Smart Growth Webinar

November 5, 2019, 2:00-3:00 pm EST

Today’s Topic:

Innovation in Student Loan Counseling
Welcome

Spectra Myers
Associate Director, Applied Research
Prosperity Now
Housekeeping

- This webinar is being recorded and will be mailed to registrants and available online within one week.
- All webinar attendees are muted to ensure sound quality.
- Ask a question or share your thoughts anytime by typing into the text box of your GoToWebinar Control Panel.
- If you experience any technical issues, email gotomeeting@prosperitynow.org.
Getting the Most Out of Today’s Call

- Join from a **quiet space**
- Grab a **coffee** or snack and settle in
- **Engage!** Send us your questions and comments as you listen
- **Reflect** on ways to apply what you learn today to your own work
Prosperity Now’s mission is to ensure everyone in our country has a clear path to financial stability, wealth and prosperity.
Today’s Agenda

✓ Warm-Up and Topic Introduction
✓ Student Loan Counseling: One Agency’s Experience
✓ Q&A
✓ Discussants Compare and Contrast Experience
✓ Group Discussion
✓ Next Steps & Close
Today’s Facilitators

Spectra Myers
Associate Director, Applied Research
Prosperity Now

Shenell Thompson
CEO and Founder
Brick by Brick Consulting
Median student loan debt has increased 23% since 2010.

- 2008: $13,656
- 2018: $18,366

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15.2% of US student loan borrowers have severely delinquent debt

SEVERELY DELIQUENT BORROWERS

- Credit Card Debt: 8.8%
- Auto Debt: 7.3%
- Mortgage Debt: 1.3%
- Student Loan Debt: 15.2%
- Total Debt: 14.8%
78 Outcome Measures
26 Disaggregated by Race, 52 Overall
Disaggregated data by disability status, gender, and income

28 Policy Measures

https://scorecard.prosperitynow.org/
Evolution of Credit Counseling

1951
- Reduce Debt
- Provide Financial Education
- Avoid Bankruptcy

1970s
- Increase in agencies
- Consumer debt increased
- Debt Management Programs

2006
- Housing Crisis
- Foreclosure Counseling
- Bankruptcy Counseling

Present
- Student loan debt
- Reverse Mortgages
Student Loan Counseling: One Agency’s Experience

Lisa Terry
Financial Pathways of the Piedmont
Winston-Salem NC
## History of Student Loan Counseling

<table>
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<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>1986</td>
<td>The Higher Education Act amendments of 1986 added an exit counseling mandate, requiring that each eligible institution shall, through financial aid officers or otherwise, make available exit counseling for borrowers of loans. This was the first statutory mandate for exit counseling.</td>
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<td>1989</td>
<td>The Department of Education issued comprehensive default reduction regulations, requiring schools to provide students with additional loan counseling and to take specific steps to reduce loan defaults.</td>
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<td>1998</td>
<td>Amendments to the Higher Education Act clarified that using electronic means to provide personalized exit counseling is not prohibited.</td>
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  · Added entrance counseling requirements for all colleges,  
  · Encouraged the use of interactive programs for testing the borrower’s understanding of the terms and conditions of the borrower’s loans, and  
  · Clarified that lenders could provide counseling for schools. |
Student Loan Counseling Certification

- National Foundation for Credit Counselors established in 1951

- Member agency since 1972 when we were established (formerly known as Consumer Credit Counseling Service of Forsyth County, Inc.)

- NFCC Members must be accredited by the Council on Accreditation (COA)

- NFCC Student Loan Certification program implemented in 2016
## Pros and Cons of Student Loan Counseling: One Agency’s Experience

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<tr>
<th>Pros</th>
<th>Cons</th>
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<tr>
<td>▪ Provide accurate information they may not otherwise receive from servicers</td>
<td>▪ Clients respond to triggered event versus proactive approach</td>
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<td>▪ More resources and information available to assist clients</td>
<td>▪ Limited funding sources available</td>
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<td>▪ Increase level of knowledge for counselors</td>
<td>▪ Challenging work; see the writing on the wall</td>
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<td>▪ Intentional in every session for holistic sessions</td>
<td>▪ Generational effects</td>
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<tr>
<td>▪ Advocate for clients</td>
<td>▪ Further increases racial wealth gaps</td>
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<td></td>
<td>▪ Long term debt with no guarantees</td>
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Student Loan Counseling: One Agency’s Experience

**Challenges**
- Non-profit (minimal) fee for service issues – advocate groups promote fees are scammers
- Getting ahead of student loan debt
- Education planning must start EARLY
- Secondary education no longer age specific
- Entrance and Exit counseling at colleges and universities is not proving to be successful
- Student loan debt disparities among low income people of color; especially women with children

**Areas of Innovation**
- Federal Policies need to be changed
- Barrage of repayment options
- Narrative needs to change regarding college education versus trade school
- Student loan debt skyrocketed after 2010 when program changed to DIRECT loans and colleges and universities could increase tuition because they knew it would be covered and guaranteed by gov't
- Increase/improve access to grants and scholarships
Comparing and Contrasting Experiences with Student Loan Counseling

Becky Pakarinen  
Senior Director of Financial & Employment Services  
Lutheran Social Service of Minnesota

Elaina Johannessen  
Program Director, Debt Management Plan Operations and Support  
Lutheran Social Service of Minnesota
Student Loans and Student Loan Repayment Counseling

Impact of student loan debt on borrowers and Minnesota's economy

IMPACT ON STUDENTS AND THEIR FAMILIES:
▪ 70% of those graduating college in MN have student loan debt. Average student loan debt for college graduates in MN is $30,894, which is the fifth highest state in the nation (Star Tribune 11.13.14).

IMPACT ON HOMEOWNERSHIP:
▪ Every $250 per month in student loan debt reduces a household's home purchasing power by $44,000, often pricing them out of the market. The monthly payment on the average MN balance of $30,894 is approximately $300/month. The percentage of households under age 40 with over $250/month payment has risen to 35%, creating a home-buying barrier for millions of buyers at the stage of life for this purchase (www.realestateconsulting.com).

IMPACT ON CREDIT SCORE:
▪ Late or defaulted loans harm your score – the largest factor (35%) in the FICO score model is on-time payment history. Credit scores affect car insurance rates, employment and rental opportunities, and access to credit. The Federal Reserve in 2012 estimated that 31% was the "effective" (real) delinquency rate on student loans – meaning that one in three Minnesotans owing student loans are 90 days or more late on their payments.
Student Loans and Student Loan Repayment Counseling

Key Outcomes of Student Loan Repayment Counseling Pilot

- **1673** borrowers served in **73 out of 87** counties

- **99.5%** remained current
  - 1078 of the 1084 current borrowers remained current on loans with counseling.

- **53.5%** back on track
  - 315 of the 589 delinquent borrowers brought $12,732,006 of student loans into good standing with counseling.

- **97.6%** developed a monthly budget plan

- **85.8%** feel more confident regarding repayment
This is a group discussion! However, all webinar attendees are muted at the start to ensure sound quality.

Share comments or ask questions at any time by typing the question into the text box on the control panel.

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Group Discussion
POLL: What is the level of demand you are seeing from clients for support navigating student loan repayment options?

1. Very high
2. Somewhat high
3. Moderate
4. Somewhat low
5. Very low
Group Discussion

1. What questions do you have for any of today’s speakers?
2. What implications does growing student loan debt have on your credit counseling practice? For your organization?
Group Discussion

3. What factors did your agency consider when deciding if or how to offer student loan counseling?
Group Discussion

4. Where do you see the most room for innovation in student loan counseling?
Next Steps & Close

Spectra Myers
Associate Director, Applied Research
Prosperity Now
Human Insights Toolkit & Smart Growth Innovation Portal

- Human Insights Toolkit Activities Guides
- Examples from Credit Counseling Projects
- Current and past projects
- Innovations in Credit Counseling brief
- Listserv

https://prosperitynow.org/human-centered-innovations/smart-growth
Next Steps

- Please **complete the survey**!
- Share questions on the **Listserv**
- Sign up for other **Networks and Campaigns** to stay in the know about issues you care about
- Let us know your **suggestions** for future call topics
Thank You!

Please complete our survey!