Best Practices in Debt Management for Optometry Students

A Roadmap from Inquiry to Graduation

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Abstract

Debt management can be a significant problem for all students pursuing higher education today, not just optometry students. Learning how to manage debt begins before students enter an optometry program and continues, in some cases, after graduation. In 2008, the Association of Schools and Colleges of Optometry (ASCO) gathered information from the financial aid administrators at ASCO institutions. They provided information on how they helped students minimize their debt. This paper presents the input from their responses and shares some of the best practices at specific optometry institutions that can be used to help optometry students at different stages of their optometric education experience.

Key Words: *Student debt management, best practices*

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Introduction

Many students enrolled in schools and colleges of optometry will accrue significant levels of debt while pursuing their degrees. Among a variety of different healthcare providers, student debt has been shown to influence choice of specialty,[1,2,3] quality of life,[4] practice opportunity selection[5] and career decisions.[6] Debt incurred for health professions education must also be considered as additive to the undergraduate debt burden. A national study found that on average, student borrowing contributes to 14% of the costs of undergraduate education, with parent borrowing contributing another 10%.[7] Borrowing is widespread, with an increase in the percentage of families who borrow to pay for college from 42% in 2009 to 46% in 2010.[7]

Specific to the profession of optometry, past research indicates that the average 1990 optometric graduate accumulated $49,703 of debt for both undergraduate and optometric education. In 1996, this value increased by more than 64% to an average debt level of $81,627.[8]

The Association of Schools and Colleges of Optometry (ASCO) Matriculating Student Survey from 2009 asked students to self-report both their level of debt from their undergraduate education and their estimated level of debt that would be incurred for their optometric education. Surprisingly, 50% of the respondents indicated that they had no debt from their undergraduate years. The next largest group of responders (16%) indicated they had $10,000 to $19,999 of debt, followed by 9% who indicated they had $20,000 to $29,999 in debt. The highest level of debt was reported by 3% of the respondents at $50,000 or more. When predicting their estimated debt level solely for optometry school, the four most frequently selected levels were $110,00 to $129,000 (19%), $130,000 to $149,000 (18%), $150,000 to $174,000 (14%), and $175,000 or more (19%).[9]

It is important that students enrolled in the schools and colleges of optometry learn how to manage personal finances, and educational debt, while still meeting the rigorous demands of the optometric curriculum. Better debt management can be expected to encourage greater freedom for future practice opportunities, better quality of life, and a more secure financial future for graduates.

In 2008, financial aid administrators from around the country participated in a survey sponsored by the ASCO member institutions. The goal of the survey was to share their "best practices" for minimizing debt and maximizing students' understanding of how to manage their debt load.* Information obtained in the survey was compiled to summarize each institution's best practice at the time of student application, at orientation, during enrollment in the program, and before graduation. The purpose of this article is to provide the results of the survey by describing those practices that span the roadmap of debt management for our future doctors of optometry, beginning when potential students first contact one of the schools and colleges of optometry and continuing throughout the students' entire professional degree educational processes.

Prospective Students Before Application

Providing prospective students with the total cost of attendance and the options available to cover educational expenses early in their interest level provides them the opportunity to learn about financial aid even before the stress of applying for entrance and interviewing begins. Providing estimated costs to a potential student and his or her family allows the student to plan ahead with the costs for undergraduate education factored into the total cost for professional education.

Many schools and colleges find it helpful to begin discussing debt management practices as early as possible. In particular, schools and colleges that are associated with an undergraduate program within their home institution may even take the opportunity to counsel students prior to their enrollment in their undergraduate curriculum. Since a high school student may not yet understand budgeting for costs of living, it is helpful to provide a budget sheet so that he or she may begin learning about these indirect costs that may need to be covered. Items such as rent and utilities are often understood. Costs for health care, car insurance, or renter's insurance are less understood. In addition, these future students may not understand the impact of items like food costs or transportation costs.

These types of financial information may be provided in a variety of ways, including on program Web sites, at recruitment presentations, at "grad fair" programs, or during campus tours. A number of schools and colleges have participated in ASCO's Diversity Mini-Grant Program, supported by The Vision Care Institute LLC and Luxottica Retail. The goal of this program is to develop and implement activities and programs designed to recruit and retain under-represented minority students, financially disadvantaged students and first-generation college students.[10] These types of programs may also provide a great opportunity for early financial counseling.

Prospective Students at Interview Meetings

The information gathered from the survey showed that 13 of the ASCO institutions had time for the student applicants to meet and receive an in-person presentation from a Financial Aid Office staff member as part of the admissions interview procedures. These presentations include information about the average debt of graduates for the last graduating class, the expected monthly payment for the average debt, and advice on borrowing and repayment strategies. Often, the presentation on financial aid is paired with housing information to help students make wise choices to reduce costs that are within their own control. During the interview, or at acceptance, several programs provide total costs of education and an information booklet like the free Federal Student Aid publication, "Funding Education Beyond High School."[11] These materials ensure that students are provided complete information, not only about costs of attendance, but also about the possibilities of funding these costs and other factors, such as accrual of interest, associated fees, etc. Survey respondents agreed that students must be provided full information in order to make the best decisions possible regarding their optometric education.

After Acceptance, Prior to Orientation

Debt management begins with the Financial Aid Award Letter itself. The Free Application for Federal Student Aid (FAFSA) Web site (www.fafsa.gov) has substantial assistance for students. Many financial aid administrators begin the process by directing the student to this information online. A number of institutions also mail information and individual financial exercises related to financial planning and budgeting during the first year to all accepted students prior to matriculation. Individual financial aid counseling with the staff members of the Financial Aid Office is also available prior to the start of school and throughout students' optometric education.

Most institutions include many types of pre-matriculation debt management programs. Table 1 summarizes survey responses. Programs that are not currently incorporating certain aspects may wish to consider implementing some of these best practices.

Table 1
Summary of Best Practices in Pre-Matriculation Debt Management Programs

The Ohio State University provides newly admitted students a total attendance budget and other information so they are aware of the housing expenses around Columbus before they make a commitment on housing.
University of California-Berkeley's "Admit Day" provides a presentation titled "Financing your OD studies" to describe different types of loans, scholarship programs and part-time employment opportunities.
During the University of Alabama at Birmingham's (UAB) Annual Spring Visit, newly admitted students attend a welcoming program at the school where they are provided information on financial aid, offered information about potential living accommodations, and are encouraged to select first-year roommates in order to decrease living expenses.
University of Missouri-Saint Louis' Class Mixer and Debt Management Program combines a day for the new class to become better acquainted, tour various housing options on campus, choose roommates, and meet as a group for a debt management program.

** This survey was conducted by the ASCO Financial Aid Officers, reported through members of the ASCO Board, and compiled by Ms. Paige Pence, ASCO's Director of Student and Professional Affairs. In 2008, at the time the survey was conducted by ASCO, the Financial Aid Administrators group included: Barbara Brown (University of Missouri-Saint Louis College of Optometry), Bryant Anderson (Illinois College of Optometry), Carol Rubel (New England College of Optometry), Cindy Garner (Southern College of Optometry), Cindy Vance (Indiana University), John Choppy (University of California - Berkeley), Lourdes M. Nieves (Inter American University of Puerto Rico), Lupe Ybarra (University of Houston), Mark Martin (University of Alabama at Birmingham), Nancy Wencl (Michigan College of Optometry at Ferris State University), Otto Reyer (Western University of Health Sciences), Paul Todd (Ohio State University), Larry McClure (Pennsylvania College of Optometry at Salus University), Sheila Gonsalves (Nova Southeastern University), Stacie Englund (Pacific University), Tami Sato (Southern California College of Optometry), Teri Cochran (Northeastern State University – Oklahoma College of Optometry), Vito Cavallaro (State University of New York).*

Orientation

Best practices in debt management continue at orientation when the new students matriculate. Many programs step up to the challenge of providing substantial information to entering students about loans and debt management and, perhaps more specifically, about average student debt. For example, during orientation at Northeastern State University-Oklahoma College of Optometry, students are encouraged to build a lasting and productive relationship with the NSU financial aid office prior to actual enrollment in the optometry program. Table 2 summarizes the elements that survey respondents include within a basic debt management program during new student orientation.

Table 2
Information Included in Basic Debt Management Programs at Orientation

How to avoid credit card debt and identity theft
How to minimize living expenses
Borrower's rights and responsibilities when signing promissory notes
Costs of books, equipment and supplies
Requirements and options for health insurance, disability insurance, liability insurance (if required for clinic privileges)
Procedures for crediting financial aid, processing e-funds, and loan returns
Importance of keeping a good credit report or score
How to stick to a budget during all four years of the program
How to build and use a spreadsheet for budgeting purposes
Services available to students for little to no charge, such as athletic facilities, student health center, student counseling center, and other options as available particular to the campus and surrounding areas

While in School

Survey respondents concurred that the best work with optometry students occurs while they are actually enrolled in the professional degree program. More information is provided, students are surveyed, one-on-one budgeting and repayment counseling continues, and specific advice is provided directly to the students. For example, Southern California College of Optometry suggests that one way to minimize debt is to replace loan debt with work wages that does not have to be repaid. Students with good time-management skills can usually fit in 10-20 hours of work in the Federal Work Study program. Work is promoted as a way of reducing overall indebtedness by $1,000 to even $7,500 during a year.

A number of survey respondents provided specific examples of ways in which they ensure that their students are financially savvy. Some programs are integrated directly within the optometric curriculum, while others are co-curricular in nature.

Programs that are integrated within the curriculum run the range from individual lectures incorporated into courses to complete classes on business-related topics. First-year students at University of Houston are given a lecture about credit scores and how to maintain good credit throughout life. Students at Michigan College of Optometry at Ferris State University are introduced to the concepts of budgeting and personal finance in the course Introduction to Optometry in their first year of the curriculum. Topics covered include budgeting (projecting income and projecting expenses; variable and fixed expenditures), future value of money, the personal balance sheet (net worth), and a little on investments (cash, stock, bonds and mutual funds). Students are required to do a personal budget for the first nine months of their first academic year.

NOVA Southeastern University College of Optometry (NOVA) provides a course titled "The Individual Plan for Practice Success," which focuses on the business of running an optometry practice and setting up and presenting a business plan. Students are required to consider their current financial situation and analyze the facts that surface, including projected monthly loan payments and estimated starting salary. Students must consider methods they will use to achieve financial success based upon the things they have learned in the class, such as creative financing, practice management and debt management.

The Business Management courses at The Ohio State University cover topics such as personal finance, budgeting, borrowing, modes of practice, and career decisions that may affect modes of practice. These courses also focus on the business of running an optometry practice and setting up and presenting a business plan.

A number of responding schools and colleges provide co-curricular activities in the form of seminars, workshops or supplemental series about finance. At the Pennsylvania College of Optometry at Salus University, Drs. Leon Johnson and Lawrence McClure developed a financial planning workshop targeted for first-year students. The workshop was developed in coordination with the National Medical Fellowship Foundation and was funded by a contract with Health and Human Services Bureau of Student Financial Assistance. The workshop is also licensed to the Association of American Medical Colleges and American Dental Education Association in conjunction with their Summer Medical and Dental Education Program (SMDEP) and is funded by a grant from the Robert Wood Johnson Foundation.

The Illinois College of Optometry sponsors a five-part mini-series on financial literacy that is presented each year for all students. Each session in the series is 20 minutes long. To promote student attendance, the sessions are scheduled immediately following a mandatory class in the same room. The topics include personal motivation, how to read credit reports, how to improve your credit scores, compound interest (friend or foe), savings strategies (building your net worth), and personal budgeting as a professional. The materials are presented in a PowerPoint presentation with handouts and homework at each session. Attendees are invited to continue discussions with staff later in the office.

The UAB School of Optometry also conducts co-curricular activities for its students. Several years ago, in an attempt to expose students to, and prepare them for, the reality of practice, an alumni/student mentoring program was initiated. The goal of this program is to provide optometry students the opportunity to hear individual experiences related to beginning a practice or entering an established practice.

Northeastern State University- Oklahoma College of Optometry has offered a debt management seminar to all students. The session covers details of monthly loan repayment based on the average debt of the last graduating class, how much discretionary income graduates have based on salary, taxes, living and debt projections, information about credit cards and budget tips.

NOVA also provides a debt management presentation at its Fourth Year Congress, a three-day period in November when the graduating students meet together as a whole for the last time before graduation. The close proximity to graduation ensures that students have the most up-to-date information at a time when they are beginning to think about loan repayment.

It should be noted that all programs' best practices include protecting students' privacy under the Federal Educational Rights and Privacy Act (FERPA).[12] Table 3 provides examples of best practices for enrolled students.

Table 3
Best Practices for Assisting Enrolled Students with Debt Management

Newsletters or e-mail messages covering financial aid topics such as educational tax credits, credit checks and tips on credit card use
Periodic updates on changes to financial aid regulations and lending practices
Dissemination of individualized student packages with award letter, entrance and exit interviews, informational pamphlets or brochures, consumer and financial literacy information
Ongoing reminders about how to reduce long-term debt
Individualized student reports on the total cost of attendance budget, the total indebtedness in the prior semester, and a calculation of projected debt based on a 10-year pay-off
Ongoing reminders to use money that does not have to be repaid, such as work study funding, scholarships and grants
Information about consolidation, income-based repayment, extended repayment plans and prioritization of loan repayments
A requirement for students to make a decision regarding the amounts for Subsidized and Unsubsidized Stafford loans (rather than packaging in the maximum eligibility)
Information about the National Student Loan Data System (NSLDS)[13] to encourage students to monitor their loans and track their debt

At or After Graduation

Loan summary sheets, required exit interviews, information about loan repayment, consolidation and deferment, forbearance and economic hardship are standard best practices as students are finishing their educational program. Information that is presented near the time of graduation may also include details regarding estimated monthly repayment amounts, grace periods, interest rates, and a grand total of what students will repay. It is helpful to provide contact information such as the lender code, address, phone number and Web address for each lender. Additionally, financial aid administrators provide students with information about current options for delaying or reducing repayment obligations when participating in a residency program. When a graduate experiences other situations (part-time employment, opening a practice, etc.) in which his or her present income makes repayment of student loans difficult, the financial aid administrator can provide information and advice on seeking options that provide an extended repayment period or forbearance.

In addition, most ASCO institutions provide supplemental support to students as they become alumni by providing employment contract discussions and other business processes during capstone or fourth-year final events. For example, UAB offers support from a faculty member who is both an optometrist and an attorney. His services are available at no charge to fourth-year students, residents, new graduates and alumni for consultations regarding practice agreements and contracts.

Conclusion

The results of the survey show that many methods are used to help optometry students minimize their borrowing and manage their debt. McClure cautions that too frequently discussion and debate on student indebtedness focuses in only one dimension. He advises that student indebtedness must be considered in a broader context wherein educational costs, financial assistance, student borrowing, loan repayment, projected incomes and individual choices all interact within a complex and dynamic environment.[14]

Results of this survey show that ASCO's member institutions are heeding McClure's advice. Repetition and a wide array of educational materials are provided that go beyond the loan history and repayment options. A complete financial literacy education includes important information in each year of the curriculum, at the time of graduation and as graduates begin practice.

ASCO institutions offer a wide range of assistance to optometry students to help them understand, and better manage, the debt load required for students enrolled in the year 2010 and beyond. This assistance extends from the basic understanding of the terms of their loans to financial literacy to keeping a watchful eye annually on their debt loads.

Helping students understand the process of acquiring debt and paying off personal debt before beginning their optometric education and sharing with students the complete cost of attendance are vital in their understanding of basic debt management principles. Financial aid administrators can utilize programs and materials that have been developed by the Department of Education or one of the Direct Loan designated servicers. Doing this will jump-start a new program or help re-invigorate an existing program while not having to create these materials anew. As a profession, financial aid administrators have always been willing to share their best practices.

A broader study of student debt among a variety of graduate programs delved deeper into the observation that high debt-to-income ratios cause dissatisfaction among borrowers. Baum found that unfulfilled expectations play a bigger role in dissatisfaction of graduates, in that low income levels seem to matter more that high debt levels.[15] Financial knowledge that goes beyond debt management will undoubtedly work to prevent this type of dissatisfaction among optometry graduates. Optometric financial aid administrators helping students manage their debt in school and conclude with successful repayment of educational loans is an important part of helping the profession of optometry become stronger than it already is today.

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