

Quoted from CNBC on 09-13-2018

<https://www.cnbc.com/2018/05/18/hundreds-of-companies-are-now-paying-off-their-employees-student-loans.html>

Hundreds of companies are now paying off their employees' student loans

- Around 70 percent of college graduates are in debt today. The average person leaves school \$30,000 in arrears, and many owe more than **\$100,000**.
- Hundreds of companies are now offering student loan assistance to their workers.
- "It's as meaningful to recent graduates as 401(k)s," said Meera Oliva, chief marketing officer at Gradifi, a Boston-based firm that designs student loan repayment programs for companies.

Annie Nova | @AnnieReporter

Published 2:00 PM ET Sat, 19 May 2018 Updated 10:23 AM ET Thu, 24 May 2018 CNBC.com

Jessica Crowley used to dwell on an unpleasant thought. When her children began college, she'd still be repaying her own student loans.

But a few months ago, the company where she works announced a new benefit: student loan assistance.

Now, [New York Air Brake](#), which makes train control systems, pays Crowley \$166 a month toward her student loan balance, which means she'll be debt-free sooner than she thought.

"It's going to shorten my loan life by a couple of years," Crowley, 30, said. "It's going to be a big difference."

Student loan assistance, which started as a niche offering by a handful of companies, is finding its way into the mainstream menu of workplace benefits.

"This is certainly emerging as a new and very important benefit," said David Pratt, a professor at Albany Law School who studies employee benefits.

This year, Fidelity began to offer businesses [a way to contribute](#) to their workers' education debt. Since then, more than two dozen companies have signed up and it expects that number to double by the year's finish.

"This is certainly emerging as a new and very important benefit. " -David Pratt, a professor at Albany Law School who studies employee benefits

"This is going to grow rapidly over time," said Asha Srikantiah, vice president of workplace emerging products at Fidelity. "We're seeing so many more people who have debt and who are overwhelmed by that debt."

Indeed, [7 in 10](#) college graduates have student loan debt. The average person leaves school \$30,000 in arrears, while nearly 20 percent owe more than [\\$100,000](#).

Americans are now [more burdened by education loans](#) than they are by credit card or auto debt.

Top of Form

Bottom of Form

Companies offering assistance grows

Helping employees with their education debt is a great way to attract new talent, said John Samaan, senior vice president and head of human resources at [Millennium Trust Company](#).

The financial services firm began offering its employees student loan assistance a few months ago. Now, 20 percent of the company's 300 employees are already enrolled, Samaan said.

"We got a lot more inquiries from potential candidates," Samaan said. "People want to join us to be able to participate in this program."

[Options Clearing Corporation](#), a large clearinghouse for equity derivatives, also started providing its employees student loan contributions this year. More than 70 employees signed up within the first month, said Erin Smith, first vice president of total rewards at the company.

She said student loan assistance is the number one benefit being talked about at job and recruiting fairs.

"Most companies provide a pretty standard benefit menu, like medicine, dental and vision, so when you introduce a program that differentiates you, that really matters," Smith said.

"It's as meaningful to recent graduates as 401(k)s. "

More than 350 companies are administering education debt benefits to their employees through [Gradifi](#), a Boston-based firm that designs student loan repayment programs for companies.

"It's as meaningful to recent graduates as 401(k)s," said Meera Oliva, chief marketing officer at Gradifi.

It's not enough, critics say

To be sure, there's some skepticism about how much the private sector can remedy a \$1.5 trillion — [and growing](#), outstanding student loan debt balance.

"The problem is we're treating the symptom of a disease — and the disease is that education is more expensive in this country than anywhere else in the world," said Pratt, the professor at Albany Law School who studies employee benefits.



[Student debt could hold back economic growth, Fed chief says](#) 1:59 PM ET Thu, 1 March 2018 | 01:23

The country needs a more universal solution, like bringing down the cost of tuition, said Kate Bronfenbrenner, director of labor education research at Cornell University.

"It doesn't work if it's provided via employers, because it's always going to be a small amount that offer it," Bronfenbrenner said. "And they're going to provide this, but then take away that."

Indeed, the number of companies supplying the benefit remains relatively small — around 4 percent, according to the Society for Human Resource Management.

And one of the factors likely contributing to the nation's swelling student loan debt is that the number of employers helping their workers with their original education costs is shrinking.

Company contributions to undergraduate education expenses dropped to 53 percent in 2017, from 61 percent in 2013, [according](#) to the Society for Human Resource Management.

During that same time period, graduate school assistance at work also fell, to 50 percent from about 60 percent.

"The problem is we're treating the symptom of a disease — and the disease is that education is more expensive in this country than anywhere else in the world. " -David Pratt , a professor at Albany Law School who studies employee benefits

Still, the benefit can make a big difference for the employees who do receive it.

For example, if someone has a student loan balance of \$26,500 on a 10-year repayment term with a 4 percent interest rate, a \$100 a month contribution from his or her employer would free them from their debt three years earlier.

It can also help employees better take advantage of other workplace benefits.

Ed Farrington, head of retirement strategies at Natixis Investment Managers, said the company realized after annual surveys of 401(k) plan participants that student loan debt was hindering millennials' ability to save for retirement.

"We thought, what can we do to try eliminate one of those barriers?" Farrington said. "And we said we want to start helping people who are carrying student loan debt."



Source: Maggie McCuen

Maggie McCuen, who works at Natixis and uses the student loan assistance program.

It seems to be working for Maggie McCuen, 26, public relations manager at Natixis, who's been receiving the assistance at work for around two years now.

"The money that I would have been spending on the student loan I've been reallocating to my 401(k)," McCuen said. "I think I've put away at least four times as much."

Will loan assistance become as big as 401(k)s?

There's still an unfortunate tax hurdle that will likely stall the growth of a student loan assistance benefit, experts say.

Companies receive no particular tax incentive for such contributions while employees must report their payments as income to the IRS.

However, recent bills seek to address this. Rep. Rodney Davis, R-Illinois, introduced the [Employer Participation in Student Loan Assistance Act](#), which would make assistance employees receive from their bosses tax free up to \$5,250 a year. Employers, for their part, could deduct "the subsidy."

Companies [including](#) Starbucks and Verizon have expressed support for the measure.

"Congress needs to take the next step and make this benefit tax free," said Mark Kantrowitz, president of Cerebly, Inc. and a student loan expert. "Most people don't remember that 401(k) plans started in exactly the same way about 35 to 40 years ago."

More from Personal Finance

[These are the ways student loans stop people from buying a house](#)

[Student loan nightmare: Some borrowers have to start over](#)

[People with massive student debt hope Trump will let them declare bankruptcy](#)