



CONCEPT DOCUMENT



TEAM MEMBERS

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THE OPPORTUNITY

The cost of tuition at colleges and universities increases 8% per year, significantly outpacing overall inflation. This translates to a higher percentage of students taking on an expanded debt load in order to earn a degree. In turn, there is increased anxiety for students about not only the ability to pay for school, but to find jobs and careers that will allow them to pay off their debt without an adverse impact to their future lifestyles. Completed surveys confirm that the availability of financing and the ability to repay the loans as the two biggest concerns regarding paying for college.

Small businesses are considered a critical engine for economic growth. Yet these firms often lack the resources of large companies to recruit talented college graduates that can play a role in driving continued growth. Even in a down economy, nearly 45% of small businesses survey expressed an interest in providing a paid internship to a locally-based student to meet short and long-term needs of their business. Specifically, they are looking for students whose area of study matches their industry but there is no formal or efficient way to match these skill sets with limited resources.

THE SOLUTION

The Student Loan with Benefits is the first lending product to differentiate itself from traditional, off-the-shelf private student lending programs. The Student Loan with Benefits product is the only loan that supports the student in finding employment and a career in their field of interest, assisting with the most key aspect of being able to pay down their student loans: finding a job! In addition to providing a valuable service to its students, participating credit unions also provide a unique service to their small business members by giving them access to a pool of talented students that can fill paid internships that provide affordable project support or long-term staffing needs at a much lower cost than traditional recruiting services cost.

Students and small businesses participating in this program will have access to the Student Loan with Benefits portal - called the Internship Exchange Board. The portal connects students to internships within their field of interest – and your credit union’s business members with talented resources to fill temporary and longer-term needs.

TARGET MARKET

- Prospective and existing higher education students and their parents
- Small business owners looking for business opportunities that can be filled by qualified students

CONSUMER BENEFITS

- Connects students with paid internships allowing real world experience while still in college.
- Better positions graduating students to find a career within their field of interest
- Provides small businesses with access to talented students from local college campuses, allowing them to compete more effectively with larger companies with more recruiting resources

CREDIT UNION BENEFITS

- Unique opportunity to differentiate their student loan products from other private loan providers
- Create stronger relationships with young members, better positioning the credit union to retain these members and meet future lending and deposit needs for years to come
- Improve the long-term performance of the credit union’s student loan portfolio by assisting members in finding a job that will increase the likelihood of on-time payments

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- Create stronger relationships with business members, positioning the credit union to capture more of their business

PILOT RESULTS

We surveyed nearly 150 students (high school and college) and parents and learned that the Student Loan with Benefits concept aligned strongly with their concerns, plans, and interests. Here is what they told us:

- 90% of the respondents indicated that the availability of financing and the ability to repay the loan were the biggest concerns around paying for college
- 55% of the respondents planned on taking out some sort of loan to pay for college
- 73% of respondents said they (or their students) planned on working during school
- 48% believed that work experience or an internship within their chosen field would be the most critical factor in getting a desired position within the job market after graduation
- 74% of the respondents stated that a loan that also had in internship exchange would influence their decision on selecting a lender
- 56% of respondents said that they would be willing to pay an annual fee to have access to such an exchange (42% also said they'd be willing to pay a slightly higher rate on their loan for this service)

We also surveyed small businesses on the concept and saw a strong correlation with the program and the needs of the 78 small businesses in Oregon that responded.

OPERATIONAL AND OTHER CONSIDERATIONS

The Internship Exchange Board serves as the key differentiator within the Student Loan with Benefits program. Once signed up, the student provides the necessary information, including area of study and interest, current grades, and uploading of a resume. Participating business in turn provide a job summary, major duties and responsibilities, necessary skills required, compensation, and timelines associated with the internship. The Student Loan with Benefits Program will then provide a fully functional exchange to connect the supply of qualified students to meet the demands of the participating businesses. This includes ensuring a relevant website that allows students to update their information and qualifications and businesses to add, close, and update available internships. There is also an opportunity to provide additional ancillary services and ongoing dialogue to assist students and businesses in marketing themselves and sharing best practices

Design:

The Student Internship Exchange will be designed to allow students and internship providers to quickly and easily input the necessary information to ensure a consistent delivery of information. This allows candidates and employers to make accurate comparisons of opportunities and applicants. As a result, students and businesses alike will be able to quickly see potential matches based on geography, interests, and qualifications. Over time, additional resources can be added to the Exchange – such as targeted financial literacy tools, resume building and interviewing skills, and real-time streaming of best practice ideas and suggestions. Additionally, the Exchange could ultimately be delivered to users via smartphones and tablets for greater convenience and functionality.

Credit Union Responsibilities

Credit unions interested in participating will not be asked to pay a fee but rather, must provide at least five paid internship positions, either directly or through their business members. These credit unions will also be responsible for collecting annual fees from those students and businesses participating in the program and working with the Student Loan with Benefits Program in onboarding students and businesses.

Business Responsibilities

Interested businesses will be responsible for providing internships that provide real experience, challenging projects, and add value to both the organization and the student. It is expected that participating businesses will comply with all necessary State and Federal employment laws and regulations.

FINANCIAL PRO-FORMA/ROI

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
# of Credit Unions Participating	125	225	325
# of Student Participants	6,250	16,875	32,500
# of Internship Providers	3,125	5,625	8,125
Revenues	\$122,100	\$484,950	\$1,006,200
Expenses	\$76,000	\$165,042	\$367,000
Net Profit	\$46,100	\$319,908	\$639,200

Assumes annual student participation fee of \$36.

Annual business participation fee of \$48 is phased in Year 2.

RESOURCES

Interested credit unions will need to offer student loans, either through a strategic partnership or on their own. They will need to have the ability to generate at least five paid internships, either through their business members or on their own. They will also need to establish and collect payment from students and businesses.

The Student Loan with Benefits program will need to secure a database administrator or database service provider. It also needs a director for the program to begin to build out necessary components of the concept and establish key partnerships and relationships. Appropriately branded marketing materials will also be needed as the program begins to move forward.

GETTING STARTED

1. Identify key partners and stakeholders to get the concept off the ground
2. Identify program director to create marketing plan and participant agreement
3. Build out Internship Exchange Board
4. Establish pipeline of interested credit unions
5. Contact us if interested at innovation@filene.org