Episode 19 – Employer approaches to the burden of student loan debt

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SCOTT THOMPSON: People don't start their journey of repayment and say to themselves, I'm going to be doing this for the next 21 years. They just -- they just don't, right?

STEVE BLUMENFIELD: Right.

NARRATOR: Welcome to The Cure for the Common Company, a podcast series looking at innovations in the world of employee health and wellbeing. Steve Blumenfield and other experts from Willis Towers Watson's health and benefits practice are talking to entrepreneurs and industry leaders who break ground to meet the needs of today's workforce and deliver benefit solutions that can separate employers from the pack.

STEVE BLUMENFIELD: Hey, Scott.

SCOTT THOMPSON: Hey, Steve.

STEVE BLUMENFIELD: Hi, everyone. This is Steve Blumenfield from Willis Towers Watson Health and Benefits. Welcome to today's Cure for the Common Co podcast on education benefits. I'm delighted to be joined today by Scott Thompson, CEO of Tuition.io. Hey, again, Scott.

SCOTT THOMPSON: Steve, good morning. How are you?

STEVE BLUMENFIELD: Excellent. Excellent. Also joined today by Lydia Jilek. Lydia is one of our health and benefits experts in voluntary benefits, with a particular expertise in education benefits. Hi, Lydia.

LYDIA JILEK: Hey, Steve.

STEVE BLUMENFIELD: Hey, hey. And also by Dave Amendola. Dave is one of our senior retirement consultants with an expertise in intellectual capital, and in education benefits. Dave, good to have you on the pod today.

DAVE AMENDOLA: Thanks for having me, Steve. Happy to be here.

STEVE BLUMENFIELD: Outstanding. Outstanding. Well, Scott, let's get right into this, and let's talk about Tuition.io. Sounds to me like Tuition.io is a solution to help employers offer and administer education benefits to their members, and then for the members to help them pay their student loan debt, and also provide a suite of tools and even human interaction that allows that borrower to understand how to plan for the debt that they will accrue, and subsequently manage that debt and some other tools for the employer as well.

Now, you were the president of PayPal and then the CEO of Yahoo! before you came on as CEO of Tuition.io. Clearly, you had lots of opportunities ahead of you. So why student loans? Why Tuition.io?

SCOTT THOMPSON: Well, Steve, you know, I was on the board of the company as the independent director before I joined as the CEO full time. And when I joined the board and I began to understand how big of a problem this is, this student loan problem across the country for so many consumers, it just -- it was almost a calling. It was like, you've got to go do something about this.

And when the opportunity was presented to me to join the company full time as the CEO, I was like, let's go do this. Let's make it happen, and let's make the lives of millions of people better than it's otherwise going to be as it relates to this subject.

STEVE BLUMENFIELD: Wow. That's inspiring. That's just amazing. You had many places to go, and you chose to make this kind of difference. I guess I'll ask Dave and Lydia, as you think about the environment our employer clients are operating in, what are some of the things that they're thinking about?

LYDIA JILEK: Sure. What we're seeing right now is a lot of our clients are looking, of course, to think about cost savings and safety issues for their employees. But many are also thinking about what comes next, and how are they going to be able to create the right workplace for their employee population, and what are the benefits that they can offer.

And we have also seen an interest from employers in the possibility of providing education for employees. Less so on the employer contribution at this point, but very much on the education about options within the current portfolio.

DAVE AMENDOLA: Yeah. And I think in addition to that, what I'm seeing a lot now is a very heightened interest in financial resiliency for employers, kind of getting at what Scott talked about earlier in terms of the economy, especially where we are now, and where it may be headed, and trying to look at tools to help employees with their financial resiliency.

And what I think is going to be interesting, and what I would love for us to kind of continue to get at with this discussion is, is where student loans and education benefits fit into that. I think that before the pandemic hit, I think Lydia and Scott and I would probably all agree that there was just a tremendous amount of momentum from employers looking at either enhancing or adding education benefits to their benefit programs.

And then the pandemic hit, and it kind of threw everything into kind of a maelstrom a little bit, in terms of what they needed to focus on, and what they were trying to get at. And I'm just -- I'm interested to see now how 2021 employers hopefully look to pick this back up. Because I think what I got a little bit out of what Scott was saying is employers are really going to be challenged, and the student loan debt is not going away anytime soon.

STEVE BLUMENFIELD: It sounds like we're all seeing some concerns at least about the economy, and particularly the financial wellbeing of some of our people. So Scott, how does that impact different populations?

SCOTT THOMPSON: Yeah. Steve, when you look at the data and you pull apart student loan debt by race, it's discouraging, to be honest with you. And kind of -- when you look at African-American students, 90% of African-American families who have young people that go to higher education finance it with student loan debt.

When they leave that four-year program, on average they start with $10,000 more debt than other races in the country. And then the problem gets worse over the next five years, because that African-American borrower really struggles to pay down the principal balance of their student loan debt, and in fact, it increases by a fairly significant amount.

And in a five-year period of time, the difference between the African-American borrower and other races is $25,000 at that five-year mark. So very-- when you look at it in that way, pretty dramatic differences just in the affordability of higher education, and then what happens to the individual after that.

STEVE BLUMENFIELD: That is sobering. So what can an employer do?

SCOTT THOMPSON: I would say this: Recognizing that the individuals we're talking about -- and these are a lot of frontline workers in a lot of different industry -- people that we would classify today in the context of the pandemic as "essential." And those are the individuals that are struggling the most.

And when you're thinking about that person, the dollars that you can spend for them to help them get out from under this burden of their student loan debt has more meaning than dollars you spend on almost any other benefit, including retirement dollars. Because, of course, my assertion is with employers, if you're struggling to make your ends meet, your family's ends meet during the course of a month, the last thing you're going to think about is taking some of that precious money that you have and allocating that to saving for retirement. You just can't afford to do it. And by the way, we see that in the numbers, too, Steve.

STEVE BLUMENFIELD: Dave, so just heard retirement, and that made me wonder, what are you hearing from clients as they think about weighing those two pieces?

DAVE AMENDOLA: Yeah. I mean, that's a great question. I think that's what a lot of our clients are grappling with right now, and trying to make their retirement plans, which are essentially the defined contribution savings plans now, they're really trying to make those "savings" plans, as opposed to "retirement" plans, so they can be more flexible to help their employees who are really having some challenges now.

STEVE BLUMENFIELD: Break that down. What exactly does an employer do in that situation?

DAVE AMENDOLA: Essentially, an employer could integrate a student loan repayment assistance program into their 401(k) plan, for instance. So right now, if I'm getting an employer contribution to my 401(k) plan based on the money that I save in that plan, this new integrated program would allow me to get that employer contribution, either if I make that employee deferral contribution to the plan, or if I repay my student loans.

So it's giving me the flexibility to say, "You know what? I still would like to save for retirement, but I'm going to get that money from my employer." Even if I, instead of, let's say, defer money to the plan, I pay back my student loan quicker, I'm still being helped by the employer to help my retirement savings while I am paying off my student loan debt quicker, which is hopefully helpful to me in the short-term and the long-term.

LYDIA JILEK: This is Lydia. I think that that's consistent with what we're seeing from the health and benefits side, exclusive of the retirement plan, is that type of model can be more cost-neutral to a employer than some of the straight contributions with, say, $100 a month or $1,000 a year. And what we're seeing a lot of clients look to do right now is to do something a bit more incremental, where perhaps they begin with a smaller footprint as it relates to their student loan benefits, giving employees access to counseling as well as information about how they may want to consolidate and remain within the federal student loan program or potentially refinance. So giving people education and tools, as opposed to making contributions immediately, but not precluding themselves from making contributions for those employee student loans down the path as they choose a vendor to work with.

STEVE BLUMENFIELD: So the common challenge that I'm hearing is in tough financial times, particularly, but even in times that aren't as tough financially, how do you help people without a new significant commitment on your part? And it sounds like both of these types of solutions are helping with that. Am I hearing that the right way?

LYDIA JILEK: Most definitely.

SCOTT THOMPSON: You are, Steve. And the thing I would add to this conversation is the ability to save for retirement is inextricably linked to an individual student loan debt. I just fundamentally believe it. And if you have meaningful student loan debt, you simply can't afford to save for retirement.

And the problem plays out over a much longer period of time than people imagine it to. Because from the time you graduate from school to the time you're done paying your debt, on average is 21 years.

STEVE BLUMENFIELD: 21 years.

SCOTT THOMPSON: And if--

STEVE BLUMENFIELD: Wow. Longer than you were alive by the time you graduated for many people. That's amazing.

SCOTT THOMPSON: Exactly. Yeah, exactly. And if you believe those individuals with the debt and their families are really struggling with that burden that whole time, I can assure you they're not thinking about saving for retirement. They're not saving for retirement.

So if your world as an employer is, I need to help financially and I think saving for retirement is important, the real question is, how do I get that person to a better place sooner than they'd otherwise get on their own? And that's where what Dave was describing, this linking it together, is just a beautiful option to provide a meaningful benefit to get a person to a much better financial wellbeing place in their life much earlier than they would on their own.

DAVE AMENDOLA: Yeah. And Steve, I would say one of the things that I have really noticed and very much respected from Scott's perspective and Tuition.io's perspective is they've been really on the leading edge in terms of trying to think through different, sort of flexible approaches, and trying to really push the envelope in terms of providing their clients, and ultimately our clients as well, with the ability to design their programs in a way that is best for them, either from a cost perspective and from a design perspective, from an innovative perspective.

And he and I have had some interesting conversations and joked a lot about the "pushing the envelope," and does it really work, because I'm a former lawyer. But I really respect that viewpoint. And I think that's where the space and the industry is really moving and evolving very rapidly.

And we don't know exactly where it's going to go I don't think. But these pushes to innovate and provide these flexible approaches to tie the student loan debt repayment to retirement and other ways to help employees with their financial resiliency, I think is going to be really, really important as we move forward in the next couple of years.

STEVE BLUMENFIELD: Once a lawyer, always a lawyer, right? I'm sure.

DAVE AMENDOLA: Exactly.

STEVE BLUMENFIELD: Thinking it all out. So Scott, let's hear some of this. That sounds like an invitation. Let's hear some of the more innovative ideas that Tuition.io is bringing to market.

SCOTT THOMPSON: Sure. In addition to this, the plan design that links to your retirement plan, the other innovative plan design that we've rolled into the market, that there's a tremendous amount of discussion on, is PTO conversion. So the employee works for an employer that has a PTO program, where you can build the bank of time, and then you can elect to use that for a variety of things, including going on vacation.

Again, when as I talk with employers, it's wonderful. It really is. It's necessary and it's wonderful to give your employees time off, so that they can re-energize and do the other things in their life. But here's what the data tells you, and that is if you have meaningful student loan debt, there is no such thing as a vacation, because you simply can't afford it.

And if you gave that individual the opportunity to take that PTO, the value of it, convert it into a payment against your student loan debt, Steve, you end up with the same result, and that is paying down your debt much more quickly than you would otherwise. And by the way, giving that person, that employee, kind of that feeling of, I've got this under control. There is a light at the end of the tunnel. I can see I'm going to be able to be done with this, and thank you to my employer for helping me get there and recognizing how important this is for me. So a lot -- even in this pandemic period of time that we're in, we're having a lot of conversations on those two plan designs with large employers in the market.

STEVE BLUMENFIELD: Creative. Very creative.

LYDIA JILEK: One of the other nice things that can come from this is, if we think about people planning for retirement and some of those things that have such a long time frame associated with them, while student loan debt is definitely not something where we see as it's a quick turnaround, but it does give employees and individuals an opportunity with some of the dashboards and some of the other tools that are available, to see how their dollars, and potentially additional dollars from PTO or additional contributions that they may make towards that student loan debt, really can start to eat away at that, and give people a sense of accomplishment, and how to perhaps tackle planning for retirement or tackling some other debt that they may have. So I think it can be a really instructive opportunity for employers and employees as well.

STEVE BLUMENFIELD: So let's dig into that consumer experience a bit. What is that like? How do they experience it at the employer? How do they get access? And what does it feel like? What do they do?

SCOTT THOMPSON: Like a lot of other benefits, this starts with the employer communicating to their workforce what this is, why they're doing it, how to take advantage of this, and what's going to happen next. And we work with employers, and we put a lot of effort in with employers to make that pre-enrollment communication as robust as it can possibly be, and as detailed as it can possibly be, so that the individuals in their workforce understand what this is, why, and how it's going to benefit them.

Then at enrollment time we, like I'm sure a lot of Willis Towers Watson clients, use every channel that's available through that employer to get to every member of the workforce to say, "OK, it's time." Time to enroll in the benefits. Time to take this step. Create an account on the Tuition.io system and platform, and do the following things.

And all the standard ways that other benefits get rolled out, we use those same channels. Of course, we use email. Of course, we use paper delivered to an individual's house or wherever they're living, and we use any other method that the employer has.

At enrollment day, it's actually very simple, but profoundly important what happens next. So let's imagine, Steve, you have student loan debt. You've been invited to enroll in the benefit. You've come to our site through an invitation. You provide a simple login ID and password. Generally, the login ID is your corporate email account.

But this next step on our platform is the most important. You then link all of your student loan debt to our platform, so that we have detailed insight into every loan you have. You do that by providing your login ID and password for your loan servicer and private lender. That essentially establishes a link that allows us to have a detailed, updated balance of your student loans every day of the year.

So anytime you come back, we can show you what you owe. We can show you what your minimum payments are. But we also see all of the transaction history for all of your accounts, so that we can help you better understand what you're doing, where you're going, and are there better steps you can take to successfully manage down, and ultimately repay your student loan debt.

STEVE BLUMENFIELD: Got it. And I'm looking in the app store right now. I'm looking at Tuition.io. So it's clearly -- you've got an app, as well as a website. How to most users traditionally interact with Tuition.io?

SCOTT THOMPSON: So it almost entirely depends on the employer. And I say that because if your access to our platform comes through some employee benefits platform that you the large employer has, and you're redirected to a single sign-on-like technology, then you're coming to our portal through the web.

If you are a frontline health care employee, those individuals, they have a lot to do during the course of the day. They don't generally visit their corporate email, if they even have a corporate email account. Those individuals are much more likely to enroll, download our app, and interact with us through the app. Because that's just an easier way for them to use the tools we have to understand the payments that the employers make, and where this benefit all goes. So it really is dependent on who you are, what role you have, and how easy is your access to the corporate network of your employer.

STEVE BLUMENFIELD: It feels very accessible looking at the app. It's not a spreadsheet. It's got kind of simple graphics, the kind of things that you'd be accustomed to, designed for consumers, as opposed to designed for, let's say, a financial expert.

LYDIA JILEK: There's one thing I want to jump in here with if I could, and that is that while the technology is an important and vital component to the success of these programs and the accessibility of these programs, I think it's equally important to highlight one of the features where Tuition.io excels, and that is counseling.

Because providing employees simply with a bunch of tools and calculators and access to this information is one thing. But really giving them hands-on guidance, which Tuition.io and a number of other vendors do, to really help them talk to somebody who is an expert about student loan debt and how they may tackle their particular situation, is incredibly important.

Because remember, most of us who took out student loan debt did so when we were 17 or 18 years old, and didn't really understand what we were doing. And having somebody who can really help walk you through your particular situation and give you advice on that with the expertise to be able to do that effectively, I think is absolutely critical.

STEVE BLUMENFIELD: How does the user get access to that?

SCOTT THOMPSON: What Lydia is talking about -- really, there's two paths on our platform. So any user that uses the app or comes to us through our portal has immediate access to live chat if they want to talk with our counselors that way. So in the moment, you're looking at something on the portal, you're curious about what you're seeing, you can reach somebody who can help you in that moment and explain it to you.

You can also come to our portal and choose a time, a day and a time when you want to talk to somebody, one of our counselors. And you can specify what you want to talk to that individual about with that time that you've now scheduled.

And the reason why you specify is because we want that counselor to be able to send you some materials ahead of time and say, in order to help you with this question, I'm going to need the following -- boom, boom, boom. And if you can send it to me ahead of time, I can make that conversation more productive than it would otherwise be.

So both of those are the avenues that individuals have today. More and more and more we see the scheduled time being the mechanism that the employees use most frequently. Because when they know it's there, then it can fit nicely into their schedule, whatever their schedule happens to be, and they can get prepared because of what I just described.

STEVE BLUMENFIELD: That just makes perfect sense to be able to access not just the technology, but also someone to help you out. Because oftentimes, we need that help. For the employer, how do they pay for this? Is this funded through some kind of loan proceed? Is there a PEPM? Is there other options for both? What does that usually look like?

SCOTT THOMPSON: Right. So the only revenue Tuition.io gets is through the fees that the employer pays us. And that's almost entirely on a PEPM-basis today. There's nothing that we do, there's no occasion when we'll try to market something to the employee, collect proceeds from anybody else who's trying to market something to the employee. Our model is strictly employer-paid. And that allows us to really feel good about our ability to give the best possible advice to your employee.

This idea that the employee, the borrower, just doesn't understand their debt is a -- that's real. People don't start their journey of repayment and say to themselves, I'm going to be doing this for the next 21 years. They just don't, right?

STEVE BLUMENFIELD: Right. Right.

SCOTT THOMPSON: And by the way, they're 14 or 15 years into it, and they wake up one day and they say, "how the hell did I get here? How have I been paying this long and I'm not making that progress?" And it's not the employee or the individual doing the wrong thing, it's they just don't know necessarily what the right thing to do in their own circumstances.

That is a super compelling benefit, when you can help somebody just understand there's a different option. There's a better option. There's a set of things that you can do that eliminates five years or six years of repayment that you otherwise won't get to on your own course and speed that you're now on.

DAVE AMENDOLA: So Scott, you know, we've been talking a lot about this benefit. What would you say in terms of -- what is the direct benefit to the employer for putting one of these programs in for their employees?

SCOTT THOMPSON: Yeah. From the data we have, Dave, it's just unarguable. When you, the employer, offer a meaningful student loan benefit to the members of your workforce, you see higher, and in many cases, significantly higher retention of those individuals who are partaking in the benefit and taking advantage of the financial assistance that that employer is providing.

The incremental retention that we see varies by industry. It's generally better retention, the younger the workforce, the more highly educated the workforce is. And by the way, the most highly -- well, the more highly educated the workforce is, it correlates directly to higher levels of student loan debt. So if you're providing those individuals a student loan benefit, again, unarguable, unmistakable, much higher retention.

LYDIA JILEK: Our listeners tend to be pretty data-driven. Can you quantify that a little bit for us?

SCOTT THOMPSON: Sure. I would say the -- if you look at our platform, and an average employer age was in the high 20s, low 30s, you would see a 20%, 25% change in retention of that portion of your workforce. And a really good example of that is tech companies that trend younger, or health care companies that are offering this benefit to frontline employees who are younger -- let's call it nurses, positions like that.

As the workforce gets a little bit older on average, even a much more -- a much higher average age in a workforce, so call it mid-40s, on average, we still see a change in retention. It won't be in the 20% to 25% improvement range, it'll be in the single digits, call it 6% to 10%. But it's still meaningful, and it clearly, when you do the math, it clearly offsets the incremental cost of the benefit that you're providing.

DAVE AMENDOLA: So Scott, if you were to see yourself on the cover of a magazine, one of the big business magazines in five years, what would you want to see as the tagline to "Scott Thompson, Tuition.io"?

SCOTT THOMPSON: These guys solved the $1.7 trillion problem for this country. And by the way, five years from today, it'll be over $2 trillion. But this small company solved this problem for our country, for 50 million U.S. consumers. It would be a wonderful moment in time to see that we had made that much progress in a relatively short period.

STEVE BLUMENFIELD: That's OK to have modest goals.

[LAUGHTER]

Lydia and Dave, some of the conversations that we have had included concerns about what you can do for members without a lot of additional capital outlays. That's a little bit of what Scott just talked about. So how does this problem typically present itself? When an employer wants to talk about student loan, they want about education benefits -- what happens? How does a conversation start, and where does it go next?

LYDIA JILEK: It really can take a whole bunch of different turns, and come to a benefits department or human resources area, where we tend to have our primary contacts within the health and benefits team from a bunch of different areas. It may come from a CHRO that's read an article, or somebody who has been approached by a particular vendor.

And what both Dave and I do is spend a lot of time educating employers and clients about the different components of student loan programs, and making sure that they understand some of those nuances and the differences and the many different ways that they as an employer can approach this type of problem, given some of the intricacies of their underlying retirement plan design, or other benefits that they may offer to their employees.

We have had some employers who have come to us and said, "hey, we'd like to do this PTO conversion program." And we start asking them how much PTO they provide to their employees, or how things are structured in that area, and it's just not necessarily a workable solution.

Similarly, we can see some hiccups with employers that may have a specific type of 401(k) program that may not be really suitable for a student loan program tied to the 401(k). So we definitely do a lot of education and helping employers understand what may be right for their particular situation. Because a lot of times, we do see interest coming from a variety of different areas that really needs to be better focused in order to come up with the appropriate solution for the employee population.

DAVE AMENDOLA: Yeah. Lydia and I have been on plenty of calls with clients where they say, "hey, we heard about that really cool student loan 401(k) program. Can we talk about that? We're really interested in it."

And we start talking about it, and they are interested. But then they understand all the nuances and intricacies, and wow, that's challenging. And we talk through the different options. And at the end, it's OK, well, this was really, really informative. We have to think about what makes sense.

And I think now it's even more complicated with the economic environment, because a situation where maybe the most attractive benefit would be to just make a contribution towards the student loan repayment, that's going to be costly. And that's -- as Scott was saying earlier, he's not really having those conversations with clients about designing a new program where you're going to be making a real kind of monetary contribution. Before the pandemic, I think that was much more likely to happen.

So I think we're just in a real kind of new world right now, and it's going to be really interesting to see where we start coming out. I do think that the PTO version and the 401(k) type programs, because of their cost neutrality, potentially could be attractive over the next six months, nine months, a year. And depending on what we get in terms of regulatory guidance or legislative change, really could speed that up.

STEVE BLUMENFIELD: Absolutely.

LYDIA JILEK: Dave, that brings me to think about something that we've heard about recently. And if we think about the CARES Act passed by Congress several months ago at this point, there is a provision in the CARES Act that provides for contributions that employers make to their employee's student loans through the end of 2020 to be nontaxable to the employee, which is a change from the status quo prior to the CARES Act signature, where that benefit still had remained taxable.

We've had a number of employers approach us about that opportunity, thinking that it will provide a net cost savings. And what we do spend some time explaining is that that does not provide an overall cost savings, it provides a savings from a taxability standpoint for the employer with the FICA and FUTA taxes, and to the employee making that benefit non-taxable. But it doesn't necessarily mean an overall net cost savings for an employer that may be looking for ways to trim overall cost for their benefits program.

STEVE BLUMENFIELD: So it might help some, but it's not that silver bullet that we'd hoped for.

LYDIA JILEK: Exactly.

DAVE AMENDOLA: So Scott, I'm interested to know what you guys are thinking in terms of whether this is a temporary change in the way that higher education is presented, and the cost in the structure of it based on what we're going through now, or if perhaps it becomes more permanent, but the value proposition of higher education, I think, is again, either temporarily or permanently changing in front of our eyes. And I'm just wondering what you are seeing from that end, and how that potentially might impact what you guys are doing in your business.

SCOTT THOMPSON: Yeah. So, again, I don't know that I have a good crystal ball on this, Dave. I'll just give you my personal thoughts. When you look at the last three, let's call it recessions that we've had, and we've had three, now four, in a very short period of time in this country, the data would tell you that the cost of higher education didn't go down as a result of the recession. The cost remained the same, but the percentage that was funded by the individual jumped up pretty dramatically.

There is no question in my mind that's also going to hold true here, that the best universities in this country will maintain their costs, because it's hard to descale these big universities and colleges. So the costs will remain the same. States will pull back on funding for the individual. And therefore, the cost is going to go to the person. So the average student loan debt taken on by an individual is going to jump up pretty dramatically as a result of this, as we look forward over the next couple of years.

And then, of course, that's going to have an effect on all the other metrics that we just talked about. Because the monthly minimum payments will jump up. The period of time that the individual will be paying that debt will jump up.

All of those things will happen. And so the metrics will get worse for individual borrowers as a result of this versus getting better. That's my sense, Dave. But again, I'm not an expert. I just kind of -- if I was trying to instruct people on what's likely to happen, that's where I would go in the conversation.

STEVE BLUMENFIELD: One of the things that strikes me, as I get my head around the Tuition.io solution, as well as others in this space, is you live and breathe all the nuances of an area that most people just don't think about. As Lydia and Dave have talked about earlier, people -- you have as well. People took on these loans early in life, or maybe they have them later in life.

But regardless, you're not thinking at that time what life will be like five years later -- what life will be like if you're in a difficult financial situation. And suddenly, you have access to experts who can help you with things. So what are some of the things that we just don't think about, because this isn't what we do all the time, that you have seen your folks, your tools, your people, help people understand and do better?

SCOTT THOMPSON: I could go on answering this question for probably the next hour, but I know we don't have time. So let me first start by saying, there are a lot of complicated issues in this student loan debt space. And I can personally understand, and I can relate to, why a consumer might be overwhelmed with this debt, and what it is, and how to think about it, and how to repayment. I get it, because it is complicated. And as I said, I'm still learning some of the nuances of this debt.

But I do want you to know, and I do want your listeners to know, that there are almost in every case small changes a person can make that get them almost immediately to a better place. So as a for instance, it's very likely that a borrower who works for you as an employee doesn't have one student loan, they have between 8 and 12 student loans. That's the way people borrow for education.

Each one of those loans has a different interest rate -- some a little lower, some a little higher, and some may be meaningfully higher. A really easy step for that person to take that's likely to result in a lower monthly payment is consolidate them all into one loan.

There's no cost for doing it. They stay federal loans. You have all the same benefits of your current federal loans, but you just consolidate into one loan at a lower interest rate that lowers your minimum monthly payment. Most borrowers don't know that this step is available to them.

Equally, let me give you an example that's current. In this current period of time with the CARES Act has allowed all federal student loan borrowers to stop making payments on their student loan debt, which is a great thing, right? Because if you're out of work or you're furloughed or you've had your salary adjusted, you might not be able to afford that payment.

But for those individuals who have been -- continue to be employed, their payment's gone to zero, they're likely not making a payment. They should be. If they can afford it, they should be making their payments at this time. Because any payment that's sent in when your loans aren't accruing interest goes 100% to principal.

And when we communicate that out to the employees on our platform, we see the change. We see them start making -- we see the phone calls first, because people want to know, "what is this? What's going on? Why are you recommending this to me?" And once they understand it, they go -- they're like, of course, I should be -- I can afford to, I should be, and they do. So it's little things.

I'll give you one other example. If you're late in your career, your kids are now going to school, you're helping them to finance their education, you can't put that entire burden on your son or daughter, you have to make a decision for how you're going to help them finance that education, then you have a variety of options for doing that. But you can make very bad decisions at that moment in time, as I'm sure Lydia and Dave can tell you.

[LAUGHTER]

You can. You can make very bad decisions. And I would argue, my word, the last thing you should do is take a withdrawal on your 401(k) plan to finance your kid's education. Probably the last thing you should do is take a loan on your 401(k) to finance that education. God forbid, you finance it with a credit card that you have, and you pay credit card rates. There are better ways to finance that education for your son and daughter, and you just might not know what those are.

Boy, I hope -- Steve, I hope every one of those employees calls us and says, here's my situation. My son is going to wherever, UCLA. I just want to understand what my options are. Can you help me make a good decision here? That's what we're trying to do, but those are the simple little things that when the person gets the insight, I would argue probably 100% of the time they'll make a better decision than they would otherwise.

STEVE BLUMENFIELD: Well, Scott, I'll be calling you after this podcast. I may have made some mistakes. Maybe you can help me from here.

DAVE AMENDOLA: Yeah. And I'd be interested, Scott. I know that you've spent a lot of time even talking to Congress about the legislative provisions, and what ultimately got into CARES Act, at least from a temporary basis. So I'd be interested to see from you kind of how you've been seeing this CARES Act provision play out in terms of your clients, in terms of have they really taken advantage of it, and what you think might happen from a kind of a long-term perspective. Will we potentially see this benefit get extended? And if so, do we think employers might be more willing to put that benefit into play?

SCOTT THOMPSON: Right. So here's where, Dave, I get to be my natural optimist in responding to part of the question. So let's talk about what the likelihood of the pre-tax treatment of the employer contribution being made permanent in the IRS tax code. Through the CARES Act, you're exactly right. It's pre-tax to the employer and the employee. It would have been wonderful if they had enacted if as a permanent change, but that didn't happen. And it didn't happen because of the timing involved with what they needed to get done.

There is overwhelming bipartisan support in both the House and the Senate to enact it permanently as a pre-tax benefit. What I do feel very confident about, and I continue to hear from folks in DC, is that it's very highly likely that this pre-tax treatment will get scooped up in the tax extenders package that happens in December of every year, and gets carried into 2021. So making -- continuing to make the treatment that we're talking about, the pre-tax treatment, effective for all of 2021.

And during the course of 2021, I believe that the House will get to the magic number of 290 co-sponsors for H.R. 1043. They're at 260 and change right now. And when you have 290 members of the House of Representatives who are co-sponsors and supporting a change to legislation, it's immediately taken up on the floor with a House vote. And as we look at the Senate sponsorship today, there's over 60 senators that support the change, too. So my sense is it gets scooped up in tax extenders, carried into 2021. In '21 gets enacted permanently through legislation in Congress.

DAVE AMENDOLA: Hey, Scott, our benchmarking data has shown us that a much larger percentage of employers have adopted tuition reimbursement programs over the years than student loan programs. And I know that that may be changing over the next few years.

But have you -- what we have seen, I think, is even though so many employers have those tuition reimbursement programs, they're not necessarily getting a commensurate benefit from them. Some of them don't even realize, I think, that they still have them. Have you seen a different sort of direct correlation in terms of the benefit to an employer and putting in a student loan program, versus maybe the tuition reimbursement experience?

SCOTT THOMPSON: The percentage of your workforce that participates in the student loan benefit is significantly higher than those that participate in tuition reimbursement. So it varies by industry, and it varies by age and those things. But tuition reimbursement is single-digit participation, generally low single-digit participation of your workforce in that benefit.

The same is true for student loan benefits, but we see upwards of 30%, 35% of certain workforces have student loan debt and are participating in a student loan benefit. So you're touching many more people. And then, based on what you're doing for that individual, what the financial benefit is that you're providing them, we're seeing numbers like you can save your employee a third of the time remaining on the repayment of their student loan debt. That's years.

We see that you can save your employee a third of the interest that they would otherwise owe, which is thousands of dollars. In some cases, over $10,000 of interest saved. So you can -- Lydia made this point earlier -- you can show your employees from their actual loan data this benefit is going to save you this much time and this much interest. You're just going to get done that much sooner than you would otherwise.

It's the classic light at the end of the tunnel. You're providing that person hope around there's an end to this that they otherwise don't have. I just -- I think it's a much more compelling benefit for those reasons.

STEVE BLUMENFIELD: So I'm curious. You didn't come from the employer market, you came from technology and some pretty impressive tech companies, where you had leadership roles. So what have you learned in working with employers? Anything that surprised you?

SCOTT THOMPSON: Steve, I continue to learn. This is the first chapter in my career when I've actually worked with HR and benefits executives, actually brought these types of technology solutions to employers in the fashion we're talking about. And I hesitate to imagine I'll be an expert in what we're doing any time soon. I have a lot more to learn.

But I will tell you, one of the ways I look at this as a Silicon Valley technology person, is all these big employers, and employers, really, of any size, are allocating significant amounts of their budgets to providing benefits to individuals in their workforce, employees in their workforce. You can measure that as a percentage of the salary that an individual has. And so call that, I don't know, 25% to 35% of what you spend in direct salary also goes to the individuals as a benefit, as a cost of benefits.

Here's why I acknowledge that, Steve, and why I bring it up now. If you're somebody out here in Silicon Valley, and you think about building something disruptive, you look for breakage. Where are the existing products? Where are the existing systems broken? And you don't get the full benefit.

My argument to employers is, you can't find one person in your workforce that thinks you're spending that much money on them from a benefits perspective. They may be wrong, but there's not one person that would say to you, "oh, yes, I know that the company is spending 28% of my salary on benefits." That's the definition of breakage.

And when you can take something like this, and you can go to the individual, and they can see those direct dollars going against their debt, making their life earlier in the moment, that's when it's not some obscure number in a benefit summary that you give the individual on a yearly basis. I know you're helping me today, and it matters to me, and it's making my family's financial situation better.

STEVE BLUMENFIELD: All right. Outstanding.

LYDIA JILEK: Scott, if your company was an animal, which would it be and why?

SCOTT THOMPSON: So Lydia, I'm not -- I'm going to change the question up, because I'm answering and I get to do that. And it's not going be an animal. We would simply be referred to as the little engine that could -- that cartoon character, remember, when you were kids? Just the little engine that could.

And because that's what my team and I are all about. We wake up every day, and we know this is a big problem, and we know we're a small company, but we have a lot of determination. And I can assure you, we're just going to do it. And so that image of the little engine that could just -- Lydia's question just stuck out in my mind.

LYDIA JILEK: I'm going to take that and say you're either an ant or a honeybee, because you continue on regardless the problems put in your path.

[LAUGHTER]

STEVE BLUMENFIELD: Scott, if your company were a mythological creature, think Greek god or goddess, that type of thing, what would it be?

SCOTT THOMPSON: Oh, boy, this is a tough question. Who is the Greek god or goddess that could read your mind and, from being able to read your mind, help you with the issues that you have yet to articulate? Who would that be? Is there a god or a goddess that's capable of doing that?

STEVE BLUMENFIELD: I think of Lydia that way, but I'm not sure what the Greek god or goddess is.

[LAUGHTER]

SCOTT THOMPSON: That -- well, if there is, that's who we want to be, and if there isn't, that's who we want to be regardless. And part of -- and the reason why I say that is, this is a subject that is so frustrating, so debilitating, just so overwhelming, that most people shy away from the reality of the debt. They don't even attempt to manage it, because it's just so hard for them to grasp.

I got $50,000 or $60,000 or $70,000 of debt at this stage of my life. And so we want to -- we do want to be the guys, and I'll take it as a Greek goddess, we do want to be the people that we don't read your mind, but we take the data that you give us, that you give us access to, and we're able to help you, even in the cases where you haven't asked us yet for that help.

STEVE BLUMENFIELD: Well, I like those better than what I'm reading on Wikipedia real quick here. There's a jinn, which is able to read minds of victims and learn their greatest fantasy or fear. The siren that reads their victims' minds to learn what form to pose as to attract them. And the Satori in Japanese folklore -- a mind-reading monkey-like monster that dwells in the mountains. So let's stick with being a positive mind reader and the type that Lydia portrays instead.

Scott, thank you. I learned a great deal from you. We appreciate you being here.

SCOTT THOMPSON: Steve, Dave, Lydia, my pleasure. Really, I love the interaction. Thank you for all the questions. You obviously got my blood flowing this morning, and I'm really happy to participate on what is a very important subject for employers across the country and their workforces.

STEVE BLUMENFIELD: That's wonderful. And you got ours going as well. Dave, Lydia, thanks so much for your expertise and your questions. It was terrific to have you on the podcast.

LYDIA JILEK: Steve, it was great to talk to you. Thank you.

DAVE AMENDOLA: Thanks, Steve. Really enjoyed the conversation. Thank you, Scott.

STEVE BLUMENFIELD: And to our audience, thanks everyone for listening to this edition of Cure for the Common Co. Please take a moment to rate us, or leave us a comment. Thanks, and be well.

[MUSIC PLAYING]

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