5 STEPS TO DESIGNING AND LAUNCHING A STUDENT LOAN REPAYMENT PROGRAM

A PRACTICAL GUIDE

Student loan debt is one of many employees' most daunting financial burdens. It's increasingly fueling decisions about jobs. And it's raised the profile of loan repayment programs as exceptionally powerful recruitment and retention tools.

- 64% of employees say it is the debt they most want to eliminate
- 78% of today's graduates have student loans, with an average balance of $35,000
- 47% of millennials are looking for student loan repayments in a new job

These reasons are driving a growing number of employers to launch student loan benefits in order to outcompete for talent and create a compelling employee benefit which insures those talent investments in today's fiercely competitive labor market. Drawing from EdAssist's experience designing and managing educational support programs for a diverse range of employers, this guide outlines best practices for creating a high-impact student loan benefit for your organization.

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STEP 1: DEFINE OBJECTIVES AND METRICS

A well-designed loan repayment program can support many of your most critical talent goals (see table, below). You'll need to identify the precise targets you're trying to reach, and design your program accordingly.

In order to best measure the program's impact, you should begin tracking talent metrics well before the program launches. This will establish a baseline for future comparisons that will show how the benefit is performing and where it can be fine-tuned to even greater effect. Getting a clear view of your current state will not only provide a clear path to measurable impact; it will also help you make the business case to senior leaders.

Loan repayment programs can be designed and measured to drive a variety of talent goals and metrics, such as those outlined below:

OBJECTIVE	METRICS
Attracting Key Talent	• Vacancy rate/open requirements • Time to fill • Offer accept/decline rates
Retention	• Voluntary turnover rate • Retention of new graduates • Retention for identified high-value talent
Reducing Costs	• Cost to fill (recruiting costs, signing bonuses) • Replacement costs for experienced employees • Impact of unfilled roles on customer service
Engagement & Productivity	• # of employees indicating student debt is a stressor • Financial wellness metrics • Employee engagement metrics
Talent Development	• Increased participation in tuition assistance program • Promotion and internal mobility • Staffing levels for new and/or mission-critical roles

STEP 2: DESIGN THE PROGRAM

Loan repayment will be designed differently depending on what goals you're trying to reach. Company-wide recruitment, for example, might require opening the program to all employees with outstanding loans. More targeted programs can take on specific goals, such as:

- **INCREASING THE TALENT POOL IN A PARTICULAR SPECIALTY:** Offer student loan repayment only for degrees relevant to that discipline
- **REDUCING TURNOVER:** Increase loan contributions over time
- **ATTRACTING YOUNG EMPLOYEES TO REPLACE RETIREES:** Limit the program to those with degrees earned in the past five years

Loan repayment programs are often delivered in conjunction with other tools to help employees make informed repayment choices, such as online payment loan calculators, discounted refinancing rates, and personalized guidance from loan debt experts. Some organizations begin by offering informational resources as a low-cost step towards reducing employees' financial concerns. These assistance measures have some initial appeal, but have limited impact on most employees' debt situation – and company retention goals – unless they're tied to a loan repayment program.

STEP 3: WRITE THE POLICY

Policy decisions will have a significant impact on your program's employee participation rate, budget, and talent impact. As such, your policy should be informed by industry benchmarking, usage modeling, and projected recruitment and retention gains. (See page 5 on the role of a third-party loan repayment expert for more detail.)

Calculating the monthly and annual limits are key decisions which will have a significant impact on program effectiveness, participation rates and budget. Monthly payments of $100 to $150 per month are most common, but the right amount for your organization may be very different. The key question will be, "What amount will generate interest and excitement among the specific group you are trying to reach?"

Some other best practices to consider:

- **PAY MONTHLY INSTEAD OF ANNUALLY:** A monthly reminder of the valuable benefit enhances its retention value.

Refinancing Programs vs. Repayment Assistance:

It's tempting to think helping employees refinance (via free resources and calculators or even discounted refinancing) would have the same impact as loan repayment. But refinancing programs have several limitations. First, refinancing is only available to about a third of student loan borrowers, meaning there may be negative consequences for the substantial majority of employees who do not qualify. Also, because those who qualify tend to be in the best financial shape, the impact can be minimal. A borrower refinancing $15,000 in student debt, for example, might save only $50 per year by knocking a half percentage point off of their interest rate[1]. Others might actually decline to refinance because it would mean forfeiting federal repayment benefits and protections[2]. Finally, there's no long-term retention appeal. In sharp contrast to repayment programs and coaching supports that continually remind employees of your commitment to their well-being, refinancing is a one-time transaction that can be quickly forgotten.

- **LIMIT WAITING PERIODS:** Waiting periods are driven by program objectives, but should generally be no longer than 6 months.
- **PAY DIRECTLY TO THE LOAN PROVIDER:** Direct-to-loan payments (versus payments to the employee) ensure that money goes toward the loan and not toward other spending.
- **REQUIRE EMPLOYEES TO MAKE MINIMUM MONTHLY PAYMENTS:** This expectation helps ensure that loans are paid off more quickly.
- **CONNECT EMPLOYEES WITH STUDENT LOAN EXPERTS:** Student loans are complicated, and many missteps can have large consequences. One-on-one coaching amplifies the benefit's impact at a marginal increase in cost.

During the policy and program design phase, you can also evaluate funding sources for the program. Some organizations are transferring budget from other recruitment and retention incentives, such as signing bonuses, in order to fund this program. Sign-on bonuses have increased over the past five years[3] in response to a more competitive hiring market, yet student loan benefits have several marked advantages, including multi-year payouts that strengthen retention, media appeal that will give your company free publicity and emotional appeal because they address one of the top financial concerns of recent graduates.

STEP 4: PROGRAM ROLLOUT & COMMUNICATIONS

Student loan repayment can enhance both your internal and external employer brand. To realize the greatest benefit, the launch needs to be carefully planned and implemented to support your top objectives and target employee groups. Best practices include:

1. **ENGAGE PUBLIC RELATIONS FOR EXTERNAL COMMUNICATIONS:** If talent acquisition is your goal, PR will be essential to elevate your employer brand outside of your organization. Still a relatively new benefit, student loan repayment grants you the opportunity to position your organization as a pioneer.
2. **USE CLEAR LANGUAGE TO GET THE WORD OUT:** Employees are inundated with offers, and they tune many out. This is especially true for student loan refinancing and consolidation offers. Break through the clutter by directly stating what the new benefit includes – and what it can do for employees.
3. **HELP YOUR LEADERS SUPPORT THE BENEFIT:** If loan repayment is a retention tool, encourage managers to discuss it with high-performers and other at-risk groups. Prepare leaders also for conversations with any employees who may not be eligible for the benefit. Provide goal-related language to discuss this new benefit.

STEP 5: MEASURE & FINE TUNE

Once the benefit is launched, you'll need program metrics to show progress and quantify the impact.

Comparisons with benchmarks taken before your program's launch will be among the most important measures. While early reporting is important, we recommend waiting 12 months before a full impact review. This will allow the program to fully ramp up; it will also account for seasonal variances, such as the college recruiting cycle.

Finally, remember that strategic benefits are not one-and-done. The greatest long-term results will come from fine-tuning the program – looking at internal data and market trends – to continually maximize its impact.

HOW EDASSIST CAN HELP:

WHY TOP ORGANIZATIONS CONTRACT WITH A THIRD-PARTY EXPERT

Few organizations self-administer loan repayment programs, and for good reason. Loan repayment has many inherent complexities. Third-party experts not only understand those complexities; they also have the insight to design programs that fit the culture, measure ROI, and deliver on company-specific goals.

ESSENTIAL CONTRIBUTIONS ONLY YOUR THIRD-PARTY EXPERT CAN MAKE:

GOAL IDENTIFICATION AND POLICY ALIGNMENT

EdAssist will work through various scenarios and the cost and effect of each. We also describe how changes to various program parameters (such as eligibility rules and repayment limits) can affect the program's contributions to your goals.

INDUSTRY BENCHMARKS

It's critical to have competitive benchmarks and vetted industry data to help you right-size your repayment benefit, especially in a competitive labor market. EdAssist has accumulated significant data on loan repayment programs and other education benefits (such as tuition assistance) that can inform benefit design.

MODELS AND FORECASTING

Accurate demand predictions will help you secure the investment needed for your program and keep you within budget. EdAssist has the expertise to capture data on education levels and student debt totals for your workforce, and project all aspects of the program including participation, expenses, and expected ROI.

BRAND EXPOSURE

A competitive student loan repayment benefit is a powerful demonstration of your company's commitment to its people, and can further elevate your brand. Our team can help you identify and secure media coverage and speaking engagements that encourage more talented workers to join your organization.

Finally, our experience allows us to act as a valuable sounding board and challenge assumptions about this new approach to talent. As experts in the field, we bring perspective on current trends and creative approaches for designing, communicating, and evolving your education benefits.

[1] "Amazon adds student loans to its offerings," Markeplace.org, July 2016
[2] "3 Times Refinancing Your Student Loans Is A Bad Idea", Forbes, May 21, 2017
[3] "2017 Employee Benefits: Remaining Competitive in a Challenging Talent Marketplace," Society for Human Resource Management, June 2017

ABOUT EDASSIST

EdAssist® helps organizations transform education assistance programs into strategic investments that drive recruitment, employee growth, retention, and engagement. Its tuition management and loan repayment solutions include intuitive self-service, expert advisors, and powerful reporting.

The leading name in education assistance, EdAssist manages programs for 190+ organizations, and processes more than $500 million in tuition and loan payments each year. Through EdAssist, employers receive policy design best practices that make sure education investments support business objectives, and employees gain personal support and significant tuition savings from 200+ accredited educational institutions.

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CONTACT US TO LEARN MORE.

877-933-7733 | info@edassist.com

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