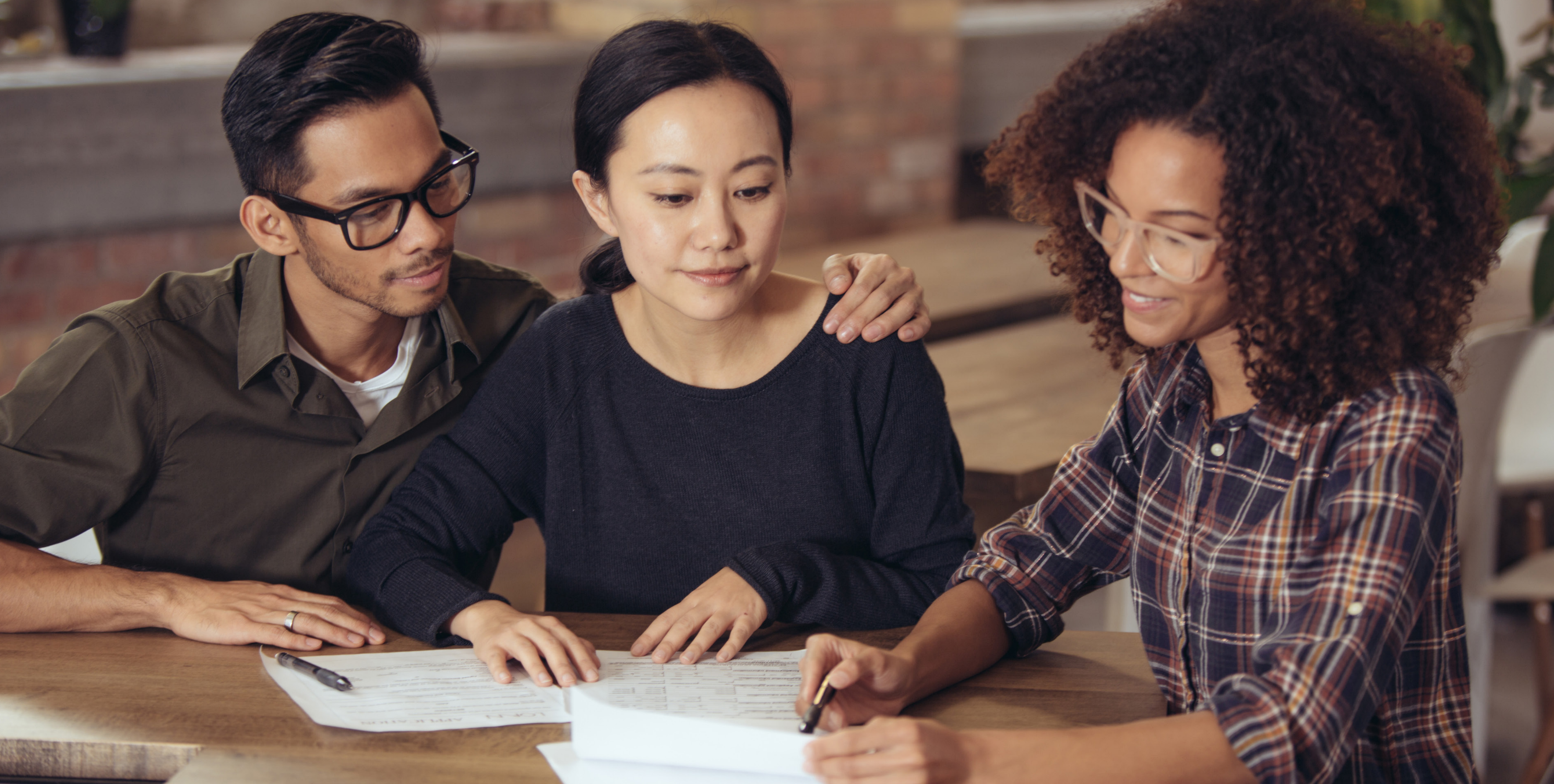
STUDENT LOAN REPAYMENT ASSISTANCE

A Guide for Employers

Greater Boston Chamber of Commerce

Office of the Attorney General · Commonwealth of Massachusetts

STUDENT DEBT WORKING GROUP | NOVEMBER 2017



$31.5K
average debt for Massachusetts grads

55%
say student debt affected their ability to purchase a home

28%
say student debt delayed their decision to start a family

78%
of boomers agreed that student debt hindered their ability to save for retirement

43%
say debt has limited their ability to go to grad school

61%
of would-be entrepreneurs reported student debt affected their ability to start a business

The Problem

There is a growing tension between the economic imperatives for young people to obtain higher education and the burden of incurring and paying down large amounts of student debt. Borrowers with significant student loan debt face tradeoffs that affect their ability to take important financial steps like buying a car or a home or saving for retirement—decisions that also have a direct impact on the region's economy. In Boston, where the cost of living is high relative to other regions, this is not only a quality of life issue for individuals facing difficult choices, but also a competitiveness issue for employers in the battle for top talent. As business leaders seek new ways to keep our region competitive in attracting and retaining young people, helping graduates manage student debt presents an opportunity to distinguish our region's employers.

IMPACT ON OUR WORKFORCE

Higher education undoubtedly provides many people with advantages and opportunities. In Massachusetts, college graduates earn nearly $25,000 more each year compared to those with a high school diploma.[1] However, the rising cost of post-secondary education means that increasing numbers of students are borrowing more than ever to earn a college degree. In 2015, over two-thirds of graduates entered the workforce with some level of debt and the average debt for graduates of Massachusetts colleges was estimated at nearly $31,500.[2] The collective national student debt of $1.36 trillion is second only to home mortgages as a household debt category. Americans now carry more student loan debt than credit card or auto loan debt, and this financial burden weighs heavily on both individuals and employers.[3]

The student debt burden is so substantial that it requires younger workers to make hard financial tradeoffs. A 2014 study found that for households headed by individuals under the age of 40, those without student debt had accumulated $64,700 in wealth, roughly seven times the $8,700 accumulated by households with student loan debt.[4] This lack of wealth has an impact on major life decisions. In one survey of student loan borrowers, 55% of respondents indicated that their student debt affected their ability to purchase a home, while a quarter indicated that it delayed their decision to start a family.[5] In another survey, 78% of baby boomers agreed that student debt has influenced their ability to save for retirement[6] — staggering figures that are certain to have long-term economic implications.

The ramifications of student debt are not limited to personal lifestyle and finances; student loan debt also affects businesses by limiting borrowers' career choices. More than half of recent graduates reported that student debt has a substantial impact on their career decisions, and 43% indicated that their debt has limited their ability to attend graduate school.[7] Additionally, 61% of those interested in starting a business reported that student debt affected their ability to do so, a substantial burden on small business creation[8] — one of the largest drivers of our economy.

In 2015, over two-thirds of graduates entered the workforce with some kind of debt.

[1] US Census 2011-2015 American Community Survey 5-Year Estimates

[2] The Institute for College Access and Success: **Student Debt and the Class of 2015**.

[3] New York Federal Reserves: **Household Debt and Credit Report Q3 2017**.

[4] Pew Research Center, **Young Adults, Student Debt and Economic Well-Being**, 2014.

[5] American Student Assistance, **Life Delayed: The Impact of Student Debt on the Daily Lives of Young Americans 2015 Edition**.

[6] **EdAssist Student Loan Debt Survey**, 2016

[7] American Student Assistance, **Life Delayed: The Impact of Student Debt on the Daily Lives of Young Americans 2015 Edition.**

[8] Ibid.

Employers have an opportunity to differentiate themselves from their competitors and make their organizations attractive to a large group of skilled employees entering the workforce.

OPPORTUNITIES

Given these economic realities, student debt assistance programs can provide an opportunity for employers to attract and retain employees. In a 2016 survey, 47% of respondents said they would look for student loan reimbursement in a new job[9] and 90% of respondents in another survey said they would commit to a job for five years in return for help with their student loans[10]. With only 4% of companies nationwide offering student loan reimbursement[11], employers have an opportunity to differentiate themselves from their competitors and make their organizations attractive to a large group of skilled employees entering the workforce.

As a new benefit, many employers lack information on how to best evaluate whether their employees might benefit from a loan repayment program; design such a student loan repayment program; and estimate program costs, expected employee participation, and projected results. This guide will help employers considering a student loan repayment benefit program understand the factors prompting more organizations to offer such benefits, the types of benefits being offered, and initial considerations for investigating student loan repayment assistance for their workforce.

STUDENT LOAN REPAYMENT ASSISTANCE AS AN EMPLOYEE BENEFIT

The development of a successful employer loan repayment program requires companies to simultaneously consider the scope of the potential employer repayment program and the repayment program's intended outcome as it relates to talent attraction and retention. To do this, employers must evaluate their talent and workforce needs, educate themselves about student loan types and repayment options, and use that information to tailor the scope and specifics of the benefit offering. There is no one-size-fits-all approach to offering a student loan repayment program.

Successful loan repayment program should be tailored toward each organization's stated goals. As with any benefit program, employers should assess the utilization of the benefit and measure outcomes along the way. If using the benefit as a talent attraction and retention tool, companies will want to ask and answer questions once the program is implemented, such as:

- Is the company hiring more talent with the right degrees and skills for the jobs they need to fill?
- Do employees seem satisfied with the benefit? Has productivity and employee moral increased?
- Is the company reducing unplanned turnover?
- Is the company reducing the time it takes to hire?

Most companies that have begun offering student loan assistance have done so in the form of repayment benefits under which employers agree to make a monthly payment toward their employees' student loans. The employer typically contracts with one of many third-party vendors that coordinate these programs. In most cases, student loan repayment assistance provided by an employer does not supplant the monthly payments made by the employee. One goal of these plans is to help employees pay back their loans more quickly so that employees are relieved of the financial burdens of student debt faster and pay less interest over the life of their loans.

Successful student loan benefit programs should also include financial education and wellness tools to help employees better manage their student debt, like counseling services to help borrowers evaluate their individual student loan types and the associated repayment options. Not all employees will benefit from employer sponsored student loan repayment assistant programs in the same way, so it is important for employers to understand the repayment plans available and provide employees with additional resources and counseling.

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[9] Ed Assist, **Student Loan Debt Survey**, 2016

[10] American Student Assistance, **Young Workers and Student Debt**, 2017

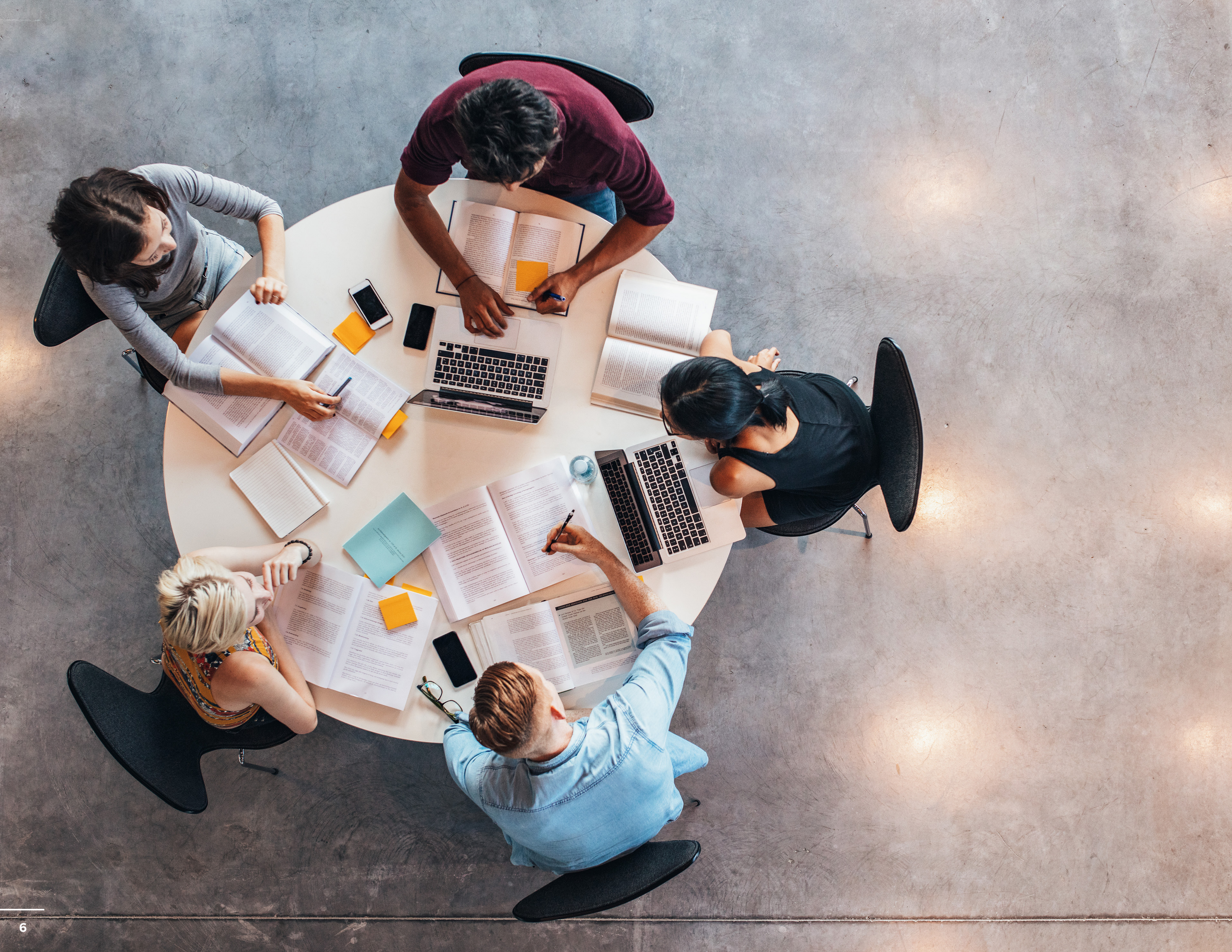
[11] Society for Human Resource Management, **Annual Employee Benefits Survey**, 2016

KEY FACTORS: EVALUATE TALENT NEEDS, DEFINE YOUR AUDIENCE, AND DETERMINE THE SCOPE OF SERVICE

Loan repayment programs are more than just a fringe benefit targeted to younger employees; more and more, employers are using these programs as tools to retain and attract talent. As a retention tool, employers may choose to require a minimum length of service before employees receive the benefit. Similarly, employers can gradually increase the loan assistance over time to help retain talent. If being used as a recruitment tool, employers can offer the benefit upon hiring new employees, junior grade positions, or recent graduates. The benefit could also be targeted at talent with particular skillsets if an employer seeks to bolster certain occupations within their company. Moreover, employers may choose to offer the benefit to all employees regardless of position or tenure. This can be done all at once when the program is first initiated or phased in over time. When setting out, employers should evaluate what their talent needs and business goals are, and from there design the policy. This includes defining the audience to target and the scope of the service the benefit will provide.

Like most other employer-sponsored benefits, a student loan repayment program typically includes a company policy as well as dedicated resources to administer the program and provide guidance to employees. The most common elements companies consider when designing their programs are:

Eligibility	Employers can decide which factors determine eligibility, such as: • Length of service • Full or part-time • Qualifying degree • Employment level (e.g., associate level, management, director)
Benefit	Set a monetary contribution amount, typically paid monthly (e.g., $100/month)
Annual/Lifetime Limit	Decide whether there is a limit to the total amount the company will pay toward an employee's loan. This may be a capped amount over a certain number of years.
Stay Provisions	Decide whether to include a requirement for employees to stay with the company for a certain period of time after receiving the benefit.
Integrated Tuition Assistance & Loan Repayment	If the employer already offers tuition assistance, it may consider whether to integrate both programs.
Income-Driven Repayment and/or Public Service Loan Forgiveness Eligibility	Consider whether employees may be eligible for federal income-driven repayment plans or Public Service Loan Forgiveness. If employees intend to seek substantial loan forgiveness under these programs, employer loan payments in excess of the regularly scheduled payment amount may be of less value to employees over the long term. Instead, employer payments could be used to partially supplant the employee's payment and help with immediate payment relief as opposed to the goal of paying off loans faster and ultimately saving money in interest payments.



FAQ: Factors to Consider When Designing a Program

How do I determine employee eligibility?

Eligibility can – but does not have to – extend to every employee, and may depend on the goals and targeted audience of the repayment program. When determining eligibility, employers can consider the type of employee that will receive the benefit (full-time vs. part-time or the employee's position within the company), length of service, and the time since graduation.

Examples of eligibility include:

- All employees, perhaps after an initial qualifying employment period.
- A targeted subset of employees such as an in-demand group—e.g., job function, geographic need, or high-potential employees.
- A combination of factors—e.g., IT degree recipients who graduated within the last three to five years.

How much benefit is usually offered?

Benefit levels can vary by company and industry. Monthly benefits typically range between $100 and $200 with both annual and cumulative limits. Higher monthly benefits can be offered when an employer wants to attract talent in a competitive labor market. Benefit levels do not need to be uniform across all employees or throughout the duration of the program. Employers may wish to increase monthly payments commensurate with tenure as an added retention tool. Predictability will be important to employees.

For employers who offer multiple education benefits (e.g., tuition assistance, student loan repayment, or employer-sponsored college savings plans), employees may only be eligible to enroll in one program per year. Offering multiple education-related benefits provides benefit equity and helps employees at various ages and stages of their career.

Do I need a payback provision?

Payback provisions are uncommon. In general, requiring former employees to return student loan payments entails a greater administrative cost than employers are typically willing to pay in exchange for what is often a minimal return.

What are the best methods of payment distribution?

The most common approach is direct payment to a loan servicer. The most common frequency is once per month. Often, there is a required payment rule in effect, where the employee must make a payment and remain in good standing in order for the employer contribution to go through. Making additional payments on an employee's loan will typically shorten the length of a loan and reduce the total amount of interest charged, saving employees thousands of dollars over the life of the loan.

What are the best ways to administer this program?

More companies are coming online that act as third party vendors and administer student loan repayment benefits on behalf of employers. For a fee, companies offering these benefit platforms allow employers to make direct payments to their employees' loan servicers through their online platforms, making it easier for employers to offer and manage this benefit program. Some companies offering these benefit platforms also offer financial education and wellness tools to help employees better manage their student debt.

When contracting with a vendor to administer payments, employers should consider the extent to which employees will have control over the application of employer payments between principal and interest, and control over the allocation of payments between loans. Employers should work with vendors to make sure employees understand these factors, particularly if employees are enrolled in an income-driven repayment plan.

Are there any tax considerations for employers? What about employees?

Both the state and federal government currently consider student loan repayment assistance to be taxable income. Income tax derived from employer contributions to student loans is deducted from the employee's wages on their paycheck. Additionally, because the loan repayment assistance is taxable income, it will be counted as income for purposes of calculating an employee's monthly payment amount under an income-driven repayment plan.

Are there any tax incentives for employers?

Currently, there is proposed legislation before both the U.S. Congress and Massachusetts General Court that would provide a tax deduction or credit for employers offering student loan repayment assistance to employees up to a pre-specified amount, similar to the existing tax incentives in place for employer-sponsored tuition reimbursement.

How can I determine the return on investment (ROI) in my employer loan repayment program?

Measuring the ROI on an employer loan repayment program depends on the talent goals that were originally laid out at the start of the program. Employers should begin by analyzing their hiring data. Effective programs can produce a number of benefits, including a reduction in the time it takes to hire new employees, an increase in the quantity and quality of applicants, and lower rates of employee turnover.

As non-profit employer, how can I learn more about Public Service Loan Forgiveness?

Employees of government organizations and not-for-profit organizations with a 501 (c) (3) tax exemption status may be eligible for Public Service Loan Forgiveness (PSLF). PSLF forgives the remaining balance on federal Direct[12] student loans after an employee makes 120 monthly payments under a qualifying repayment plan while working full-time for an eligible employer.

In order to receive forgiveness under the PSLF program, an employee must be enrolled for at least part of the ten-year repayment period in an income-driven repayment plan, and the employee's monthly repayment amount under the income-driven repayment plan must be less than the payment that would be due under the ten-year standard repayment plan.

[12] Borrowers with loans made under the Federal Family Education Loan Program (FFELP) can consolidate into the Direct Loan program in order to become eligible for PSLF.

As non-profit employer, how can I learn more about Public Service Loan Forgiveness? (continued)

If you are a qualified eligible employer, you can download American Student Assistance's Eligible Employer Toolkit to promote the PSLF program to your employees. Details concerning the PSLF are also available on the U.S. Department of Education's website at https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service.

How can I learn more about federal income-driven repayment plans and determine how these plans might affect the value of a loan repayment benefit?

It is important for employers to understand that not all employees will necessarily benefit from a loan repayment program in the same way. For example, those eligible for forgiveness under federal income-driven repayment plans or Public Service Loan Forgiveness are less likely to benefit in the long run from additional employer loan payments.

Income-driven repayment plans limit federal loan payments to a fixed percentage of the borrower's disposable income and forgive any remaining loan balance after 20 or 25 years. Under an income-driven repayment plan, any payments made on the loan beyond the income-driven payment amount are typically applied to outstanding interest that might otherwise be forgiven by the U.S. Department of Education. For this reason, employer payments in excess of the regularly scheduled income-driven payment amount may be of less value to employees.

Because the income and student loan debt of a borrower's spouse is also typically evaluated as part of an income-driven repayment plan, it can be challenging for employers to infer employee eligibility for income-driven repayment plans based solely on typical employee salaries and debt levels.

To learn more about the income-driven repayment, visit the U.S. Department of Education's website at https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven. You can also use the Department's repayment estimator at https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action to get a general sense of the incomes, debt levels, and family sizes necessary for borrowers to qualify for and benefit from income-driven repayment plans.

ADDITIONAL RESOURCES FOR YOUR EMPLOYEES

The Attorney General's Student Loan Assistance Unit helps borrowers explore student loan repayment options, including federal income-driven repayment plans and Public Service Loan Forgiveness, and assists borrowers in resolving disputes with loan servicers. The Student Loan Assistance Unit also helps borrowers get federal student loans out of default and end associated wage garnishments or tax refund interceptions. Employers who receive a wage garnishment order relating to an employee's federal student loan are encouraged to refer the employee to the Attorney General's Student Loan Assistance Unit for help. AGO's Student Loan Assistance Unit: 888-830-6277.

American Student Assistance also provides a Student Loan Resources webpage.

Program Highlights

“The Step Ahead Student Loan Assistance program is an investment in our employees.”

Jennifer Hanson, Fidelity

FIDELITY'S STEP AHEAD STUDENT ASSISTANCE BENEFIT PROGRAM

In early 2016, Fidelity launched a new employee benefit called the Step Ahead Student Loan Assistance program. Fidelity's program launch was in response to employees and their managers telling the firm that student loan debt was forcing them to put off major life decisions like buying a home and having a child. As a financial services firm, this was really concerning to Fidelity and they felt that providing a benefit like student loan repayment assistance helped them to address a very real financial concern that is impacting employees directly. The Step Ahead Student Loan Assistance program provides eligible employees $2,000 annually toward their student loans, up to a lifetime maximum of $10,000. The payment is paid monthly directly to the employee's loan servicer, helping pay down the principal of the loan so employees can save on interest and ultimately pay down their student debt faster. Eligible employees need to work for Fidelity for six months before qualifying to receive the benefit.

“The Step Ahead Student Loan Assistance program is an investment in our employees. They told us they were putting off major life decisions like buying a home, saving for retirement and having a family, which was very concerning to us. The response has been incredible and the program is being used by over 6,000 of them.” - Jennifer Hanson, Head of Associate Experience

“This benefit has put me on track to repay my loans sooner than I'd ever imagined. Having that piece of mind has given me the confidence to pursue my personal and professional goals. I am proud to work for a company that is investing in my financial future by helping to relieve the burden of student loan debt.”- Greg Dziura, Consultant, Professional Services Group

PWC'S STUDENT LOAN PAYDOWN (SLP)

Realizing student debt was a major pain point for recent graduates, PwC launched a new employee benefit in 2016 to help staff reduce their student loan debt. PwC's Student Loan Paydown benefit is targeted at associates or senior associates, and provides $1,200 a year ($100/month) toward an employee's student loans for up to six years, or promotion to manager (whichever comes first). The benefit is paid directly toward the loan's principal to reduce interest and ultimately shortens the payoff period. PwC uses Gradifi, a Boston-based startup to administer the program. PwC was among the first companies to offer this type of benefit on such a large scale.

"I'm a Boston native and a first generation college student. I earned a master's degree in accounting while juggling the hard, but fantastic work of being a single mom. I am so grateful to be able to live and work in this town that I love and know that I work for a firm that understands my life and is willing to lift some of the burden of my student loan debt." - Elaine Florentino, Assurance Experienced Associate

"At PwC, we learn a lot from simply listening to our people. Our staff told us they are really feeling the pressure of student debt. The research shows debt is causing people to delay buying houses, cars, even getting married. That's not good for the economy of Boston or the country. We now have 8,200 people signed up for our Student Loan Paydown. The response has been fantastic. We've even gotten feedback from people who don't even have debt, who say they're proud to work for a firm that is pioneering in this important area and helping to tackle a huge societal problem." - John Farina, Market Managing Partner Northeast

"I am so grateful...that I work for a firm that understands my life & is willing to lift some of the burden of my student debt."

Elaine Florentino, PwC

NATIXIS INVESTMENT MANAGERS STUDENT LOAN REPAYMENT BENEFIT

Natixis Investment Managers recognizes that the cost of college education is very high and that employees may be continuing to pay off college loans well into their careers. Because of this, Natixis offers a student loan repayment benefit where full time and regular part time, active employees are eligible to receive up to $10,000 over a 10-year period (lifetime maximum) to assist them in the repayment of a verified student loans for their own education.

"Our top priority at Natixis Investment Managers is to help people live better financial lives, so when our research showed that student loan debt was preventing workers from saving for the future, we knew we should help. Approximately 20% of our employees are currently taking advantage of our student loan repayment benefit and we expect participation to continue to increase, as well as to help us attract and retain talented people." - David Giunta, President & CEO for the United States and Canada

STAPLES, INC. STUDENT LOAN REPAYMENT PLAN

Originally launched in 2016, Staples, Inc. offers a student loan repayment benefit to certain eligible employees. Partnering with Tuition.io, Staples pays $100 per month for up to 3 years, equaling $1,200 annually with a lifetime limit of $3,600. The Staples benefit program targets specific U.S. sales associates with 90 days of service who are full-time employees and have obtained or are obtaining a degree from an accredited institution. Staples uses this new benefit as a recruitment tool, and a talent retention tool.

“Making higher education more financially accessible is a way to build and maintain the talent we need.”

Marcy L. Reed,
National Grid of Massachusetts

NATIONAL GRID’S STUDENT LOAN REPAYMENT PROGRAM

National Grid will launch a new employee benefit in 2018 to help staff reduce their student loan debt. National Grid’s Student Loan Repayment Program benefit is targeted at eligible full and part time employees, and provides a total maximum lifetime benefit of $6,000 ($50/month for the first year and increasing by $25 in years 2-5). National Grid considers this benefit part of the suite of its cross-generational benefits, and will therefore include ParentPLUS loans (loans held by the parent for their child’s education). National Grid will partner with Tuition.io. to provide employees with this cost effective and secure method of repaying their loan.

“National Grid needs people with the right skills and knowledge to operate complex systems that bring clean, affordable energy to customers. Making higher education more financially accessible is a way to build and maintain the talent we need. It’s a win-win for the company and for our employees and their families.” - Marcy L. Reed, President, National Grid of Massachusetts

AGO/Chamber Student Debt Working Group

Last year, Attorney General Maura Healey and Greater Boston Chamber of Commerce President and CEO James E. Rooney jointly launched the Student Debt Working Group to bring together leaders from the business community and government to exchange ideas and develop concrete proposals for improving the state of student debt and access to higher education in Massachusetts. The Working Group consists of members from a variety of backgrounds who have come forward to work together on issues relating to student debt and includes representatives from the business community, public and private institutions of higher education, and various branches of government, nonprofits and other organizations dedicated to providing assistance to students. The group includes representatives from:

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THE GREATER BOSTON CHAMBER OF COMMERCE
AMERICAN STUDENT ASSISTANCE
BABSON COLLEGE
BOSTON UNIVERSITY
BRIGHT HORIZONS
BUNKER HILL COMMUNITY COLLEGE
CASNER & EDWARDS, LLP
CITIZENS BANK
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FAST FORWARD
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HARVARD UNIVERSITY
INVERSANT
JOHN HANCOCK
LESLEY UNIVERSITY
LOCKE LORDE LLP
MASSACHUSETTS COMMUNITY COLLEGES
MASSMUTUAL
MORRISSEY, WILSON, AND ZAFIROPOULOS, LLP
NORTHEASTERN UNIVERSITY
ROXBURY COMMUNITY COLLEGE
SERVICE EMPLOYEES INTERNATIONAL UNION, 509
STAPLES
ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES IN MASSACHUSETTS
MASSACHUSETTS BAR ASSOCIATION
MASSACHUSETTS DEPARTMENT OF HIGHER EDUCATION
MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY
MASSACHUSETTS LEAGUE OF COMMUNITY HEALTH CENTERS
THE OFFICE OF STATE SENATOR EILEEN DONOGHUE
OFFICE OF TREASURER DEBORAH GOLDBERG
THE PROVIDERS COUNCIL
UNIVERSITY OF MASSACHUSETTS
CHAMBERS OF HON. FRANK J. BAILEY, UNITED STATES BANKRUPTCY COURT, DISTRICT OF MASSACHUSETTS
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