

Chris Maroldo

May 3, 2002

Date: May 3, 2002
To: Rutgers Needs You Foundation
From: Christopher Maroldo
Subject: **Alleviating Student Debt on Rutgers University Campuses**

INTRODUCTION

This memo proposes that the Rutgers Needs You Foundation take several steps towards alleviating student debt at Rutgers University. College costs are overwhelming for most students, but luckily there are several things that we can do to aid Rutgers students that are financially stressed. Alleviating the student debt problem at Rutgers will benefit the University. Stressed students will be relieved so that they will be able to concentrate more on academics. The increase in student productivity will hence give Rutgers a better reputation in helping its students succeed and furthermore will attract more highly qualified prospective students to enroll at Rutgers.

If funding for my proposal will be considered, primary research will be done before any funds are spent to prove that a need for this project exists at Rutgers.

Many surveys nation-wide are conducted each year to obtain statistics about student debt. One statistic stated in *Christian Science Monitor* (1996) noted that the cost of college tuition has been rising at an average rate of 13%-15% in the past three years. This rapid increase in the cost of tuition will directly increase the average student debt. This memo discusses several low cost solutions I have created to lessen the effect of the increasing student debt problem.

This memo discusses the benefits and costs of these solutions. It will also discuss the current situation of student debt for Rutgers University and for the country as a whole. Finally it will discuss the cost and why this proposal is worth investing into.

RESEARCH

Secondary research has been done in several different sources to find pertinent information relating to this proposal. National averages regarding debt levels were found, as well as answers to why students use credit cards or take out loans.

Rising costs of higher education are forcing students to take out loans in order to remain enrolled. The Nellie Mae Agency (the country's largest non-profit provider of student loans) reported in *Education Digest* (1997) that the average student debt had risen from \$8200 in 1991 to \$18,800 in 1997. That's a 229% increase of the average student debt level in just six years (see Figure 1).

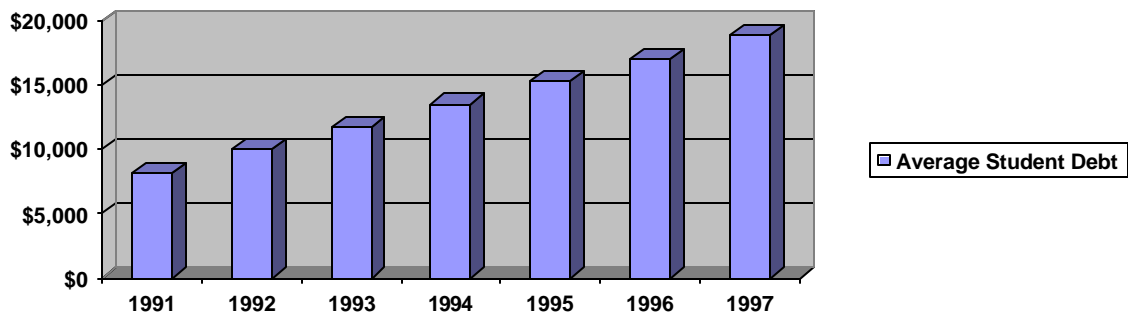


FIGURE 1. National Average Student Debt

Black Issues in Higher Education (2001) reported that approximately 70% of undergraduates nationwide hold at least one credit card. Students use these credit cards for the same reasons that adults use them today: for convenience and for emergencies. A student's idea of an emergency may differ from that of an adult, however, and many students are likely to use their credit cards recklessly. With credit card applications all over campus, it is almost inevitable for a student to apply for at least one credit card. Even a student with no job history can apply for and receive a credit card with a \$500 limit.

Former President Clinton made an attempt to lessen the student debt problem in the United States when he created the Hope Scholarship Credit and the Lifetime Learning Credit (*Christian Science Monitor*, 1996). These two credits provide college students or their parents with up to \$1500 or more in tax credits each year. One ironic problem with the Clinton tax credits is that not many students know of or know how to take advantage of these credits. Should there not be someone to educate the financially stressed Rutgers students? Based on completed secondary research, the following steps have been formed to alleviate the student debt problem at Rutgers.

PROPOSAL

Alleviating student debt at Rutgers University: A four step program

1. Remove credit card applications from Rutgers University property
2. Distribute flyers about the dangers of bad credit
3. Hire credit counselor to speak at mandatory session during student orientation
4. Hire part-time credit counselor to meet with students who have questions or problems concerning debt

The solution to the student debt problem is to first remove credit card applications from places that students frequently visit. Removing credit card applications will make it much more difficult for banks to persuade students at Rutgers to apply for credit cards. If places that students often go to (i.e., campus centers, libraries, or dining halls) are

free of these applications they will be less inclined to apply for credit cards which may lead them to substantial debt.

Next, a flyer will be created and distributed to Rutgers University students containing information about the dangers of bad credit. These flyers will be created and distributed by the Alpha Kappa Psi professional business fraternity. Warning students about the serious consequences of having bad credit will make them more cautious in their financial decisions and hence lower the chances that they might fall into debt.

Then, a credit counselor will be hired to speak during student orientation. This speaker will give new students information on the risks and consequences that may come with ownership of a credit card. After the counseling they will be more educated and careful when borrowing money or using credit cards.

Finally, hiring a part-time credit counselor to work three to four hours a day during the semester to answer questions concerning debt or other financial queries will alleviate the current problem as well. The part-time credit counselor will utilize an already existing office and be located conveniently on the College Avenue Campus in New Brunswick. The sequence of these events proposed as well as preliminary projections can be seen in Figure 2 below. The Alpha Kappa Psi professional business fraternity will also hire this individual of whom will be an alumni or graduate student willing to work part-time as a credit counselor. That same individual will also be the one to speak at student orientation.

I propose that we implement my plan for four semesters (two academic years) to test its effectiveness. If successful, it may certainly be used for years after.

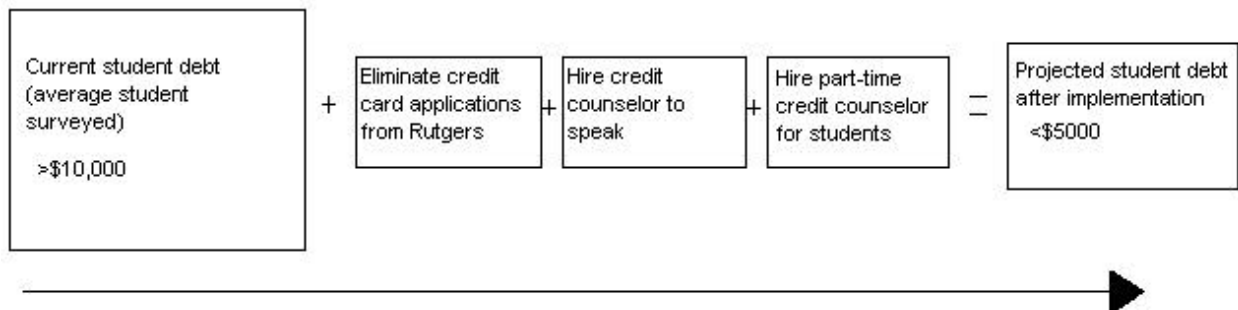


FIGURE 2. Flow Chart of Project Proposal

BUDGET

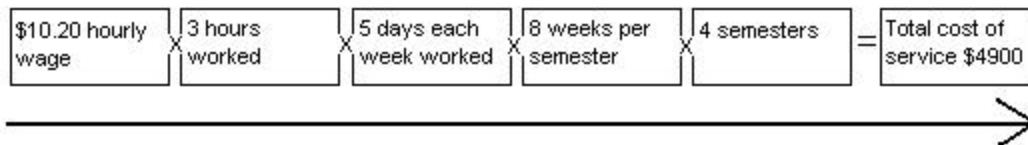
The costs incurred in implementing this proposal are due to removing credit card applications from Rutgers, creating and distributing flyers, hiring a credit counselor to speak, and hiring a part-time credit counselor to work three to four hours a day. The Alpha Kappa Psi business fraternity will remove any credit card applications at no cost to the Rutgers Needs You Foundation as community service. They will also (at no expense of our time) coordinate the selection and hiring of the professional speaker and the part-time credit counselor. Finally, they will create and distribute a flyer to students containing information on the dangers of bad credit. The total cost to implement this project will be \$5000. A breakdown of this total cost is shown in Figure 3 below.

FIGURE 3Cost of implementing the proposal

Job proposed	Semesters Required	Cost
Remove credit card applications from the Rutgers campus	1	<i>done by community service</i>
Handouts on the dangers of bad credit	2	\$100.00
Credit counselor to speak	2	<i>done by PT credit counselor</i>
Part-time credit counselor on staff	4	\$4900.00

Total cost: \$5000.00

The cost of services incurred by the part-time credit counselor is further broken down by the flow chart in Figure 4:

**FIGURE 4. Cost of Services for a part-time credit counselor****CONCLUSION**

Rutgers University often refers to its "tradition of excellence." Graduating from school with excessive debt is not very excellent. Bad credit resulting from dangerous debt levels can prevent students from landing entry-level jobs that could provide the University with large grants years later. Uncontrolled debt levels also reflect on the University's prestige and care for its students. If we can alleviate the student debt level and educate students in collegiate finances, it would benefit the University and the students' lives. Considering the minimal amount of funding required for this proposal, the benefit of instituting mandatory speakers, hiring a part-time credit counselor, and removing credit card applications from public facilities far exceeds the costs incurred by these proposals. I urge the Rutgers Needs You Foundation to act upon this project now.

WORKS CITED

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Schroeder, Ken. (1997). Student debt deepens. *Education Digest* 63, 74-75.