



Student Debt Loan Counseling 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 \$224 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 \$433.09 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/>) 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 2024-2025, \$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 2024-2025 program results, a complete list of funded programs, and next steps to further support students with loan debt counseling.

Per statute requirements (see Appendix A) the Minnesota Office of Higher Education submits this report by February 1 of the second year of each grant award to committees in the legislature with jurisdiction over higher education finance. The report includes, at minimum, grant program outcomes.

Introduction

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.

Fiscal Year 2024 Request for Proposals and Timeline

The Fiscal Year 2024-2025 grant cycle request for proposals (RFP) timeline was as follows:

June 9, 2023	Request for Proposals available to applicants
June 30, 2023	Technical Assistance Session for interested applicants
July 14, 2023	Deadline for receipt of proposals

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 FY24, only one organization applied to receive the funds based on stated criteria: Lutheran Social Services (LSS). They submitted a proposal requesting \$388,000 over two years. An internal review committee assessed their proposal and OHE awarded these funds to LSS.

The following describes the development of the Student Loan Debt Counseling grant program, summarizes FY24-25 program results, and outlines recommended next steps for the program.

Fiscal Year 2024-2025 Funded Program and Outcomes

Grantee Overview and Program Summary

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

From Grantee Proposal:

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.

Grant Program Outcomes

From Grantee Report:

LSS Financial Counseling provides one-on-one student loan debt counseling to borrowers who are Minnesota residents either in person, over the phone, or via Microsoft Teams as appropriate for the borrower. Student loan repayment and forgiveness options have been ever changing coming out of COVID forbearance times and their counselors have had to stay up to date with changes and deadlines

for various programs such as Public Service Loan Forgiveness (PSLF) waivers, new payment programs such as Saving On A Valuable Education (SAVE), and many lawsuits for final decisions on some of these changes. Since the introduction of the Public Service Loan Forgiveness (PSLF) waiver in October 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. They have also seen an increase in borrowers looking for clarification on repayment options now that the COVID forbearance is over and repayment has begun for most borrowers.

Many Dept of Education changes were announced between 2023 and current – this includes but is not limited to:

- The Department of Education recently took over PSLF tracking
- Current lawsuit against the SAVE (Saving on A Valuable Education) Plan began summer 2024
- Public Service Loan Forgiveness (PSLF) limited waiver was in effect from October 1, 2021 – June 30, 2024
- Automatic Total and Permanent Disability Discharge regulations
- The Sweet vs. Cardona Lawsuit was settled and borrowers that were in the automatic decision group were permanently discharged January 2024
- The Income Driven Repayment account adjustment has been extended and be completed by September of 2024
- The Joint Consolidation Separation Act was passed and awaiting for actual application to be released later in 2024
- The one-time cancellation was turned down by the Supreme Court in summer of 2023

LSS Financial Counseling proposed performance measures tracking borrowers, staff/counselors, and the impact of services. Progress for those outcomes from September 1, 2023, through June 30, 2024 are as follows:

Updates on each of the anticipated outcomes outlined in the work plan	Result
a) the number of borrowers served	730
b) the number of participants who brought their loans into good standing	49 clients brought into good standing, most clients we're seeing are current
c) the number of borrowers who developed a monthly budget plan	730
d) the number of counseling sessions completed	1,205
e) the number of credit reports pulled	730
f) the number of certified staff serving as counselors	8
g) number of completed surveys by former participant borrowers	37

ANTICIPATED OUTCOME: LSS Financial Counseling proposes the following performance measures:	Result
1) LSS will conduct 2,129 student loan debt counseling sessions with 1,217 Minnesota borrowers.	Total appts: 1,205 730 1st 475 2nd
2) 80% of participating borrowers will increase knowledge and/or adjust personal behaviors to feel confident with the options available to them for repaying their student loan debt.	84% agree
3) 80% of participating borrowers will avoid loan default for at least one year after receiving counseling and feel confident in their ability to repay their student loan debt.	**94% avoided default
4) 25% of participating borrowers will report payments are more affordable one year after receiving counseling.	60% of clients that completed survey report more affordable payment. No data for one year later, but we survey 3 months after counseling.
5) 90% of participating borrowers will develop a realist individualized monthly budget plan.	95%
6) 100% of appointments will have the opportunity to obtain a credit report.	100%
7) 25% of participating borrowers will increase their credit score by one year after counseling	**82% of clients that agree to the annual credit report pull increase their score after one year

**These data points are historical. Of the clients that agree to the annual credit report pull, 94% avoid default and 82% see an increase in credit score.

Appendix A: Copy of Statute

Laws of MN 2024

136A.1788 Student Loan Debt Counseling.

Subdivision 1. **Grant.**

A program is established under the Office of Higher Education 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. The number of individuals receiving counseling may be limited to those capable of being served with available appropriations for that purpose. A goal of the counseling program is to provide two counseling sessions to at least 75 percent of borrowers receiving counseling.

The purpose of the counseling is to assist borrowers to:

- (1) understand their loan and repayment options;
- (2) manage loan repayment; and
- (3) develop a workable budget based on the borrower's full financial situation regarding income, expenses, and other debt.

Subd.2. **Qualified debt counseling organization.**

A qualified debt counseling organization is an organization that:

- (1) has experience in providing individualized student loan counseling;
- (2) employs certified financial counselors; and
- (3) is based in Minnesota and has offices at multiple rural and metropolitan area locations in the state to provide in-person counseling.

Subd.3. **Grant application and award.**

(a) Applications for a grant shall be on a form created by the commissioner and on a schedule set by the commissioner. Among other provisions, the application must include a description of:

- (1) the characteristics of borrowers to be served;
- (2) the services to be provided and a timeline for implementation of the services;
- (3) how the services provided will help borrowers manage loan repayment;
- (4) specific program outcome goals and performance measures for each goal; and

(5) how the services will be evaluated to determine whether the program goals were met.

(b) The commissioner shall select one grant recipient for a two-year award every two years. A grant may be renewed biennially.

Subd.4. Program evaluation.

(a) The grant recipient must submit a report to the commissioner by January 15 of the second year of the grant award. The report must evaluate and measure the extent to which program outcome goals have been met.

(b) The grant recipient must collect, analyze, and report on participation and outcome data that enable the office to verify the outcomes.

(c) The evaluation must include information on the number of borrowers served with on-time student loan payments, the number who brought their loans into good standing, the number of student loan defaults, the number who developed a monthly budget plan, and other information required by the commissioner. Recipients of the counseling must be surveyed on their opinions about the usefulness of the counseling and the survey results must be included in the report.

Subd.5. Report to legislature.

By February 1 of the second year of each grant award, the commissioner must submit a report to the committees in the legislature with jurisdiction over higher education finance regarding grant program outcomes.



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