

SF998 - 0 - Student Loan Advocate

Chief Author: **Tou Xiong**
 Committee: **Commerce And Consumer Protection**
 Date Completed: **2/8/2023 12:01:55 PM**
 Agency: **Commerce Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	197	197	197	197	197
Total	-	197	197	197	197	197
Biennial Total			394			394

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	1	1	1	1
Total	-	1	1	1	1

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 2/8/2023 12:01:54 PM
Phone: 651-296-6055 **Email:** karl.palm@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	197	197	197	197	197
Total	-	197	197	197	197	197
Biennial Total			394			394
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	197	197	197	197	197
Total	-	197	197	197	197	197
Biennial Total			394			394
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

HF1243-0 establishes a student loan advocate at the Department of Commerce to provide assistance to borrowers within the requirements of Minnesota Statutes Chapter 58B. The bill outlines nine duties for the advocate that include areas around: complaint resolution, data analysis, borrower education, analyzing and recommendations around laws, regulations and borrower problems, and public awareness. The advocate has to establish a borrower education course and complete a biannual report to various legislative committees.

Assumptions

The department assumes:

- 1) The duties of the advocate are separate and distinct from current positions at Commerce related to regulatory examinations or enforcement investigations of student loan servicers.
- 2) The duties will require someone with moderate to high knowledge and experience of student loans programs and requirements, as well as knowledge and experience in developing educational content.
- 3) The advocate will handle complaints from a number of different sources:
 - According to the Consumer Finance Protection Bureau (CFPB) Consumer Complaints Database, in the five years from February 2015 to February 2020 before the pause on federal student loan payments during COVID, there were 763 complaints related to student loans filed by consumers listing a Minnesota address. This is an average of just over 150 complaints per year. Assume 50% of those complaints also come to Commerce.
 - The most recent report from the Federal Student Aid Ombudsman showed national cases of close to 50,000 per year, with last year doubled due to the limited Public Student Loan Forgiveness program waiver. 57% of cases related to issues with loan repayment. Estimating based on Minnesota's proportion, this is around 500 cases a year. Assume 50% of these complaints also come to Commerce.
 - The Minnesota Office of Higher Education (OHE) receives around 250 complaints a year related to SELF loans. Assume closer to 90% of those complaints come to Commerce because the department would request OHE to send these complaints to Commerce so they are handled consistently.
 - The State of Washington's student loan advocate reported an average of 450 complaints and questions per year in 2019 and 2020.
 - The department's assumptions would result in over 500 complaints per year and the position would handle non-enforcement investigations.

- In addition to handling a large volume of direct complaints, this position would compile and analyze data on borrower complaints received; help borrowers understand the rights and responsibilities under the terms of student loans; provide information to the public, state agencies, legislators, and relevant stakeholders regarding the problems and concerns of borrowers; make recommendations to resolve the problems of borrowers; analyze and monitor the development and implementation of federal, state, and local laws, regulations, and policies relating to borrowers, and recommend any changes deemed necessary; review the complete student loan history for any borrower who has provided written consent to conduct the review; increase public awareness that the advocate is available to assist in resolving the student loan servicing concerns of potential and actual borrowers, institutions of higher education, student loan servicers, and any other participant in student loan lending; and take other actions as necessary to fulfill the duties of the advocate.

4) Based on the assumptions and comparing the duties to other positions within Commerce, the duties equate most closely to one FTE at a State Program Administrator Coordinator level.

Expenditure and/or Revenue Formula

SPA Coordinator - 1FTE

Training and travel - \$8,000 per year

Communications - \$20,000 per year for a public engagement campaign

	FY24	FY25	FY26	FY27
Salary	\$103,419	\$103,419	\$103,419	\$103,419
Fringe	\$31,026	\$31,026	\$31,026	\$31,026
Other Employee Costs	\$34,922	\$34,922	\$34,922	\$34,922
Total Employee Costs	\$169,366	\$169,366	\$169,366	\$169,366
Training and travel	\$8,000	\$8,000	\$8,000	\$8,000
Public outreach	\$20,000	\$20,000	\$20,000	\$20,000
Total	\$197,366	\$197,366	\$197,366	\$197,366

Long-Term Fiscal Considerations

The costs are on-going.

Local Fiscal Impact

References/Sources

Minnesota Office of Higher Education - Student Loan Manager

<https://www.consumerfinance.gov/data-research/consumer-complaints/>

<https://www2.ed.gov/about/reports/annual/2022report/fsa-report.pdf>

Agency Contact:

Agency Fiscal Note Coordinator Signature: Amy Trumper
Phone: 651-539-1517

Date: 2/7/2023 12:56:03 PM
Email: amy.trumper@state.mn.us