

BONUS ASK FARNOOSH EPISODE 2

DECEMBER 17, 2020

Farnoosh: Welcome to So Money. Today's episode is the second and final 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, specifically the 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 best deal with GRADUATE student loan debt to financial aid options for single moms and people of color?

If you missed last week's BONUS episode, the part one of our two-part series, please check it out. We talked about how to negotiate a refinance with your PRIVATE student lender and whether or not we can count on the Public Service Loan Forgiveness program? PSL F? Will it be sticking around?

Snezana will also share more about the TIAA Savi collab and how it's saving some workers with student loans who take advantage of the solution, thousands of dollars per year.

Here we go...

Farnoosh: Snezana Zlatar welcome back to so money. Thanks for hanging out with us again for episode 2 of our student loans series. How are you?

Snezana: I am great. Thank you very much.

Farnoosh: We got to talk about student loans. We got to end the year strong. We have questions from our listeners about everything from how to consolidate multiple loans,

you know, you've got some exciting news on your end through TIAA and your work with your clients in the nonprofit and education sector. Helping them help their employees with their student loan so lots to unpack in this episode. But first, let's just lay the land again. In the previous episode last week's episode, we talked a little bit about just how serious the student loan crisis is and from your end, how has the pandemic made things more difficult for families and for individuals?

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Snezana: That is a great question Farnoosh. I would say that pandemic has made things significantly more difficult for everyone. TIAA just recently conducted a survey of people in the nonprofit Arena and they are basically our TIAA participant base because we work with a lot of educational institutions and with healthcare institutions.

So our participants represent many of our country's essential Educators and First Responders. So when we talk to them, it was very clear that their economic situation has worsened because a great majority has experienced either job loss or furloughs. They have lower income. Given all of that, I would say that there has never been a more important time to help people tackle their student debt, whether they are in the not-for-profit sector or in other Industries. That's why we at TIAA a very very focused on finding solutions for employers and for individuals on that front.

Farnoosh: Let's get to our mailbag questions that came in through Instagram. I asked our listeners there what sort of student loan questions they had. There were many questions, many similar questions. And this was actually a recurring question: the topic of consolidation. Is it worth it? What's the benefit? So a listener asks, "Is consolidating multiple loans through a single bank worth it?" And my answer to this is the can be.

The way it works is usually you put together all of your various loans. These days banks have gotten savvier in helping you put together a federal and a private loan not always, you know, there might be separate banks that are that specialize in this and so you might want to look around and before just like sticking with the one bank that you have. Maybe it makes sense to shop around, especially if you have different types of loans, a federal and a private.

Rate shop, you know find a place that will be able to consolidate which means bundle all of these loans into one giant loan, so rather than paying two or three lenders every month you pay one. And the benefit to this really there I guess there are two one is that you can get potentially a lower average interest rate and it's fixed and it's one rate. And so you just kind of know what that payment's going to be every single month and then

the other benefit which maybe is a underestimated benefit but I think that organization and streamlining goes a very long way in your financial success when you have just one debt versus multiple to manage, it makes you more likely to manage that one debt more successfully maybe even faster.

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It's just easier to be able to just reference that one debt versus opening up all these different websites that have all your different student loan balances. So it's convenient and you can also benefit from that single interest rate, which hopefully can be lower.

There's also the option, depending on your balance, to transfer the student loan debts that you have onto a single zero percent interest balance transfer credit card. Now a lot of caveats with this but I thought it would be interesting to bring this up. If you do have let's say a few thousand dollars left on a couple of different student loans and you really want to get this out of the picture sooner rather than later, a zero percent interest card that 0% is just a short-term rate. It will expire after usually 12, 15 months.

So this is only going to benefit you if you can make those payments and pay it off within that window so you can benefit from that 0%. After that window it shoots up to double digit territory, that interest rate, which may be even more than what you're paying now.

So be very careful a lot of these balance transfer cards are marketed to student loan borrowers as a way to provide some relief, but it only works for certain types of people who want to pay off their debts really quick and don't have a huge balance that they're tackling cause you're not going to get a lot of line of credit with these cards, maybe ten, twelve thousand dollars. So that's one thing that I wanted to mention in addition to looking for a fixed rate loan through a bank where you can consolidate everything but consolidation is a great way to save and organize and I don't know Snezana. If you have seen this yourself? Even today with the recession going on and everything. We do have this option which is to consolidate

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Snezana: Absolutely, I would also say that we all know that not all that is created equal right and not all solutions are created equal just like you pointed out it's up to each of us to really carefully take a look at what type of that we have and what kind of solutions might be best suited for that debt. We generally advise that you should be paying off loans with highest interest rate first.

Farnoosh: One listener is asking about if there are any specific tips for those with graduate student loans. Snezana. Did you have a graduate degree? Did you go to business school or anything like that?

Snezana: Yes, I did and we all had to go through that phase opening of graduate school student loans and it's not fun. I would say that when it comes to graduate long as people usually have all sorts of undergraduate loans and graduate clones combined. So was looking into this option where you could qualify for Public service loan forgiveness program. That's always a good thing to have in mind.

Farnoosh: one relief that phds and Masters students do have is that when you're in graduate school, you have the option of deferring payments on the student loans that you might have had previously from undergrad. It's very standard procedure that your lender can help you out with if you need to defer those undergraduate loans while you're in graduate school now, this isn't a freebie. Necessarily, you know, you are allowed to sort of skip those payments while you're in school. But while you're in deferment the loans still accrue interest at the rate that they were at. Federal subsidized student loans, you know, those are government loans and those the government actually pays the interest for you. So your loans don't grow any bigger in that case.

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But if you have a federal unsubsidized loan or private student loan that interest usually does accrue and add to the balance. So when you graduate you might see a bigger Balance waiting for you.

So part two of this is to make sure that you do well in graduate school, that you finish on time and you get the job. You got a good paying job that can help you pay off your debt.

There's you know, I've done a lot of episodes on this on So Money. And in fact, there's a specific episode, episode 954. Check it out Emily Roberts. She is herself a graduate student. She graduated from I believe engineering school. She has a PhD and she has an entire website dedicated to personal finance for phds and it's called pfforphds.com.

So check it out and check out our conversation episode 954 about her advice for those who attend higher ed and higher ed. Okay. Snezana, I really want to ask you now about the TIAA Savi program. We talked about this on the last episode, but we want to re amplify this for our listeners and especially if there are any listeners out there that work in HR that run companies. This is an excellent program that is part of a bigger

movement of employers providing benefits for their employees in the department of student loan debt. Tell us about this.

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Snezana: I would love to share this with you. TIAA has partnered recently with Savi, a technology company to deliver a new solution that will help individuals with their student debt, specifically their Federal public student loan forgiveness program enrollment. We have partnered with Savi and then we also conducted a pilot of this solution over the course of nine months with seven nonprofit institutions in higher education and in health care, and we know that the employees who have signed up for that solution during the pilot have achieved significant savings.

Now, we have quite a few employers implementing the program for their employees and we see that the average savings that individuals achieving are close to \$1,900 per year.

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And because the individuals signed up for this forgiveness program, they are eligible for forgiveness of on average of fifty thousand dollars per person. That is very significant. Clearly something that many more employers and employees could take advantage of.

Basically what the solution does it helps employees successfully navigate these complex rules of this Federal program. The program itself was designed probably over a decade ago to help people who dedicate their careers to serving others. So most people in education or in health care would be eligible for these programs provided certain other qualifications are met. But when individual sign try to sign up for the program itself, they find out that this program is really complex. It's easy to make mistakes. It's easy to miss deadlines. And that's why a lot of people give up on the program and don't want to enroll in the end.

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Farnoosh: It makes a lot of sense that employers would begin implementing something like this, you know, I was reading about how much as employees, we trust our employers. We trust that when they provide a benefit that it's really a great benefit. When an employer for example teaches things like financial literacy or any other sort of program, when your employer insist you get a flu shot provides that flu shot at work like we sign up for that because for thought we spend so much time at work. There's a culture that we are tapped into and so it is an opportunity for employers here to say.

Hey. Let's also talk about student loans. This is important. We want to help you. Here's here's a program and employees I think are more likely to opt into something like that when somebody might read about, you know, just in a brochure or like, you know, even through a recommendation of a friend that there is something to be said and you probably know this very intimately about the relationships that employees have with their employers. There's a lot of trust there.

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Snezana: I absolutely agree Farnoosh. There's a lot of research in the industry that that tells us over and over that individuals are number one struggling with their finances and they have very low level of confidence in their own ability to find the right Solutions, but they trust their employer to help them find the solutions that would be beneficial when in the recent survey that we have conducted we described The Savi solution to them in they told us that solution like Savi. would improve retention, positive feelings and loyalty they feel toward their current employers. And they also told us vast majority of respondents told us that they would choose one employer over another if they offered a solution like Savi. And that is very very significant and not surprising given how negatively people have been impacted with pandemic in terms of their economic situation.

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Farnoosh: And especially if like my next listener who wrote in you're a single mom. We know that the recession has been in has been harder for single moms and for people of color and for minorities and so her question is, "Any new public loans for school grants or other incentives that you've heard about specifically for single moms or people of color? Now, I haven't heard about any kind of new loans for minorities or people who are in a lower income bracket. Maybe you have Snezana, but I do know that there are scholarships and grants that do cater specifically to non-Caucasian students and you can look for these resources these this free money as I like to say on many websites fastweb, scholarships.com OEDP.org, which is the open education database. I was also reading that the Thurgood Marshall College Fund is a great resource where there is a new advocacy program called #intheblack and this is a program that introduces tools and resources to support the need for knowledge about student loan repayment and just gives good overall financial literacy to historically black college and universities.

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And so part of this I think is just the access to the literacy sometimes that is so needed in addition to of course a new suite of Programs and loans and specific grants and financial resources for minorities and people in low-income communities, but I think what's equally as lacking is just access to education to get you to know maybe I shouldn't borrow as much as I am being told or hey, there is all there all these scholarships I could apply for.

I would refer you to an article I wrote. This is to answering the listeners' question. There was an article I recently wrote about How the new Administration may change the rules around student loans and some of the programs that they're proposing around student loans and even just making higher education College more affordable for everybody. But in particular people who come from low-income families and people of color and minorities, so I would look into that as well there.

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There's nothing in the proposal obviously is set in stone. It's everybody's got a proposal when They're running for president, but it's interesting. It's interesting fodder and we wish you the best of luck.

Snezana, thank you so much for joining us. Where can people go to learn more about the Savi Program?

Snezana: You can learn more on the TIAA site. If you work in not-for-profit sector, you can maybe reach out to your employers and check out whether your employer has already partnered with TIAA and Savi to implement this new solution.

Farnoosh: Yeah, let's put some pressure on our employers everybody to get us the help that we need. We spend so much time at work. Why not also tackle our student loan debt there while we're at it? It's a wonderful program and I hope it's going to become widely adopted. It's definitely part of a movement. It's going to be important for employers to learn new ways to retain employees. In addition to offering 401K benefits and vacation and all of that. It's like, well, you know, how about those student loans? What how can we work together to help the employee? Which ultimately helps the employer. Thanks so much Snezana

Snezana: Thank you very much Farnoosh.

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!