SUMMARY OF DATA COLLECTION

Executive Summary

STUDENT LOAN BORROWER REPAYMENT COUNSELING PROGRAM

EVALUATION SUMMARY FOR THE YEARS 2013 & 2014

AN INITIATIVE BY THE CENTER FOR EXCELLENCE IN FINANCIAL COUNSELING
SCHOOL OF PUBLIC POLICY AND ADMINISTRATION
UNIVERSITY OF MISSOURI – ST. LOUIS

Conducted and Reported by:

PUBLIC POLICY RESEARCH CENTER
University of Missouri-St. Louis

Full evaluation report is available at www.umsl.edu/~cefc
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RECAP OF CEFC INNOVATIONS AND ACCOMPLISHMENTS 2013- 2015 (25 Months)

The Center for Excellence in Financial Counseling (CEFC) at the University of Missouri-St. Louis (UMSL) has developed and piloted a unique student loan debt-repayment counseling program to help financially distressed borrowers. The self-funded program counseled more than 1,200 borrowers with a total of $65 million in student loan debt during the 25-month pilot. **CEFC's self-funded program remains the first and only one of its type in the U.S. to help low- to moderate-income borrowers make informed choices about managing student loan debt.**

Among CEFC's accomplishments:

- Implemented a <u>unique model of service to student loan borrowers</u> that coupled counseling with legal services and focused on viable student loan repayment plans offered by the federal government.
- Implemented <u>intensive training</u> for program financial counselors; training covered the technical aspects and implications of distressed student loans as well as behavior-change counseling intervention techniques that would encourage borrowers to speak freely and motivate them to take action on their loan situation.
- Implemented and evaluated a diagnostic "checklist" approach to help borrowers identify optimal available repayment solutions and <u>avoid default as recommended by the National Consumer Law Center</u>.
- Provided services to <u>over 1,200 client borrowers</u>. These services offered guidance to student loan borrowers with <u>federal loans totaling over $50 million and $14.5 million in private loans.</u>
- Put into place and monitored data collection systems, including data elements recommended by the National Consumer Law Center for borrower intake at counseling, borrower reaction to and assessment of the counseling sessions and borrower rating of the counseling experience. The data compiled included:
  - Data obtained from intake during initial counseling sessions yielded information on a total of 1,051 borrowers.
  - 846 Borrower Survey Questionnaires were distributed; 186 borrowers returned completed surveys.
- Provided limited legal consultation to 131 borrowers.

Program evaluation highlights derived from survey responses from borrowers counseled between September 2013 and February 2015 demonstrated that CEFC's program has been effective in helping financially distressed borrowers learn about their available federal loan repayment options and the eligibility requirements to enroll in a repayment program tied to the borrower's current income.

<u>As a result of the counseling</u>:

- 73.5% agreed with the statement: "I wish I had found a counseling program like this sooner."
- Nearly 60% agreed with the statement. "Because I qualified for a lower monthly repayment amount, I changed my federal student loan repayment plan."

<u>In the last evaluation segment (August 2014-February 2015), results of the counseling were especially noteworthy</u>:

- 71% reported that they were making their monthly student loan payments on time, compared to only 53% prior to counseling.
- 87% reported that they felt better informed about their student loan repayment options.
- 83.6% responded that, as a result of counseling, they now trust themselves to make good financial decisions in relation to their student loan debt.

Executive Summary

Student Loan Borrower Repayment Counseling Program Evaluation Summary Report

Completed April 2015

The Center for Excellence in Financial Counseling (CEFC) has developed and piloted a unique, self-funded student loan debt repayment counseling program to help financially distressed borrowers. More than 1,200 borrowers with a total of $65 million in student loan debt were counseled during the 25-month pilot.

CEFC first launched the pilot in January 2013 through three small community counseling organizations targeting financially distressed student loan borrowers. Originally intended as a year-long pilot program, services were extended through March 2015. The Public Policy Research Center, based at the University of Missouri-St. Louis, conducted the evaluation concurrently.

OVERVIEW OF EVALUATION RESULTS

CEFC can point to some significant achievements:

- CEFC's participating agencies served a total of 1,239 borrowers.
- Total debt held by these borrowers constituted nearly $65 million dollars, $50 million of that federal money.
- CEFC developed a data collection system based on student loan repayment data elements recommended by the National Consumer Law Center. This "checklist" system helps determine a borrower's available repayment options based on a series of questions regarding the borrower's current repayment status. The demographic and socio-economic data collected on student loan borrowers participating in the program may give the Departments of Education and Treasury, loan servicers,

Statistics for the initial 24 months of service for data collected from the information system and online surveys show the degree to which student loan borrowers responded to the services CEFC offered:

- The student loan borrowers who were counseled held a total of over $50 million in federal loan funds and over $14.5 million in private loans.
- Survey results for client borrowers who submitted data from August 2014 to February 2015 indicated that after counseling:
  - 87% reported being better informed about their student loan repayment options.
  - 67% had increased confidence that they could make their student loan debt payments on time.
  - 66% felt less stress about their student loan situation.
- Results from all surveys by client borrowers showed positive responses to the statement, "I wish I had found a counseling program like this sooner." Percentages jumped from 65% in the first period to 83% in the final period.
- Roughly 80% of client borrowers attended a single counseling session, while 20% participated in multiple counseling sessions. Some clients were in contact with the counselor as many as 6 times, either in person, by phone or by email.

and quality-minded non-profit community service providers, such as CEFC, insight into how student loan borrowers can best be helped.

- Online questionnaires that client borrowers were asked to complete subsequent to receiving services included topics related to the borrowers' perception of the results of counseling; their situation pre- and post-counseling; and change in their level of confidence, as well as to what degree services met their expectations. Survey data showed positive responses across service periods, but particularly among those who submitted data during the third period (August 2014 to February 2015). [See sidebar.]

CEFC continued to be productive throughout its tenure, despite some daunting challenges, many of which are typical for new initiatives. Despite breaking new ground in integrating a behavior-change counseling model with a checklist approach to identifying a borrower's repayment solutions, CEFC chose to implement the program in multiple venues. For this purpose, it selected existing small credit counseling or neighborhood-based housing organizations -- each in a different geographic location. The difficulties of managing service delivery in these contexts had an effect on data collection and fidelity of implementation. Nonetheless, the results are impressive, and it's clear that CEFC has responded to a deep-seated need that has not been addressed.

OVERVIEW OF DEMOGRAPHICS

Although two of the counseling organizations through which services were delivered utilized a long-standing management information system, CEFC chose not to incorporate the program protocol into the existing platform in an effort to clearly differentiate and distinguish student loan repayment counseling from credit card debt repayment counseling. CEFC undertook operations without use of a full-blown data collection system, but to its credit, identified crucial data points and put in place a data collection instrument that was gradually automated.

Highlights of demographic and socio-economic statistics on student loan borrowers receiving CEFC counseling services include:

- Statistics on federal indebtedness for client borrowers served in 2014 indicates that the amount in deferment accounted for approximately 45% of the total loan balances.
- The percentage of loans in deferment for 2014 client borrowers is more than double that for the 2013 client borrowers. One source of this increase appears to be deferments related to client borrowers in the 51 to 60 age group.
- In both 2013 and 2014, slightly more than 20% of client borrowers had loans that were in default.
- Among client borrowers, the bulk of private loan funds were associated with borrowers age 30 and younger, with 50% of the total loan balance being current.
- Of total private loan balances for client borrowers served in 2013 and 2014, nearly 40% involved a co-signer. With respect to approximately 10% of the loan balances, the co-signer was the client receiving services. An examination of federal loans by gender indicated that in 2014, over 45% of loan balances held by women were deferred, as opposed to slightly more than 20% for men.
- Across all age groups, in a proportion that exceeded 2 to 1, the majority of CEFC client borrowers tended to be women.

The data collected revealed some important characteristics of the borrowers being served:

- **Loan Status**: Many of the student loan borrowers who participated in counseling services were current with their education debt. This is particularly evident in comparing the status of federal and private loans. In 2014, 60 percent of private loans were current, as compared to roughly 25 percent in delinquency. Among federal loans, the greatest percentage were current, but in 2014 there appeared to be a sizable increase in the amount of loans that client borrowers reported as in deferment (from an estimated 15 percent to 45 percent). While deferment is an important option for holders of federal debt, it can represent a more expensive option in that while the loan is deferred, interest may continue to accrue.
- **Loan Status and Clients:** Private loans tended to be held by client borrowers age 30 and younger. In terms of the status of these loans, roughly 50 percent were current.
- **Co-Signers**: For loans where a co-signer was involved, these loans tended to be most prevalent among the 21 to 30 age group, although there was variability between client borrowers served in the two years. A full analysis was not completed on the relationships between co-signers and borrowers, but where these data were provided, sisters, brothers and spouses are mentioned, as well as parents.
- **Relationship between Gender & Loans**: Some variability was evident in the comparison of the status of federal loan balances and gender. Most notable was the 2014 deferment category, where the percentage of total deferred loan balances for women was twice that of men.
- **Gender & CEFC Borrowers Served**: Demographic statistics for CEFC indicate that women and men did not seek CEFC counseling services in equal numbers. This phenomenon had been noted in previous evaluation reports. The full report includes some survey data that were referenced as a means of gaining some insight into why this might be the case. One possible factor may be the level of confidence that men have in the counseling process.

  Data from surveys submitted from August 2014 to February 2015 were compared by gender. The results point to a greater receptivity on the part of the women served by the CEFC program to be positively influenced by counseling. With regard to some of the subjects addressed during a counseling session, women were much more likely to report having significantly increased their level of confidence than were men responding to the same question. For example, in response to a question regarding their post-counseling level of confidence about getting their student loan situation under control, nearly 70 percent of female borrowers served reported that their confidence had significantly increased. For men, this figure was 23 percent.

  These are interesting results, but it should be emphasized that they are based on data from 62 respondents, of which only 13 were men.

- **Employment**: Data on client borrowers illustrate the difficulty that many student loan borrowers have in finding work in their major field of study. While over 80 percent of client borrowers were employed, less than 60 percent had jobs in a career for which they were educated.
- **Income**: The majority of client borrowers served had monthly gross income in the range of $2,000 to $4,000, with the highest percentage falling below $3,000.
- **Unsecured Debt Burdens:** Two of the pilot organizations were also providers of debt management programs. A client borrower's unsecured debt burden was noted in developing his monthly budget, and client borrowers were scheduled for a separate counseling session to address credit card debt or referred to appropriate services. If client borrowers were current or delinquent with student loan payments, but could not afford their current monthly student loan repayment plan, available repayment options were explored; if in default, their ability to afford to get out of default was explored. Data were collected through self-report regarding client borrowers' unsecured debt repayment status.

Table A.1: Handling of Unsecured Debt

	In Default		Not In Default	
Total number of records	**956**		**1,046**	
Total Non-Blank Entries	**220**		**678**	
Response to Question: Current on Unsecured Debt?		Pct of Entries		Pct of Entries
NO	**134**	**60.9%**	**158**	**23.3%**
YES	**52**	**23.6%**	**435**	**64.2%**
UNKNOWN	**34**	**15.4%**	**85**	**12.5%**

As Table A.1 shows, among client borrowers not in default on their student loans, 64 percent reported they were current with their credit card payments. By contrast, only 24 percent of in default client borrowers reported being current, while 61 percent indicated they were not current. This highlights the relationship between the status of student loan and credit card debt, whether the result of personal financial management or inadequate resources to maintain obligations. Although a debt management program may greatly benefit a client borrower, fees may add additional financial burdens.

Highlights of demographic and socio-economic statistics, along with related data:

- Approximately 860 of CEFC's client borrowers reported on whether or not they were employed in their education major field. While 80% were employed full-time in some type of job, less than 50% had found a job that allowed them to fully use their education.
- Repayment of student loans is a challenge even for the affluent. Data for CEFC client borrowers indicates they are far from enjoying that status. Less than 30% had monthly gross income in the $2,000 to $3,000 range. In 2013, the percentage with income in the next bracket ($3,000 to $4,000) was only at 20%, although this improved by several percentage points in 2014.
- Data for 898 client borrowers indicated that approximately one-third were not current on other unsecured debt. For those in default on student loans, the percentage was over 60%.
- The predominance of women among CEFC clients may be related to the receptivity of female borrowers to the sort of advice a counselor could offer. Statistics from the August 2014 to February 2015 survey (total respondents: 62) indicates that there were disparities regarding level of confidence in the aftermath of counseling. For example, respondents estimated confidence related to:
  - getting their student loan situation under control: women reporting significant increase: 70%; men: 23%
  - making student loan payments on time: women reporting significant increase: 45%; men: 23%.