

Farnoosh: Welcome to So Money. Today's episode is one of two BONUS episodes dedicated to answering your student loan questions...done in collaboration with TIAA, a leading provider of financial services in the academic, research, medical, cultural and government fields. Maybe, if you work in any of these fields, you may have a TIAA sponsored retirement plan

TIAA has been working hard to help its participating employers provide student loan repayment solutions to workers. You may have heard of some companies providing benefits related to student loan debt repayment. Well, TIAA is part of this movement...To help, they've created a collaboration with Savi, a social impact technology startup that's working to solve the student debt crisis by helping workers discover new repayment and loan forgiveness options. The solution helps individuals with their student debt, specifically their Federal Public Student Loan Forgiveness program enrollment.

In a short moment I'll be joined by Snezana Zlatar, she is Senior Managing Director and Head of Financial Wellness and Innovation for TIAA. We're going to navigate some of your student loan questions - from how to negotiate lower rates on your private loan and whether it's wise to put extra money towards your student loans or a retirement plan?

Snezana will also share more about the TIAA Savi collab and how it's saving workers with student loans who take advantage of the solution an average of \$1,900 a year.

Here we go...

Farnoosh: Snezana Zlatar, Welcome to So Money. It's really great to have you on the show.

Snezana: Thank you so much Farnoosh. Thanks for inviting me to your program.

Farnoosh: This topic, student loans..We can't escape this crisis and it feels as though 2020 really only exacerbated the issue. Federal loan borrowers were saved for a few months there with The CARES Act, allowing them to defer their payments until the end of the year. But of course as we know the clock is running out. So, you cover this very closely. You follow the student loan crisis closely at TIAA you're the SENIOR managing director and head of financial wellness and Innovation. You can't be financially well if you're stressed about student loans. From where you stand how serious is this problem?

Snezana: This is a very serious issue, Farnoosh. Student debt is a major pain point for most people across any industry. But here at TIAA, we work a lot with participants in the nonprofit arena and many of them represent our country's essential educators and First Responders. And just like you said, the economic impact of this pandemic has been tremendous. People who have lost their jobs. They work on furlough. They had had to change their jobs. They had lower earnings and so forth and the people that we have surveyed in the nonprofit sector just recently, have significant burden when it comes to student loan debt.

We see from our survey that more than half of those that we talked to have more than \$50,000 in debt. So many of them are stressed and they list student loan debt as a source of emotional stress and challenge. Sixty percent of our respondents said that. And then three in four people that we talked to also associate negative feelings with their loans. Many feel frustrated. A third feel hopeless and a quarter of people that we talked to feel angry and even ashamed. So yes, it is a big issue and I would say that there has never been a more important time to help people tackle their student debt and stay on track.

Farnoosh: Well, let's help our listeners. You know, I initially just went on Instagram and asked my followers... stay tuned, there's going to be a series dedicated to answering your student loan questions. What are your questions? And the floodgates opened.

And the first question Snezana is "How can I negotiate lower interest rates with a private lender?" In the current low interest rate environment many people are looking to refinance their student loans. It's definitely something to look into if you got this loan years ago or even just a couple of years ago. So whether it's your bank or another lender that can offer you a better rate, this is definitely a good time to shop around. Of course all the same rules still apply. You want to have a good credit score. You want to make sure that you're current on your loans, you haven't missed any payments. When you refinance they take a look at your entire financial profile. They look at your income. They look at your credit score. They look at your debt to income ratio. So be prepared for that.

This is a really good question because I think the reality is there is a lot of relief, there are options when you have a federal student loan whether that's income based repayment or the we'll talk about later the Public service loan forgiveness program pslf, but when it comes to private loans, this is really a situation where it's case-by-case.

Lenders set their own rules and regulations around how they're going to help their Borrowers.

I think it's safe to say all lenders it's not their hope and dream that you're going to default. They don't want you to fail with these student loans. So there is a part of the business model that does want you to succeed, that does want to help you but it's not set in stone. There aren't these sort of absolutes when it comes to how you can get relief. But my advice to our listener here who's wondering about how to negotiate lower interest rates with a private lender, my advice here is that you really need to first get ahead of it and what I mean by that is if you anticipate having problems with your student loans, with payments, that is when you want to have this kind of conversation, it's not when you've already missed a payment or you're about to miss a payment this month, which I know is easier said than done.

But the point of this is that when you're in good standing you have more negotiating power, right? You have still the ability to maybe leave that lender and go to another lender sort of like move that loan elsewhere. And they want to keep your business. If you're behind, if you're already delinquent, you're kind of stuck. Right? So when you have not yet experienced hardship that is kind of when you have the leverage to negotiate, assuming you can of course negotiate somewhat, but I think the key there is to call ahead of time.

And really be honest about your situation. Don't sugarcoat it or say oh, you know, I just need another month's support. If you actually need a long-term solution say that as opposed to just this Band-Aid, you know, we have to be honest about our circumstances. If you have just lost your job or about to lose your job and it may take you six months to find a new one. That's the timeline that would really benefit you to have this support with your student loans, whether that's bringing down the rate and here are the other options right? These are the things that lenders typically can do: They can try to lower your rate, they can try to extend the term. So let's say you have a 10-year loan maybe it goes to 15. And it doesn't necessarily cost you less over time but in the interim in the short term, it can give you that breathing room as your monthly payments do go down because the term has been extended.

Different lenders have different sorts of devices to help their borrowers refinance or modify their loans when there's hardship, but you really got to get ahead of it.

Snezana did I cover most of that or are there any other tricks for any advice you have?

Snezana: I think you covered it. Well, it's really good to see that individuals are thinking about managing their debt proactively. I would just add maybe that for those who can find the time to do that, also meeting with the professional is sometimes a great way to create a plan, kind of get you back on track and just boost your confidence in terms of not only how you manage debt, but what does that mean your long-term Financial Security.

Farnoosh: And if you are hitting a dead end with these conversations with your lender there really isn't any resolution, you have other levers that you might be able to pull to give you that breathing room that you're really looking for because what you're really trying to do right with your student loans is kind of attack them so that you can save, you can create Breathing Room, not be living paycheck to paycheck.

So if the student loans aren't the area that you can modify, what other areas in your life can you modify? Is it your budget? Is it your credit card bills? Is it your salary? Right? Can you increase your salary somehow? So it's like you have all these levers. Of course, we would prefer to just call a student loan lender and have them fix it. But that's not always easy and that's not always possible. So think about other ways that you can get the same resolve but maybe doing it going about it a different way.

Okay, another question here: Should I put extra money into my 401k or place extra payments towards my large amount of student loans which range from 6 to 7 percent in interest.

So I'm giving a little bit of unconventional advice right now, which maybe I wouldn't have said two years ago, but obviously circumstances have changed, our lives have been flipped. I think with that comes a little bit of a tweak in advice when it comes to how to handle debt versus investing in this case. I would say if you are behind on something like your 401k, I would put a little bit extra towards that versus the debt. I feel like debt should go down a notch on the totem pole. Not to say don't pay your debt down. But if you have a little bit of extra money, I think number one, save it and if you've got the rainy day and now you're looking for something else to do with that money, that extra money I would say invest it... because also we know that historically if this is money that's going in your Diversified retirement portfolio for the next you know, 25, 30 years is likely to produce more than a six or seven percent return. It could return more like 8 or 10. It could be six to seven as well. But we know that retirement is a big Wild Card Financial wild card so best to invest early and now than put all this extra charger student loans, which might get some added relief in the coming months or year. We don't know.

Is that crazy Snezana? For me to tell somebody that. I mean, do you see the logic in that?

Snezana: We all have more than one goal to manage towards and again paying down the student loan debt is just one of those goals. I like your recommendation towards savings and we generally recommend that individuals contribute regularly to their retirement savings and make sure they're able to take advantage of their plan match.

Farnoosh: And by the way, you get the tax deduction when you contribute to something like a 401k, so that is also savings. So I think that the smart money invests first and then pays down the debt, especially the kind of debt that isn't, for example, the high interest credit card debt. I think that my answer would be slightly different. If you told me you had a large amount of credit card debt, I'd say, okay, let's get that under control, try to do both. Try to do the 401k and address the debt. If you've got extra money put it towards that kind of debt. There's a difference in debt, right? But we're here we're talking about a relatively normal kind of student loan that - by the way - is going to be done after a number of years. It's a Term Loan. So there is a light at the end of the tunnel

Now Snezana, let's talk about employer-sponsored student loan programs, student loan repayment programs. And this is something that is really interesting to me. I've been seeing headlines over the years in recent years about employers really stepping up and just like they offer retirement plan solutions like a 401k or 403b, now entering into the student loan world and saying hey, employees, we're being realistic. We know many of you have student loans and we'd like to help you with that and TIAA, I understand, is playing a real principal role in this movement. So tell us about what you're up to and I and The Savi program.

Snezana: Yes would love to do that. Just like you said employers are becoming aware more and more what a burden student loan debt represents for their employees. So at TIAA we collaborated with Savi, a technology company that focuses on helping people manage their public student loan debt. This solution we offering this solution to our institutional clients who are mainly educational institutions or healthcare institutions and they offer the solution to their employees. The program is currently available to a number of our clients. Our institutions who have implemented this solution very successfully, employees who participate in this program have actually achieved savings of \$1900 per year and they are also eligible for student loan forgiveness exceeding \$55,000, which is very very significant.

Farnoosh: So when you say that they save nineteen hundred dollars on average a year. How does that savings come about through this program?

Snezana: Yes, Savi solution. The solution we offer here is very very simple. Here's how it works. TIAA offers the solution as I said to client institutions as a turnkey service to help them expand their financial Wellness benefits and that individuals sign up for the service by answering a few simple questions about their specific circumstances, which include their family tax situation and so forth. Then the Savi algorithm basically takes that into account and provides information to the individual whether, number one they are eligible for income-driven repayment plan, which can lower their monthly payments. And then also whether the person may qualify for a forgiveness program.

So in other words of the solution acts almost like a concierge helping an individual figure out how to take advantage of this Public service loan forgiveness program and they help with enrolling in this program and also with the recurring paperwork, which is pretty cumbersome and hard to navigate for individuals on their own. This is available not only to employees of nonprofit institutions, but also to their family members and they can get that initial analysis of their solution at no cost.

Farnoosh: And so this is obviously a benefit to employees. What is the benefit to the employer it? Have you seen how this might lead to things like employee retention, employee satisfaction things like that?

Snezana: Absolutely in the survey that I just mentioned that we conducted we specifically describe the solution to participants and we know that vast majority of people said they would choose one employer over another if it offered a solution like Savi and they said that offering the solution like Savi would improve retention, positive feelings and loyalty towards their current employers, which is very very significant in the situation that we have today.

Employers want the best talent. They want to retain that best talent. Just make sure that you know that they can help their employees with a broad range of solutions.

Farnoosh: It seems like a no-brainer for a company to adopt something like this. I mean to your point. It does lead to, it has shown to lead to things like employee retention. This is a widespread issue, multi-generational too, it's not just the Millennials that have the burden. It's also the Gen xers, unfortunately who are still saddled with it. Graduate students. And so from your perspective, do you think this is going to become widely adopted? Can we expect this to become as you know widely implemented as the 403 b or the 401K?

15:43

Snezana: I see this as a very, very successful program and, we're making it available to all of our clients. We started with our largest clients, but then we will make it available to all of our clients over time and again, given the significant savings that each individual is achieving as I said on average they're seeing savings of about nineteen hundred dollars annually, but individuals have seen in certain cases with some employers on average even twenty five hundred dollars of savings, which is a really a significant amount and then of course over fifty thousand dollars in loan forgiveness at the end of a prescribed period,

And it's very simple for employers actually to implement. It is a turnkey solution. Pretty much it requires no ID technology implementation, no investment on that front and there is a really good educational program that comes with it.

16:45

Farnoosh: Wonderful. Well, if you're an employer or you work in HR at your company or you're an employee and you want to introduce this to your boss, check out somoneypodcast.com. We've got all the links for The Savi program and where you can learn more. Last but not least Snezana, we have a question about - I mentioned this earlier - the PSLF program, Public service loan forgiveness. This is something that was implemented years ago. But of course, the future of it is unknown. And the question is Can I trust, listener says asks, can I trust the PSLF program to forgive my loans in 10 years? I have eight years left. I'm working at a federal agency. Well, I would say, as I always say in personal finance, hope for the best plan for the worst. And I looked this up and at studentaid.gov, which is a great resource for anybody who wants to learn about their current federal loan or the different types of options when it comes to borrowing Federal loans. The website says we can't make any guarantees about the future availability of PSLF. The program was created by Congress and Congress could change or end it.

So not to startle you, but I think that like so many of these regulations and acts that play a role in helping us in one aspect of our financial life, it's always possible that they could go away or they can get amended.

18:13

So stay the course, read up, keep in touch with your lender and keep checking but keep doing the good work. I mean if you are in public service right now, we thank you are on the front lines, and we thank you. You are an essential worker. And we hope we hope we hope that your loan will be forgiven. If it was up to me, I would forgive it. You have my support and thank you everybody for your questions. These are really good questions. We hope that they come to you in good time as we finish the year. We want to start the New Year strong and informed and Snezana thank you so much for joining us and thank you to TIAA for this collaboration for letting us bring these answers to our audience.

Snezana: Thank you very much for having me here Farnoosh. Wonderful. Talk to you.

Farnoosh: Thanks again for tuning in everyone. To learn more about Savi, check out TIAA.org/Savi and you can head to SOMONEYPodcast.com for the links. Keep your questions coming for our Ask Farnoosh segments ... Instagram [@FarnooshTorabi](https://www.instagram.com/FarnooshTorabi) and by clicking on ASK Farnoosh on the website. Hope your day is SO MONEY!