Gifting Benefits For Student Loans

by Steve Brown

Do you ever find it hard to buy gifts for some people? Are people returning your gifts more often than not? Although this may not happen when you give chocolates or flowers, there is a new study out that addresses gift giving and the way to do it successfully. It notes that the biggest discrepancy between the gift giver and the gift receiver is in perceptions. You see, the giver often thinks of the moment the gift is received, while the receiver's experience is with the gift itself and how useful it is to them. When you are giving your next gift and even before you buy it, think about the perspective of the receiver. Doing so will help you make a good, if not perfect, gift selection and boost your odds of seeing a very happy gift receiver. This idea can be further applied towards bank employees and the benefits you give them.

One area community bankers may want to think about, particularly as you hire younger employees is perhaps putting in place a plan to help them pay off their student loan debt. After all, many people have such debt these days and you are a bank after all (so financial planning is something you do all the time), so perhaps this makes sense to explore.

To go a bit deeper here, consider a report by the GAO. It finds the number of borrowers over age 65 who are losing out on a portion of their student loan debt has climbed 540% from 2002 to 2015. Further, the study found that 33% of student loan borrowers that were dealing with Social Security garnishments over those loans were still in default 5Ys later.

Going deeper into the data, work by the Fed finds total student loan debt for all age groups has now reached $1T. About 60% of the nearly 40mm borrowers have debt in excess of $10,000. This clearly is a load on employees of any company, but community bankers are in a good position to help their own employees develop a plan and work to get that load reduced over time.

Indeed, companies nationally are waking up to this issue and some have launched programs to help their employees pay off student debt as an increasingly popular employee benefit.

Consider, for instance, a program First Republic Bank launched in 2016. The program provides a tiered financial contribution based on the length of time an employee is enrolled in the program. For example, it offers $100 per month of loan repayment during the first year of enrollment in the benefit; $150 per month during the 2nd year and thereafter pays $200 per month until the debt is repaid. The program is open to all full-time or part-time employees who work a minimum of 20 hours a week. The benefit is also available to employees who have taken out educational loans on behalf of their children.

Interestingly, in December, First Republic also announced it had acquired Gradifi - a student loan pay down provider that provides the technology platform for the bank's employee student loan repayment assistance benefit.

Meanwhile, The ABA also recently announced a new benefit to assist its employees with repaying student debt. The association said it will pay up to $1,200 per year toward employees' student loan balances, with a lifetime cap of $10,000.

While the wheels are turning here and companies are looking into this potential benefit for employees, the numbers are still pretty low. In fact, research by the Society for Human Resource Management finds only 4% of employers currently offer their employees student loan repayment benefits. Meanwhile, a report by Fidelity finds 13% of companies surveyed offered student loan repayment assistance in 2016 and 21% said they were considering it for 2017.

Given the extent of the student debt problem and its impact on the psyche of employees everywhere, community banks may want to review and consider such benefits for employees. Such a program not only helps employees work through their repayment issues, but also adds another way to both attract and retain an educated younger (and older) workforce.

BANK NEWS

No Employees

Bank of America has opened 3 completely automated branches without any employees. Customers can use ATMs or have video conferences with employees at other branches according to the bank. The branches are about 25% the size of a normal branch.

Preferred Channels

Research by the ABA finds the preferred banking methods for adults as of the end of last year were internet (55%), mobile (18%), branches (14%), ATM (6%), phone (4%) and mail (2%).

Simplicity

A survey of IT professionals by Ponemon Institute and Citrix finds 83% say their company is most at risk of a cyberattack because it is organized in a way that is too complex for employees to be productive.

Big Change

Bank of America indicates that since 2009 it has reduced its branch footprint by 23%, as the percentage of customers doing automated transactions has jumped 94%.

Leaving

Fed Governor Tarullo submitted his resignation as a member of the Board of Governors and will leave effective on or around April 5 of this year. Tarullo's departure will leave 3 vacant seats on the Fed board.