

Integrating Repayment Counseling for Troubled Student Loan Borrowers into Credit Counseling Sessions: Extended Abstract on the Findings of a Pilot Study

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Student borrowers' debt repayment burdens have loomed ever larger in the national spotlight in recent years. Kantrowitz (2010) reported, "As of June 2010, total student loan debt passed total credit card debt for the first time." The Project on Student Debt (2011) estimated that "two-thirds of college seniors who graduated in 2010 had student loan debt, with an average of \$25,250 for those with debt" (p.1).

Many student loan borrowers clearly have been struggling financially for a variety of reasons, including the weak economy, record high unemployment levels and underemployment. As a result, rates of delinquency and default have become growing concerns. In an Institute for Higher Education Policy study, authored by Cunningham and Kienzl (2011), researchers followed federal borrowers for a five-year period with a primary focus on borrowers who entered repayment in 2005. The research findings indicated that while about 40 percent of borrowers made payments as agreed, 26 percent became delinquent at some point but did not default, and about 15 percent defaulted, despite the serious negative consequences on the borrowers' credit reports (pp.04-05). This study suggests that a sizable percentage of student loan borrowers--including many who never actually completed the college degree programs they borrowed against--are finding it difficult, if not impossible, to repay their education debt obligations and still meet day-to-day living expenses.

Borrowers in repayment of their federal loans have rights and responsibilities and may be eligible to participate in repayment options better suited to their current financial situations. Unfortunately, borrowers are often unaware of these potential repayment solutions and their eligibility to participate. Compounding this general lack of awareness is the fact that student borrowers in repayment have few unbiased community service providers to turn to for help; in fact, most debt counseling providers offer little direct guidance regarding student loan repayment beyond referring borrowers to the lenders and servicers of their student loans. Although lenders and servicers may be helpful, they may not be entirely cognizant of a borrower's specific circumstances or eligibility for various repayment options. The position of the Center for Excellence in Financial Counseling at the University of Missouri-St. Louis (CEFC-UMSL) is that student loan borrowers in repayment would benefit considerably from thorough, unbiased debt repayment counseling. The counseling should be designed to help the borrowers identify and understand the options they may be eligible for and follow through with the ones that will help them to better manage repayment and help avoid the negative consequences of delinquency or default. Further, CEFC-UMSL believes that the appropriate counseling can and should be developed, refined and delivered through establishing a joint effort with appropriate community service providers and legal experts who are consumer advocates.

To achieve the mission of providing a program for aiding student loan borrowers in repayment via effective and unbiased counseling, several initial questions had to be addressed:

1. What would be best practices for counseling student loan borrowers who are in repayment?
2. How can counselors be trained in these best practices and assisted in integrating them effectively into debt counseling services?
3. How can student loan borrowers be informed that appropriate and unbiased counseling services are available to them?

To seek possible answers, CEFC-UMSL developed and implemented phase one of a multi-faceted investigational pilot project. This extended poster abstract reports the components and findings of this initial effort and describes plans for the next phase of the project.

The initial action of the CEFC-UMSL project was to determine best practices for counseling services for student loan borrowers in repayment and articulate those practices for counselors. To accomplish this, it was necessary to develop detailed written counseling instructions and compile them into a standardized Student Loan Borrower Counseling Protocol. As part of this effort, the project leaders consulted extensively with a student loan law expert with The National Consumer Law Center, a nonprofit legal advocacy agency. The comprehensive protocol thus developed addressed a range of possible student loan remedies and their respective eligibility criteria. Remedies covered by the protocol ranged from the most complete solution--loan cancellation--to challenging collection action. To aid the pilot agencies in developing effective ways to implement the Student Loan Borrower Counseling

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Protocol into actual counseling sessions, CEFC-UMSL also produced borrower education materials, including a detailed brochure. In addition, CEFC-UMSL developed a list of suggested procedures pilot agencies could follow in locating potential student loan borrowers in repayment, preparing those borrowers for the counseling session, and then integrating the actual counseling protocol into the single-session, face-to-face counseling that the agencies typically offer new clients.

Selecting a small group of pilot agencies for training in and implementation of the Student Loan Borrower Counseling Protocol was another critical project step. The Consumer Credit Counseling Service (CCCS) network of nonprofit community credit counseling agencies was targeted for the first phase of the pilot. The CCCS network agencies who were contacted indicated that historically many of their clients had student loan repayment problems along with credit card debt. These clients were normally provided in-depth counseling for their credit card problems, but were referred back to lenders and servicers for assistance with student loan repayment issues.

CEFC-UMSL established a memorandum of understanding with four small community credit counseling agencies to pilot the protocol, procedures and materials, and to track results for a 12-month period. Counselor training was designed and delivered for each pilot agency. Training for the counselors covered general information on federal and private student loans, as well as the new Student Loan Borrower Counseling Protocol. Repayment remedies and eligibility requirements were covered in detail.

Because this was a limited pilot project, funding was not available for participating agencies to advertise the student loan borrower counseling service. This meant that the CCCS agencies had to locate potential student loan borrower repayment clients from among their typical client base, which consisted of individuals seeking credit card debt counseling. Potential clients were asked about their student loan debt when they called to schedule a counseling appointment. Those who had student loan debt were emphatically instructed to collect and bring in current details on the exact status of those loans for review and advice during their counseling sessions. If the clients did not have current information on hand, they were directed to appropriate resources including the National Student Loan Data System (NSLDS) for federal loans and individual lenders for private student loans. In addition, the borrowers were advised that they could also contact the three credit reporting agencies for further verification of their student loan status.

Once the participants arrived for counseling, they were provided the borrower education materials that had been developed as part of the pilot project. Those who brought in the required details about their student loan information as instructed were counseled according to the protocol and procedures developed. The participating agencies were asked to collect data about the types and status of loans, whether loans were delinquent and for how long, reasons for delinquent payments, and balance owed.

Results and Conclusions

The student loan debt “interventions” that took place during the pilot projects revealed both strengths and weaknesses of the program’s approach. The phase one pilot study showed that the CCCS client profile was a good match for the target audience. During the 12-month pilot program, over 300 borrowers received information about available repayment options and their eligibility to participate in various student loan solutions. The protocol, the counselor training, and the borrower education materials were well received by the pilot agencies and counselors.

However, the fact that the pilot agency clients were also coming in for counseling on their credit card debt in a relatively brief, single-session meeting meant that the time available for counselors to provide guidance on complex student loan issues was limited and often not the top priority of borrowers or counselors. In addition, the borrowers too often arrived without the necessary details on their student loan status, despite being instructed in advance to collect and bring in this information. Finally, the CCCS agencies’ confidentiality policies made it difficult to secure borrowers’ permission to collect the data needed for meaningful evaluation after counseling was concluded.

CEFC-UMSL believes an effective solution to the main issues found in phase one of the pilot project can be attained by restructuring the student loan borrower repayment counseling into a multi-session program focused solely on student debt. This would assure that adequate time is devoted to educating the borrowers about their eligibility for various student loan repayment options; multi-session counseling would also allow counselors to follow client borrowers for an extended time, providing ongoing guidance and receiving more detailed feedback. Additional refinements suggested by the initial pilot results include expanded counselor training, more emphasis on data collection and evaluation, and additional outreach support to help pilot agencies connect with student loan borrowers in repayment. The next phase of the pilot program with a second small group of partner agencies is currently under development by CEFC-UMSL to incorporate the above changes and provide necessary data for program evaluation and refinement.

References

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