



Increasing Student Loan Literacy. Reduce Student Debt and Default Rates

GLOBAL IMPACT ARTICLE SERIES

As a college degree is becoming increasingly popular to earn, a large number of people are facing significant challenges in how to finance their education. College tuition rates are increasing every year, forcing many students to take out student loans. Free Application For Student Aid (FAFSA) is something every college student fills out, but not many truly understand how the process of student loan borrowing works. With a \$5,000 seed grant from the Dow Distinguished Awards competition, a University of Michigan (U-M) student team is researching the student debt problem and building a solution co-designed by students to meet their loan literacy needs.

“Student loans are a huge societal problem,” says Catalina Kaiyoorawongs, a graduate student at U-M studying business and education. This is a social sustainability project, as women hold two-thirds of all student loan debt. Michigan student loan default rates are higher than the national average, and women, especially women of color, are disproportionately affected by student debt.

The U-M team interviewed over 100 students at U-M, Wayne State University, and Washtenaw Community College who were pursuing degrees associated with a wide variety of professions. They wanted to understand what factors led them to attend college and choose their specific majors. The team wanted to evaluate the students’ financial situation in terms of paying for their education. They also interviewed financial aid officers at these institutions to gain an understanding of the student loan process from their perspective. Based on the information collected from their research and interviews, the team created an application to improve loan literacy.

USING DOUGH TO REDUCE STUDENT DEBT

The primary goal of the **Dough** web app is to reduce student debt burden and default rates. Students default on student loans when they stop making payments, which can lead to credit and legal issues. Dough creates a step-by-step plan to reduce each student’s debt burden and helps students understand how increased borrowing affects the length of time and amount of money they owe for payback.

The app was developed for two primary audiences: 1) college financial officers to help increase student loan literacy, and 2) students who can use the app to check on their loans at all stages of the financial process. “I want to change the way students deal with loans. I want them to feel empowered to make the right decisions, [especially] when it involves a life-altering decision at such a young age,” says Kaiyoorawongs.

The Dough web app was specifically designed to help students fully understand the impact of their student loan borrowing decisions, from long-term financial burden to credit challenges. Dough provides personalized messages and serves as a user-friendly interactive tool to allow students to make informed student loan choices.

“Two Master of Science in Information students are working with me on the design and thought process,” says Kaiyoorawongs. “They are leading interviews with employers and Human Resources consultants to help us optimize the repayment feature.”



CHALLENGES

“One of the main challenges our team encountered was getting people on board with such a new development,” says Kaiyoorawongs. “Speaking about financial matters is a cultural challenge in the United States (US) because it perpetuates inequalities. People do not like discussing how much money they earn and what they pay in monthly expenses.”

The new app offers a comprehensive solution that engages members across the university spectrum and provides avenues for business development because student debt affects university retention and tuition rates. “There were also barriers with financial aid departments because they did not want to provide financial aid information willingly,” says Kaiyoorawongs.

NEXT STEPS

The U-M team hopes to launch the Dough app throughout colleges and universities in the State of Michigan and eventually implement it in all colleges and universities in the nation. After successfully completing its initial work, the team received an additional \$40,000 in the form of a Large Grant from the Dow Sustainability Fellows Program. The funding supported further development of the app repayment facilitation function, allowing the pilot cohort to experience all features of the app.

“We plan to launch the beta in March of 2019,” says Kaiyoorawongs. “I have big ideas and plans for Dough. I want to push the US Department of Education to create an inclusive loan literacy program, from borrowing to repayment. I want this process to incorporate all people. I want to make a difference in the lives of every student.”

“The additional funding from the Dow [Fellows Program] allowed us to contract a developer to really accelerate the development of the Dough app. We are extremely thankful for the support, and we couldn’t be going in the direction we are without the support from Dow.”



PROJECT TEAM

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- Lauren Elbaum, School of Information
- Victor Poon, Ross School of Business

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- Jeff Sinclair, School of Business

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- [DDA projects page](#)
- [Masters projects page](#)

SUSTAINABLE DEVELOPMENT GOALS



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