

SD Freedom Scholarship Board

Quarterly Board Meeting

January 22, 2024

11am-1pm, First PREMIER Bank Board Room



Created for Freedom Scholarship Board on 1/17/2024



Agenda

1. Call to Order/Welcome and Instructions
2. Roll Call of Board Members
3. Approval of Agenda*
4. Approval of Minutes*





Agenda continued

5. Program Discussion

- a. SDCF investments quarterly/ Calendar Year (CY) update
- b. 2023 Financials
- c. 2024 Budget – for informational purposes
- d. University allocations review





Agenda continued

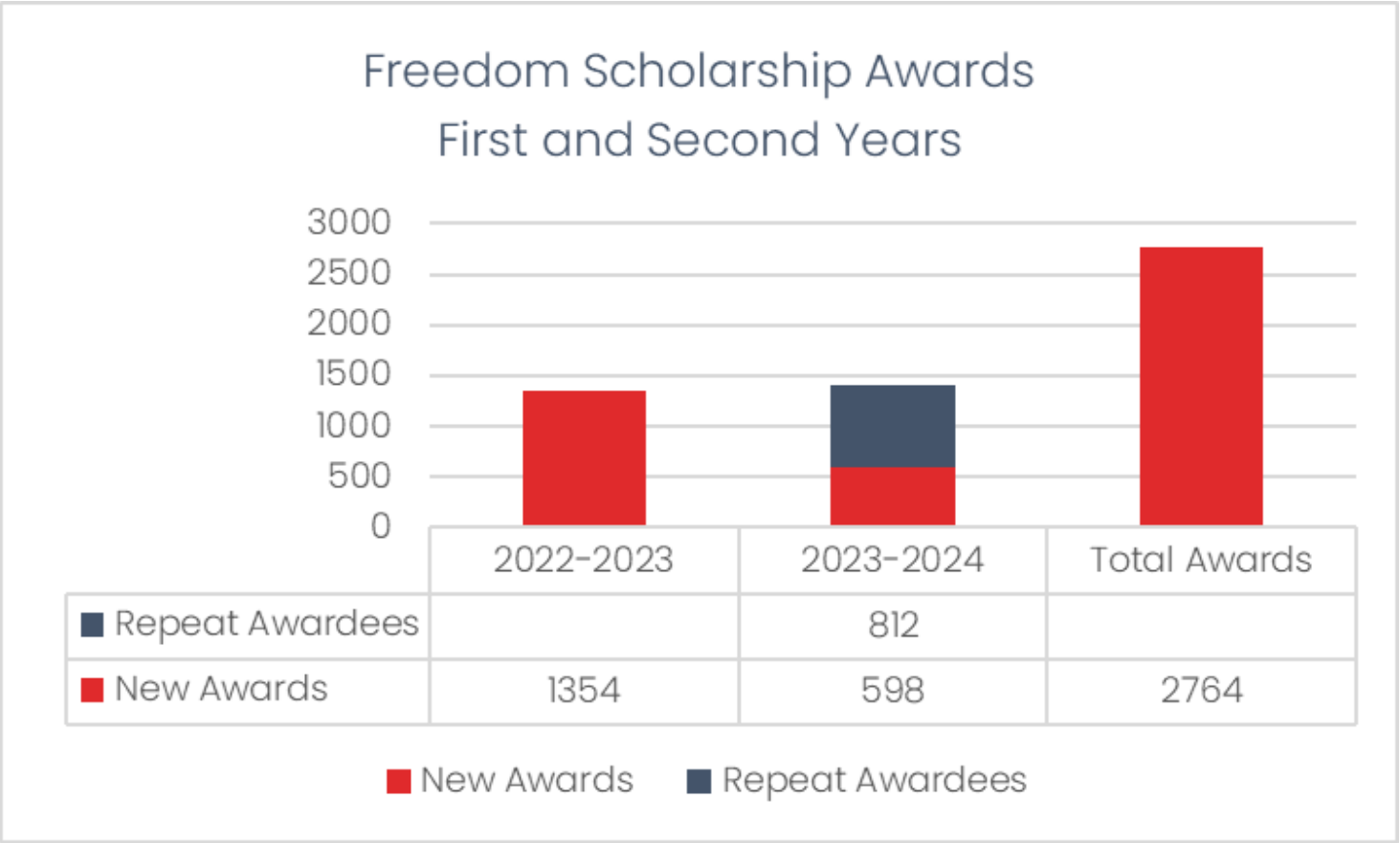
5.e. Operations update:

- i. November through January Scholarship activities
- ii. Report on graduates and those in the workforce
- iii. Report on Scholarship Servicing
- iv. 2023 Promotional Work and 2024 plan





Scholarships Awarded

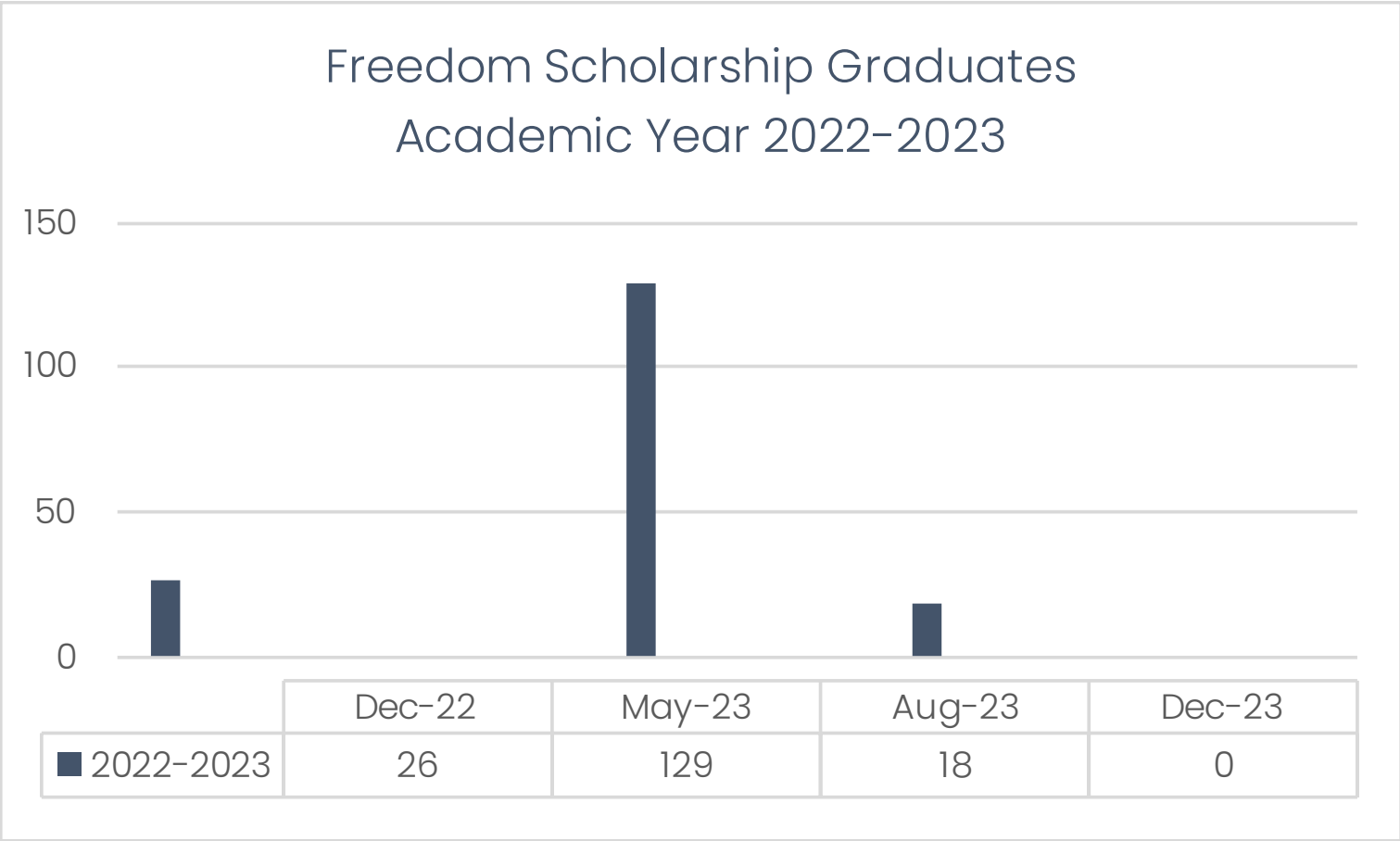


Note: 2023-2024 academic year has 1,410 total awards as of 1/17/2024; unreconciled with universities.





Graduate Updates



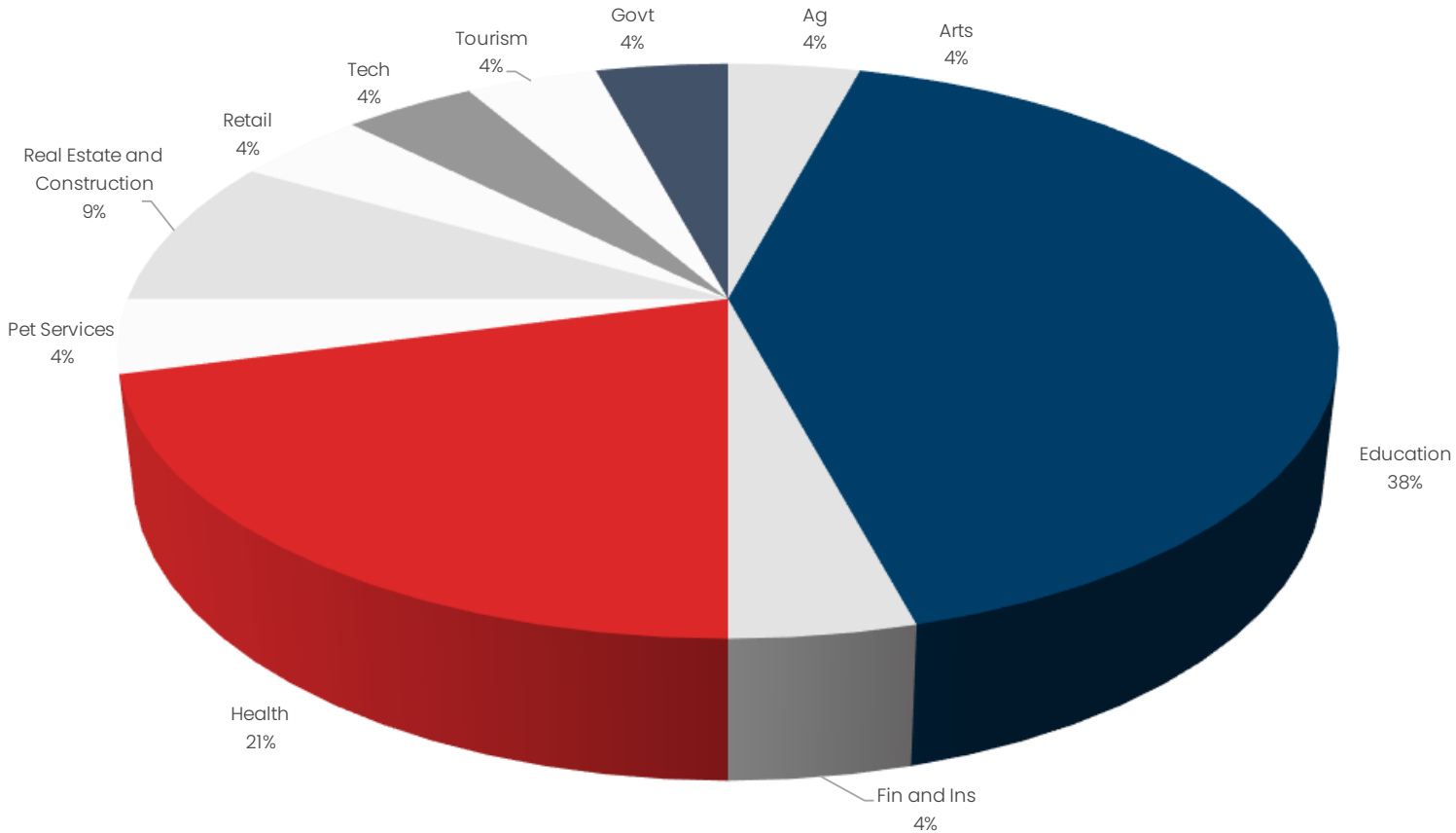
* December 2023 grads not shown as they are pending confirmation from university partners.





Graduate Updates

Freedom Scholarship - Employment Phase
December 2022 Graduates by Sector
N= 24

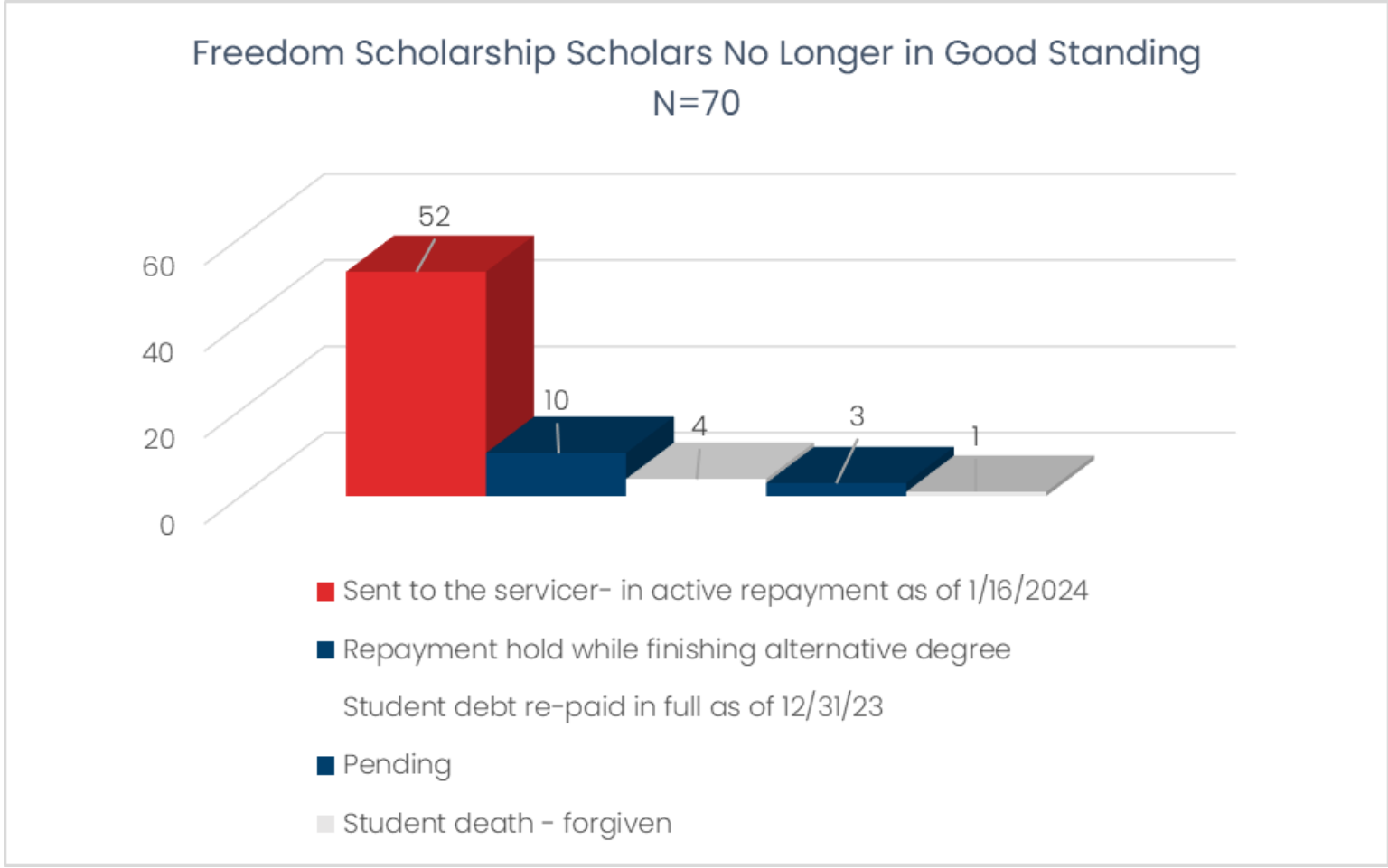


*Sector information modeled upon Sioux Falls Area Chamber of Commerce categories.





Scholarships Reverted to Debt*



*Data covers Fall 2022 students who withdrew/stopped out and didn't return along with a small number from Spring 2023. Will report on combined Fall 22 + Spring 23 students who were not retained in 2023-24 year soon.

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6. Consider participation in the National Association of State Student Grant and Aid Programs (NASSGAP) annual survey*

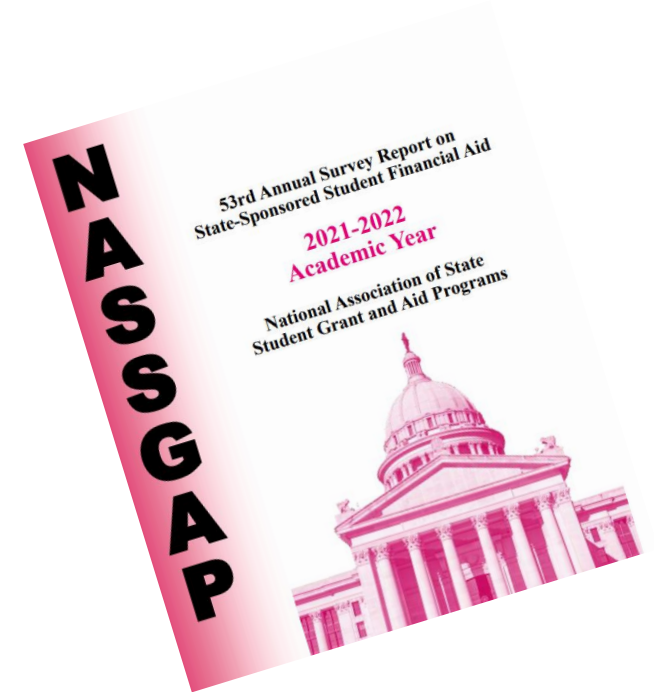
*Indicates Action Item



6. More about NASSGAP

- This designation would categorize this as a public investment—Elli hopes to have more on this on 1/22/2024.
- As of the 2021-22 academic year, South Dakota ranked 47 with an investment in need-based scholarships at \$267,000.
- it will show that South Dakota has almost doubled its available scholarships overall, from \$6 million to \$11 million annually.
- It is referenced in SD legislative reports occasionally about how SD compares nationally for scholarships, both need-based and merit-based. The common denominator is that they have public dollars involved.
- SD Board of Regents participates currently. A report is issued to all participants and is also publicly available:
<https://www.nassgapsurvey.com/>

*Indicates Action Item





7. Discussion- interest rate should scholarship revert to loan at 4% for 2024-2025 and approval.*

2022-2023 year: 4% for 10 years

2023-2024 year: 4% for 10 years

Propose: 2024-2025 year: 4% interest rate

*Indicates Action Item





7. Discussion- interest rate should scholarship revert to loan at 4% for 2024-2025 and approval.*

Current Federal Loan Rates:

| Loan Type | Borrower Type | Fixed Interest Rate |
|---|---|---------------------|
| Direct Subsidized Loans and Direct Unsubsidized Loans | Undergraduate | 5.50% |
| Direct Unsubsidized Loans | Graduate or Professional | 7.05% |
| Direct PLUS Loans | Parents and Graduate or Professional Students | 8.05% |

*Indicates Action Item





8. Discussion whether to set a \$50/month minimum payment and approval.*

This changes the loan terms if under \$5,000 scholarship in aggregate

*Indicates Action Item





More about \$50.00 monthly minimum payment

No minimum payment for first and second year recipients. Ten-year term for everyone regardless of amount. **No proposed change for them.**

Starting with 2024-2025 academic year, institute a \$50.00 monthly minimum should a scholarship revert to debt.

Why? Our scholarship servicer agreement is now set.

- Fee per student per year is \$100.00; this is absorbed by Freedom Scholarship and paid for in what is collected annually.
- Without a standard minimum monthly payment, we have some debts for which Freedom Scholarship will pay more for fees in ten years than the students will pay in principal and interest.
- \$50.00 monthly payment is an industry-standard.





More about \$50.00 monthly minimum payment

This means a change in the term length, depending on the amount owed. Student 1 example:

Situation for the 2022-23 and 2023-24 years:

Receives a \$3,000 scholarship, and only completes one semester. The amended scholarship principal amount owed is: \$1,500.

Monthly payment is \$15.19 x 10 years

Total Interest is: \$322.41 Total of payments is: \$1,822.41

Student account is open for 10 years, which costs Freedom Scholarship \$1,000.00

Same situation starting with 2024-25 academic year offer:

Monthly payment is \$50.00 for 32 months (less than 3 years)

Total Interest is: \$83.07 Total of payments is: \$1,583.07

Student account is open for 3 years, which costs Freedom Scholarship \$300.00





More about \$50.00 monthly minimum payment

Student 2 example: Student receives \$4,000 for the full year. Completes the year but no longer meets the scholarship requirements.

2022-23 and 2023-24 years:

\$40.50 for 120 months

\$859.77 interest; Total of payments is: \$4,859.77

Student account is open for 10 years, which costs Freedom Scholarship \$1,000.00

Proposed starting 2024-2025 academic year offers:

Monthly payment is \$50.00 for 94 months

Total Interest is: \$660.07 Total of payments is: \$4,660.07

Student account is open for 8 years, which costs Freedom Scholarship \$800.00

Amortization calculator source: <https://www.watrust.com/calculators/personal-loans/length-to-pay-off-loan/>





More about \$50.00 monthly minimum payment

Proposed Board Action:

Motion to change the Freedom Scholarship terms, should a scholarship revert to a loan to be the following:

Student will be required to make a \$50.00/month minimum payment, which means the term of the loan changes to meet this requirement. The amortization schedule will be calculated based on 365 day/year simple interest calculation. If a student has more than one scholarship that reverts to debt, the promissory notes will be combined and re-amortized by the scholarship servicer for a minimum monthly payment of \$50.00.

*Indicates Action Item





Agenda continued

- 9. Data Security Update – Executive Session 1-25-2(6)
- 10. If needed, executive session for student matters – SDCL 1-25-2(2)
- 11. If needed, executive session for legal counsel – SDCL 1-25-2(3)





Agenda continued:

12. Public Comment Period

13. Next meeting date is Monday, April 22, 2024, 11a-1pm, First PREMIER Bank Board Room, Sioux Falls, SD

14. Adjournment*

*Indicates Action Item



