



Student Loan Debt Counseling Grant Program Annual Report

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About the Office of Higher Education

The Minnesota Office of Higher Education is a cabinet-level state agency providing students with financial aid programs and information to help them gain access to postsecondary education. The agency also serves as the state's clearinghouse for data, research and analysis on postsecondary enrollment, financial aid, finance and trends.

The Minnesota State Grant Program is the largest financial aid program administered by the Office of Higher Education, awarding more than \$210 million annually in need-based grants to Minnesota residents attending eligible colleges, universities and career schools in Minnesota. The agency oversees other state scholarship programs, tuition reciprocity programs, a student loan program, Minnesota's 529 College Savings Plan, licensing and early college awareness programs for youth.

About This Report

This is a legislative-mandated report. As requested by Minnesota Statutes, section 3.197, this report cost approximately \$1,308.43 to prepare, including staff time.

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Executive Summary

The Student Loan Debt Counseling (SLDC) Grant Program was created by the 2019 Minnesota legislature, effective July 1, 2020. [Minnesota 2019 Session Laws, Chapter 64, Subd. 36](https://www.revisor.mn.gov/laws/2019/0/64/)¹ directed the Commissioner of the Minnesota Office of Higher Education (OHE) to “to provide a grant to a Minnesota-based nonprofit qualified debt counseling organization to provide individual student loan debt repayment counseling to borrowers who are Minnesota residents concerning loans obtained to attend a postsecondary institution.”

In fiscal years 2020-2022, \$200,000 per year of each biennium was allocated to fund the program, with no more than three percent of the appropriation to administer the program. This report includes information on the development of the SLDC grant program, fiscal year 2020-2022 program results, a complete list of funded programs, and next steps to further support students with loan debt counseling.

Key takeaways are:

- There is an important and ongoing need for student loan debt counseling.
- Covid-19 significantly impacted student loan borrowers and systems. During the pandemic, public student loan payments were deferred through August 2022, and student loan debt forgiveness was introduced in Fall 2021; borrowers also needed help navigating these programs.
- Based on the identified legislative criteria, Lutheran Social Services (LSS) is the only organization to apply for the grant, and the legislature granted permission to extend funding to LSS for FY 2022-23 without a competitive process.

¹ <https://www.revisor.mn.gov/laws/2019/0/64/>

Student Loan Debt in Minnesota

The Office of Higher Education collects graduate debt data from Minnesota institutions eligible to participate in a Minnesota-funded financial aid program to measure how much students borrow to fund their postsecondary education. On average, loans made up just under one-third of Minnesota undergraduate students' financial aid in 2021, for a total of roughly \$890 million ².

The following outlines the percentage of student loan debt holders and average cumulative median debt for Minnesotans ranging from 2019-2021:

| Award Type | Year | Award Recipients | Number of Graduates with Loans | Percent of Graduates with Loans | Average Cumulative Median Debt |
|-------------------------------|------|------------------|--------------------------------|---------------------------------|--------------------------------|
| Sub-Baccalaureate Certificate | 2019 | 10,511 | 4,817 | 46% | \$10,286 |
| | 2020 | 9,587 | 4,326 | 45% | \$10,112 |
| | 2021 | 9,459 | 4,105 | 43% | \$9,912 |
| Associate Degree | 2019 | 16,702 | 9,401 | 56% | \$15,562 |
| | 2020 | 15,583 | 8,451 | 54% | \$15,175 |
| | 2021 | 16,894 | 8,858 | 52% | \$15,215 |
| Bachelor's Degree | 2019 | 30,696 | 20,050 | 65% | \$24,641 |
| | 2020 | 30,273 | 19,684 | 65% | \$24,793 |
| | 2021 | 30,703 | 19,373 | 63% | \$23,858 |
| Master's Degree | 2019 | 10,548 | 5,730 | 54% | \$36,996 |
| | 2020 | 10,219 | 5,583 | 55% | \$37,336 |
| | 2021 | 10,153 | 5,517 | 54% | \$35,110 |
| Graduate Certificate | 2019 | 199 | 107 | 54% | \$28,416 |
| | 2020 | 210 | 120 | 57% | \$31,922 |
| | 2021 | 904 | 343 | 38% | \$25,844 |
| Doctoral Degree | 2019 | 1,219 | 408 | 33% | \$63,977 |
| | 2020 | 1,162 | 428 | 37% | \$56,622 |
| | 2021 | 1,250 | 422 | 34% | \$63,879 |
| First Professional Degree | 2019 | 1,357 | 1,087 | 80% | \$143,912 |
| | 2020 | 1,419 | 1,039 | 73% | \$145,674 |
| | 2021 | 1,542 | 1,197 | 78% | \$155,074 |

² [Cumulative Median Student Loan Debt in Minnesota, 2018-2019 Academic Year \(state.mn.us\)](http://www.ohe.state.mn.us/pdf/CumulativeDebt_2020_Prelim.pdf)
(http://www.ohe.state.mn.us/pdf/CumulativeDebt_2020_Prelim.pdf)

Grant Program Development

Piloted in 2015 with Lutheran Social Services, the Student Loan Debt Counseling (SLDC) Grant Program was officially launched by the 2019 Minnesota legislature, effective July 1, 2020.

FY 2020 Request for Proposals and Timeline

The initial current grant cycle, FY 2020, request for proposals (RFP) timeline was as follows:

| | |
|-------------------|--|
| November 20, 2019 | Request for Proposals available to applicants |
| December 16, 2019 | Technical Assistance Session for interested applicants |
| January 6, 2019 | <u>Deadline for receipt of proposal</u> |

Proposal Evaluation

An OHE internal committee evaluated proposals based on the following criteria:

a. Eligibility

Provide information on services for individual student loan counseling to Minnesota residents experiencing financial difficulties in repaying their student loans. Provide services to help borrowers delinquent on their student loans to understand their loan and repayment options, manage loan repayment, and develop a workable budget based on the borrower's full financial situation regarding income, expenses, and other debt.

To be eligible to participate in the Student Loan Debt Counseling Grant Program, a qualified debt counseling organization must:

- (1) have experience in [and show proof of] providing individualized student loan counseling;*
- (2) employ [and provide documentation of] certified financial counselors; and*
- (3) be based in Minnesota and have offices at multiple rural and metropolitan area locations in the state to provide in-person counseling*

In fiscal year (FY) 2020, only one organization applied to receive the funds based on stated criteria: Lutheran Social Services (LSS). They submitted a proposal requesting \$388,000. An internal review committee assessed their proposal and OHE awarded these funds to LSS.

In fiscal year 2021, utilizing the authority provided under 136A.1788, the Office of Higher Education extended funding to LSS through FY 2023. without requiring a competitive process

The following describes the development of the Student Loan Debt Counseling grant program, summarizes FY20-22 program results, and outlines recommended next steps for the program.

Fiscal Year 2020-2022 Funded Program and Outcomes

Grantee Overview and Program Summary

***Student Loan Debt Counseling Program, Lutheran Social Services, \$388,000
Saint Paul, MN***

Lutheran Social Service of Minnesota (LSS) is uniquely poised as the largest nonprofit provider of financial counseling and financial education in Minnesota with eleven service sites. Through phone counseling and internet-based services, LSS provides budget and debt counseling, credit report review, student loan debt counseling, foreclosure prevention, financial education, and/or DMPs to more than 10,000 families annually.

LSS Financial Counseling provides student loan debt counseling to all borrowers who are Minnesota residents, with focused outreach to borrowers who are 30 to 60 days delinquent. LSS Financial Counseling provides counseling that addresses each borrower's complete financial situation, financial literacy gaps, deep budgeting, overall options related to income and expenses, all debts (including housing and credit card debt), and all student loans and individual repayment options. LSS certified financial counselors help borrowers develop an action plan that includes long-term sustainable changes in financial behavior and practices as well as a plan to get current with student loan payments. The goal of LSS services is to provide two counseling sessions to at least 75 percent of borrowers receiving counseling.

Grant Program Outcomes

COVID-19 impacted and influenced this program from its beginning, from the "stay at home" order in early 2020, to student loans going into forbearance December 2020-August 2022.

In 2020, many student loan borrowers were focused on responding to immediate crises, such as lost employment, illness, and adjusting their living situation to protect vulnerable family. Initially, and for many months, LSS saw a dramatic drop in demand for their services. To protect the health of counselors, staff, and borrowers, they adjusted services and operations so that all counselors and staff could work from home, and student loan counseling could occur over the phone.

LSS conducted a number of outreach activities in an effort to reach student loan borrowers and inform them about available counseling services. Outreach included blog posts, mailings including flyers and panel cards to metro area community and technical colleges and other community partners, Facebook ads, posted articles on social media and the LSS website, and collecting testimonials from clients to share.

Since the introduction of the Public Service Loan Forgiveness (PSLF) waiver in Fall 2021, LSS has seen a significant increase in demand for student loan counseling, as student loan borrowers are seeking information and guidance navigating the PSLF process.

From 2020-22, LSS Financial Counseling proposed performance measures tracking borrowers, staff/counselors, and the impact of services. Those outcomes are as follows:

| Updates On Each of The Anticipated Outcomes Outlined in The Work Plan | March-November 2020 | September 2021-June 2022 |
|--|----------------------------|---------------------------------|
| a) the number of borrowers served | 422 | 822 |
| b) the number of participants who brought their loans into good standing | 32 | 34 |
| c) the number of borrowers who developed a monthly budget plan | 422 | 822 |
| e) the number of credit reports pulled | 404 | 817 |
| f) the number of certified staff serving as counselors | 15 | 11 |
| g) number of completed surveys by former participant borrowers | 70 | 41 |

Data was not collected starting December 2020 due to student loans going into forbearance per the federal government. Data collection resumed in September 2021 upon the launch of Public Service Loan forgiveness.

Future Recommendations and Conclusion

As Lutheran Social Services (LSS) is the only organization specifically suited to do this work according to the criteria set out in this grant program, we recommend changing this appropriation to a legislatively named model with LSS as the named grantee. This will also minimize administrative resources to run a competitive process with only one applicant, as well as create more time to support this grantee in their work.

Student loan debt counseling is a much-needed program. Student loans and student loan debt are current and pressing issues for many Minnesotans, between the reinstatement of loan payment requirements, as well as the recent federal loan debt relief policies. The need for assistance for borrowers will remain if not increase in the future.



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