CALIFORNIA COMMUNITY COLLEGES
CHANCELLOR'S OFFICE

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California Community Colleges Take a Proactive Approach to Raising Awareness About Financial Literacy, Helping Students Make Informed Choices About College Costs

By Brice W. Harris

It is widely reported that Americans are saddled with $1.2 trillion in student loan debt. As this number illustrates, a large number of students cannot afford to pursue higher education in this country without taking on loans, even with the help of grants and scholarships. Ironically, these loans can wreck the financial lives of many if not repaid, despite being intended to finance something aimed at improving a person's life.

Twenty-five percent of the country's community college students, or about 2.1 million individuals, are enrolled in a California community college. With such a large share of the nation's college students, one might conclude that our students obtain college loans, such as those offered by the federal government, in high numbers. But only 4 percent of our students take out a federal student loan, and the vast majority of them pay their loans on-time without defaulting. The low percentage of federal borrowers is likely attributable to the fact that the California Community Colleges charges the lowest tuition rate among the three public institutions of higher learning in California, at $46 per unit, which is also the lowest in the nation among community colleges.

Despite these low numbers, the California Community Colleges is not absolved from taking action to foster financial well-being and responsibility among our students. We have developed online resources for students so that they can make informed choices about the majors they choose and their financial aid options. Our "Salary Surfer" site lets students know what people with various majors earn annually and our icanaffordcollege.com site discusses the various financial aid options, like scholarships, students can secure to finance their educations.

We are launching a financial literacy campaign on our campuses and partnering with the National Endowment for Financial Education to design financial awareness courses in which students must enroll if they wish to obtain federal loans. These courses will feature an online component, known as "CashCourse," to give students access to financial information. Providing students with essential information on the terms of their loans is a critical way of ensuring that they will be responsibly used and ultimately repaid.

Many California community colleges are also moving to managing school loans directly, rather than relying on third-party loan servicers. This allows college staff to better monitor student loan activity and gives them the

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opportunity to work with students to cure delinquencies and prevent defaults. Community college staff are also being trained to better understand and identify the sources of financial risk among borrowers in order to help them avoid default.

Upcoming figures from the U.S. Department of Education will highlight some of the struggles colleges have had with students defaulting on federal loans. Schools with 30 percent or more of student borrowers who default on federal loans may no longer receive Pell Grants or other federal student aid. Unfortunately, 12 California community colleges have student default rates of 30 percent or more. But since so few of our students actually take out federal loans, a default rate of 30 percent at a particular school usually means that only about 50 or so students, out of a student body numbering into the tens of thousands, are actually in default. Thankfully, these colleges are not at risk of losing federal financial aid since the number of students who take out loans at these schools is low in proportion to the total student body. My staff and I have been working with these colleges to lower their default rates and with some of the measures I have outlined above, hope to be successful in this effort.

With the lowest tuition rates among institutions of higher learning in the state, and the lowest tuition of any community college system in the country, our students do not have to borrow in excessive amounts to fund their educations. The vast majority of those few who do borrow repay their loans. Mounting student loan debt is a rising concern in this country, however one that is not a major problem in California's community college system. We intend to keep it that way. We do this in the belief that our students should be able to enjoy the benefits of a college education without fear of insolvency and financial distress clouding their futures.

Brice W. Harris is the chancellor of California Community Colleges.

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