

# Test Formal Pilot Study of *Student Loan App*

## Materials Required

- ✓ iPhone and Android phone with the app installed on them
- ✓ Handouts for each subject

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Briefly demonstrate how the app works.

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Six months after students graduate college, they will be required to start repaying their student loans, if any, and to do so on a monthly basis; the purpose of this study is to help students start thinking about that. <sup>focal point</sup> Students will be asked questions like “What is your cost of tuition?” “How much does it cost to earn your degree?” “How much money can you afford to pay back each month?” and “How long will it take to pay the government back?” They will be asked to answer some of these questions without using the app and some with using the app.

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Provide handouts and smartphones.

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This exercise should take no more than 10 minutes to complete.

Please get started. If you have any questions, feel free to ask me. You do not need to use real numbers, but at least use numbers that are reasonable. Calculators are permitted. You can work in groups, as well, if you wish. You can also round your answers. “Matriculated” means to be enrolled in a degree program (e.g., business management).

# App Overview

## Android Main Screen

Loaned (\$)

20,000 30,000

APR ☐

4.66% - Direct Loan ▼

Pay Monthly (\$)

— 77.67 +

Minimum

Est. Payoff Time 197 year(s)  
10 month(s)

Est. Saving (\$) 0

## Android Mathematics Screen

Loaned = \$20000.00  
APR = 4.66%  
 $\div 12 = 0.38833\%$  monthly  
 $\div 100 = 0.00388$  monthly  
Pay = \$77.67 monthly

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Remaining Balance Each Month

$20000.00 + (20000.00 \times 0.00388) - 77.67 = 19999.99$
$19999.99 + (19999.99 \times 0.00388) - 77.67 = 19999.98$
$19999.98 + (19999.98 \times 0.00388) - 77.67 = 19999.97$
keep going until
$48.44 + (48.44 \times 0.00388) - 48.62 = 0.00$

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Estimated Payoff Time

$2374 \div 12 = 197$  year(s)  
 $2374 - (197 \times 12) = 10$  month(s)

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Estimated Savings (\$)

$(2373 \times 77.67) + 48.62 = \$184359.53$  total paid  
 $184359.53$  (if pay min) -  $184359.53 = \$0.00$  save

The iOS app looks virtually identical to the Android app and behaves similarly. Whenever one moves the thumb of the Loaned (\$) slider/seekbar, presses on the thumb of the APR switch, selects a different percentage, or clicks on either the minus or plus button, the Pay Monthly (\$), Est. Payoff Time and Est. Saving (\$) amounts are automatically updated. One can swipe leftward to view the mathematics and swipe rightward to return to the main screen. One can reset the Pay Monthly (\$), Est. Payoff Time and Est. Saving (\$) amounts by moving the thumb of the slider/seekbar, pressing the thumb of the switch, or selecting a different percentage. 3.76% is the Direct Loan rate for July 1, 2016 to June 30, 2017. The build is 1.x (x), an alpha build.

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## Discussion

Directions: please answer the following questions

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1. What is your cost of tuition? (excluding fees) \$ \_\_\_\_\_

Use the following chart to help you:

TUITION RATES (as of FALL 2015)	Full Time 12-18 credits/ equated credits	Part-Time
<b>Residents of New York City who are:</b>		
Matriculated Students	\$2400 per semester	\$210 per credit
Non-Matriculated Students	\$265 per credit	\$265 per credit
<b>Non-Residents of New York City who are:</b>		
Residents of New York State with B-81 on file	\$2400 per semester	\$210 per credit
Residents of New York State without B-81 on file	\$320 per credit	\$320 per credit
Out-of-State Residents	\$320 per credit	\$320 per credit
International Students	\$320 per credit	\$320 per credit
Non-Matriculated Students	\$420 per credit	\$420 per credit

**Source:** <http://www.bmcc.cuny.edu/bursar/page.jsp?pid=1001&n=Tuition%20&%20Fees%20Per%20Semester>

2. How much does it cost to earn your degree? (excluding fees) \$ \_\_\_\_\_

*Assume you borrow money from the government to pay for your degree. Six months after you graduate college, you will be required to start paying the government back on a monthly basis.*

3. How much money can you afford to pay back each month? \$ \_\_\_\_\_

4. How long will it take to pay the government back? (excluding interest) \_\_\_\_\_ year(s)

\_\_\_\_\_ month(s)

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## Discussion using App

Directions: please share the Android phone or iPhone app together, and answer the following questions

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*The cost to earn an undergraduate degree is normally between \$20,000 and \$30,000.*

- ❖ *Use the slider/seekbar to select an estimate nearest to yours.*
- ❖ *Select your interest rate; if you are unsure, choose 4.66%.*
- ❖ *Select a monthly payment nearest to yours.*

5. How long will it take to pay the government back? (including interest) \_\_\_\_\_ year(s)

\_\_\_\_\_ month(s)

6. Comparing #4 with #5, which takes longer? Why? \_\_\_\_\_

7. Reduce your monthly payment to the minimum. You *can* negotiate with lenders, but do you see why lenders set time limits, typically 10 years? (yes/no) \_\_\_\_\_

8. How much can you save by paying more? (round to nearest dollar) \$ \_\_\_\_\_

9. Continually increase your monthly payment. Do you rapidly save more money? (yes/no) \_\_\_\_\_

10. How much should you pay monthly, in order to pay the government back in a reasonable amount of time?

\$ \_\_\_\_\_

(Time-permitting and as a bonus, the researcher asked participants whether they save money if they are not charged interest. Why or why not? Easter egg: Swipe to the left.)

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## Feedback Form

Directions: please be as descriptive as possible

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How would you improve the app and its associated course material?