

SF 1611 | HF 2061

Expand Student Loan Repayment Counseling

IMPACT OF STUDENT LOAN DEBT ON BORROWERS AND MINNESOTA'S ECONOMY

Student loans help borrowers achieve educational and career goals but can also have long-term negative effects on financial stability and mental well-being. **In Minnesota, 775,700 residents are student borrowers, and the average balance per borrower is \$34,292.¹**

Student loan payments leave less capacity for borrowers to cover other expenses, including rent, household bills, and investments in their future. If a borrower becomes delinquent on their payments, their credit scores can be negatively impacted resulting in obstacles to finding housing, employment, and securing insurance. In 2019, the Minnesota legislature established a grant program to provide individual student loan debt repayment counseling to borrowers who are Minnesota residents through an appropriation of \$400,000 per biennium.

2025 Proposal

More student loan borrowers are seeking support than current funding allows. For 2025, we recommend increasing the appropriation to \$500,000 per biennium to support 500 more Minnesotans in overcoming their debt, achieving financial wellness and contributing to our state's economy.

Impact of Student Loan Repayment Counseling

According to LSS' most recent data, 94% of clients who agree to an annual credit report pull avoided loan default for at least one year after receiving counseling and 82% increased their credit score after one year. In addition, 60% of clients who complete a survey 3 months after counseling report their student loan payments are now more affordable.

¹ Student Loan Debt by State [2024]: Average + Total Debt

Lutheran Social Service Financial Counseling serves 14,000 families each year, primarily in Minnesota, from all income levels, with budget and debt counseling, credit report coaching, student loan counseling, debt management plans, foreclosure prevention, and housing counseling.



LUTHERAN SOCIAL SERVICE
OF MINNESOTA

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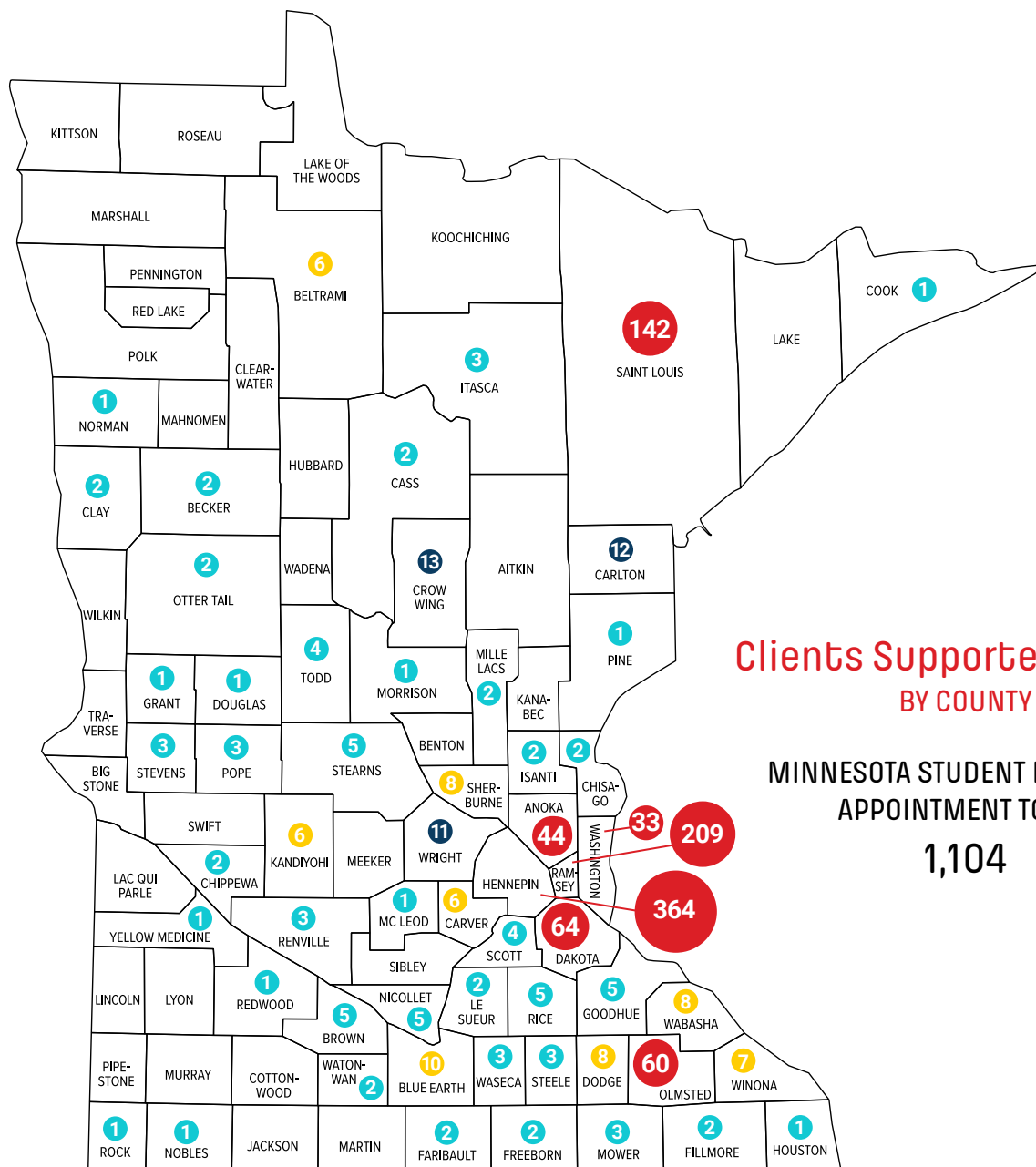
Success Stories

In 2024, LSS counseled 1,104 Minnesotans across 58 counties on student loan repayment. LSS Student Loan Counselors work with clients to help them understand their repayment options, from getting back on track with their loan payments to paying them off within a period of time. Below are a few stories of real clients who benefitted from Student Loan Counseling.

Client A had a mix of private student loans, federal student loans and other unsecured debt. His goal was to pay off the debt as quickly as possible. The LSS counselor and client developed a realistic budget that could fit accelerated payments to allow the client to pay off his debt within his timeframe goal.

When **Client B's** student loan and other debt payments increased, she worked with LSS to develop a Debt Management Plan. The DMP reduced her interest rates by 12% and lowered her monthly payments, allowing her to pay a higher monthly amount toward her student loan debt and keep her loans -- and credit -- in good standing.

Clients C and D met with a student loan counselor to review their overall loan situation and options as they were preparing to buy a home. Their student loan counselor taught them how to budget, save and prepare to buy a home. Student loan counseling helped reassure them that they were on the right track.



Clients Supported in 2024
BY COUNTY

MINNESOTA STUDENT LOAN 2024
APPOINTMENT TOTAL:
1,104