

## Tech firm offers new hires student loan assistance to make Bay Area more affordable

May 5 2018, by Marisa Kendall, The Mercury News

---

Sexy office perks like free food, gym classes and tropical retreats are so last year. These days, a growing number of companies are offering employees a more practical incentive—helping them pay off their student loans.

San Mateo-based Coupa Software this year rolled out a new program that contributes \$50 a month toward eligible employees' [student debt](#), and other local companies including Nvidia, Chegg and Hewlett-Packard have similar perks. It's a service in high demand as Americans owe nearly \$1.5 trillion in [student loan debt](#), and paying down those loans—especially in the pricey Bay Area—can make it difficult to afford rent or to buy a home.

"You can't imagine saving for a house," said Scott Thompson, CEO at San Mateo-based [student](#) loan repayment startup Tuition.io. "Forget saving for retirement, if you're struggling on a daily basis with paying off the [debt](#)."

Many companies already contribute money to their employees' 401(k) plans, but student debt—not future retirement—is often a more pressing issue for today's young workers. Tuition.io's platform, launched about three years ago, helps companies figure out how much student debt their employees have, set up loan-repayment plans and facilitate the payments. It announced a deal in February with Coupa Software, and so far, 62 out of Coupa's 475 U.S. employees have signed up.

Justin Stern, a 25-year-old financial analyst at Coupa, expects the new program will help him pay off his debt up to two years faster. Stern pays about \$250 a month toward his [student loans](#), on top of the \$2,200 he pays monthly for the 500-square-foot apartment he shares with his girlfriend in San Mateo. The student loan payment has a major impact on his finances, Stern said.

"It definitely is another expense that is hindering moving forward on any other financial goals—buying a house, getting a new car," he said.

Stern isn't alone. According to a national renter survey conducted by Apartment List, recent college graduates without debt will spend eight years saving for a 20 percent down payment on a condo—but those saddled with student debt will take 12 years.

The situation is even more daunting in the Bay Area. A smaller Apartment List survey of young renters in the San Francisco metro area—including Alameda, Marin, Contra Costa and San Mateo counties—found recent college grads with no debt will spend 12 years saving for a home. Recent college grads with debt will spend 27 years.

"Even for college grads without debt, they're still in a pretty tough spot," said Apartment List housing economist Chris Salviati. "And then adding student loans on top of that really makes it an untenable position for a lot of these Millennials."

The amount of money Americans owe in student loans nearly tripled between 2006 and 2017—from \$500 billion to almost \$1.5 trillion, according to the Federal Reserve Bank of St. Louis. Meanwhile, salaries and housing prices are not keeping pace. Since 1980, the median family income in the U.S. has increased by 25 percent, while the median home price has jumped by 60 percent and the average cost of undergraduate tuition has increased by 160 percent, according to Apartment List.

In California, the average 2016 graduate had almost \$22,744 in debt, according to the Institute for College Access & Success. But many grads have much more. One employee using the Tuition.io platform owes a whopping \$563,000 in student loans—the highest amount on the platform, Thompson said.

As the student debt burden grows, more companies are taking notice. Tuition.io has seen its client base increase by 20 times this year compared to the year before, Thompson said.

Nvidia, the Santa Clara-based chip company known for its graphics and self-driving car technology, offers to reimburse employees who have graduated within the past three years up to \$6,000 a year for student loan payments using a platform powered by EdAssist. The reimbursements are taxable, according to the company's website.

Fidelity Investments in September launched a similar pilot program for employers who want to help workers pay off their debt.

Santa Clara-based education-tech company Chegg offers employees \$1,000 a year toward loan repayment through the Tuition.io platform. About 20 percent of Chegg's 450 U.S. employees have student debt, and nearly all take advantage of the company's repayment program, Chegg chief people officer Jenny Brandemuehl said.

"We have people in their early 30s that have families that are still paying off student debt," she said.

The program also is a major draw for job candidates, Brandemuehl said.

Loan repayment perks can even reduce office turnover, said Tuition.io's Thompson. In workplaces where at least 100 employees have used the Tuition.io platform for 12 months, the average turnover is 40 percent

lower for workers who receive the debt assistance compared to those who do not, Thompson said.

Coupa's launch of its student loan repayment program stemmed in part from a realization by upper management that "it's really hard to work here," said Coupa executive vice president Ray Martinelli.

"Whatever we can do to reduce costs on a monthly basis for employees, regardless of who they are, we believe helps with affordability in the Bay Area," he said, "because it's just so outrageous."

©2018 The Mercury News (San Jose, Calif.)  
Distributed by Tribune Content Agency, LLC.

Citation: Tech firm offers new hires student loan assistance to make Bay Area more affordable (2018, May 5) retrieved 27 April 2024 from <https://phys.org/news/2018-05-tech-firm-hires-student-loan.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.