial educational program to address the need for student loan repayment education. The team was looking for a project that would be inexpensive and easily replicable in all ten states. A text messaging campaign was developed to assess changes in repayment behavior, by nudging young consumers to take action.

Methodology

The program was designed to be interactive for participants. A series of questions were developed to ask participants whether or not they have completed specific actions and replies sent back with educational materials dependent upon their responses. Materials were identified (factsheets, websites, videos, etc.) from items already developed by reputable resources. A main set of 11 questions were developed (Table 1) to address three major topics (what is owed, repayment information, and making payment). Each time a participant interacted with a text message, they would receive an entry to win a gift card.

Two focus groups were conducted at two different universities to test the messages and receive feedback from college students about the project. The main points from the focus groups were (a) messages need to clear about who the text messages are from; (b) group/chunk messages into e message threads; (c) start the messages soon after graduation; (d) if possible give participants some control of flow of text messages; and (e) provide follow-up on messages.

Prior to the start of the texting campaign, each participant is asked to complete a brief intake survey (i.e., what they currently know, what they currently do, and demographic data) and consent to participate in the text messaging campaign. Baseline survey questions reflect topics to be addressed in the texting campaign. Participants receive a series of text messages surrounding financial management to prepare them to make their student loan payments. Upon completion of the texting campaign, participants are asked to complete post-test questions to assess change in knowledge and behavior, as well as self-report assessments of the value and impact of the campaign.

The entire project timeline is as follows, Figure 1 includes a visual timeline of the project.

- One month before December or May graduation, invite students to participate in an intake survey. If student completes intake survey and consents to participate in text messaging project, student's cell phone number will be collected.
- At graduation, student receives a 'congratulations' text message and welcome to text message project.
- Two months after graduation, participants receive text message with baseline survey link.
- Between 2-4 months after graduation, participants receive a series of text messages related to student loan repayment and financial readiness.
- Six months after graduation, participants receive two additional text messages related to their first student loan repayment.

- Follow-up survey is distributed one week after final text message.

Qualtrics was the platform used for survey delivery and text messages. The cost to send/receive a text message via Qualtrics is $0.01, so the entire project is relatively inexpensive.

Preliminary Results & Future Work

The program began a pilot phase at a Midwestern University recruiting May 2017 graduates. Participants were recruited from a group of students graduating with an undergraduate degree who chose to attend in-person exit loan counseling. Nineteen students out of 35 who had exit loan appointments took the baseline survey, with nine of them agreeing to participate in the text intervention project.

Since the project has not completed the first round of text messages at this time, there is limited data. Based on responses to text messages sent to date: 37.5% had federal loans, 25% had both federal and private student loans, and 37.5% did not know what type of loan(s) they had taken. As for knowing payment amount. Seventy-five percent reported that they did know their payment amount and 25% did not.

Two additional phases are in process, Phase II (December 2017 graduates) and Phase III (May 2018 graduates). Five additional Midwestern universities took part in one or both of these phases with an additional 530 baseline survey completions. Phase II participants (59 agreeing to receive texts) have begun to receive text message intervention.

The multi-state team plans to continue the project to include additional participants and will start analyzing data from baseline survey, text messaging, and post survey as data becomes available.

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Table 1

Text Message Main Questions

What is owed
Q1. Do you have federal or private student loans?
Q2. Do you know your total student loan debt?
Repayment information
Q3. Do you know your monthly student loan payment?
Q4. True or False: Federal student loans will default to a 10-year repayment plan unless you choose a different option.
Q5. Does your monthly payment amount feel affordable?
Q6. Do you know where to send your student loan payment?
Making payment
Q7. When I think about how to repay student loans, I feel in control.
Q8. Have you had a chance to figure out when to make your first payment?
Q9. Do you know the consequences of not making your student loan payment?
Q10. Have you made your first payment yet?
Q11. Do you have any additional questions about making your student loan payments?

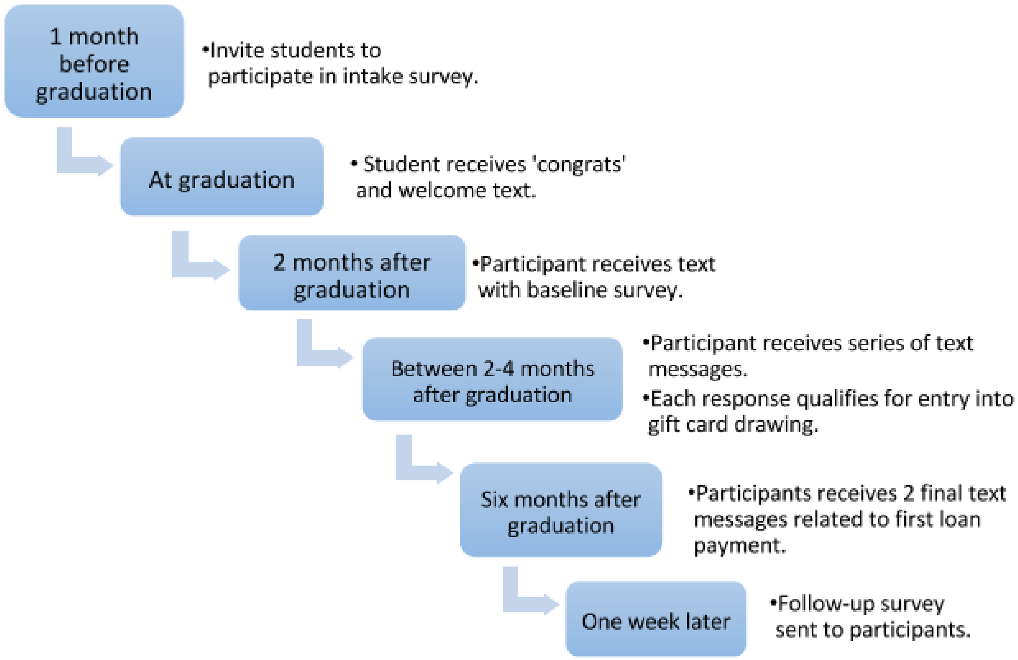

Figure 1. Project Participation Timeline