

Gradifi Product Sheet

Student Loan Debt & The Rising Cost of Education

- Student loan debt exceeds \$1.5 trillion¹ and is expected to reach over \$2 trillion by 2025²
- 70% of college students graduate with student loan debt averaging \$37,172³
- From 2005-2012 the annual cost of college has increased almost 41% while the US median household income fell almost 7% during the same timeframe⁴
- 73% of US parents worry about funding their children's educational costs⁵
- By 2035 the average cost of in-state public school, out-of-state public school, and private school will be \$222,000, \$352,000 and \$438,000 respectively⁶

The Gradifi Solution

Gradifi's **Student Loan PayDown** benefit enables employers to:

- Make direct contributions toward employees' student loans
- Bring employees financial stability and reduce stress
- Differentiate themselves to help attract and retain talent

Gradifi's **College SaveUp** benefit enables employers to:

- Make direct contribution to employee's eligible 529 college savings plans
- Ease employees' biggest financial concern and help prevent the \$1.5 trillion student loan debt problem from growing
- Provide employees benefits that are in-line with their needs

Gradifi Refi Benefit: Gradifi members also have the option to refinance their student loans with Gradifi Refi, a standalone product or complimentary benefit to their Gradifi offering at no cost.

- Gradifi Refi comes at no cost to the company or the employees
- Access to more than one lender, improving chances of approval
 - Earnest
 - Loan amounts greater than \$5,000
 - No origination fees or pre-payment penalties
 - First Republic Bank
 - Loan amounts between \$25,000 and \$300,000
 - Must be located within proximity to a First Republic Bank Office
 - LendKey
 - Loan amounts greater than \$5,000
 - Available for private and federal loans including ParentPLUS loans
- Exclusive offer of \$300 to all approved applications who refinance with either Earnest, First Republic Bank or LendKey through Gradifi⁷

Key Platform Features

Gradifi has a simple platform that makes setting up your Student Loan PayDown, College SaveUp or Gradifi Refi benefit quick and easy.

- Access to college planning and student loan counseling through ASA[®] (American Student Assistance)
- Access to financial wellness tools and content to help make smart financial choices
- Fixed, step and choice contribution plans available for Student Loan PayDown & College SaveUp
- Ability to run different programs in different segments
- Seamless integration of new benefit to existing program without disruption to the employee experience
- Flexible contribution amount & frequency
- Best-in-class approach to security and compliance
 - ISO 27001: 2013 certified
 - SSAE 18 SOC2 Type 2 Attestation
- Complimentary marketing and communication toolkit

Employer Onboarding Process

Employers can track progress and utilization of the benefits provided through the Gradifi Employer Portal. Total onboarding time can vary from 2-8 weeks from contract signing. Onboarding consist of:

1. Design Gradifi Program
2. Confirm necessary funding for contribution plans (no funding necessary for Gradifi Refi)
3. Select and communicate eligible population to Gradifi
4. Promote new benefit to eligible employee population with the marketing toolkit provided by Gradifi

Additional Information

- Gradifi is a wholly owned subsidiary of First Republic Bank and was acquired by the Bank in December of 2016.
- Gradifi's Student Loan PayDown plan is endorsed by the American Bankers Association.
- Currently this is a taxable benefit. Gradifi provides employers with all the reporting needed to handle the tax withholdings. There is legislation that has bipartisan support currently in the legislature that would make this tax-exempt.
- Employer contributions can only be made to employees with a student loan or refinanced student loan originated from a U.S.-based lender. Debt taken for education via another lending vehicle such as a personal loan, credit card, or home equity do not qualify as a valid student loan. Student loan may not be owned by a debt collection agency.

- Gradifi works with 529 administrators and can only send College SaveUp plan contributions to 529 administrators. Gradifi currently does not have contracts or commitments from 529 program managers.
- There is no minimum or maximum company size to work with Gradifi. Gradifi is proud to report that it has customers from 1 employee to 10,000+ employees.

Gradifi Refi is a free of charge benefit. Pricing for Gradifi contributions is composed of:

- Monthly administrative fee per active employee
 - Not for profit pricing available
- Annual Fee
- Implementation Fee

*All fees are subject to negotiation depending on employer size

Common Objections

How many of my employees will use this benefit?

Utilization for Gradifi Student Loan PayDown ranges from 25-35%. Gradifi College SaveUp ranges from 15-20% and Gradifi Refi coverages ranges between 40-50%. Benefit utilization can be even higher when multiple benefits are offered and employees can pick which benefit(s) they would like to enroll in.

How many companies offer this benefit to their employees?

Currently fewer than 5% of companies offer student debt assistance benefits⁸ and about 11% offer a 529 savings plan benefit⁹. However, according to an Oliver Wyman Study 90% of working professionals with student debt indicate that a student loan repayment benefit would positively impact their decision to accept a job offer, recommend their employers to a friend or want to stay at their current job.¹⁰

I don't have any budget for this benefit.

Gradifi offers a refinancing benefit, free of costs if budget is a concern. This is a great first step in introducing a financial wellness benefit related to the rising cost of education without having to secure a budget. After introducing Gradifi Refi, you can choose to upgrade to a contribution plan or keep offering Gradifi Refi at no cost to you or your employees for the lifetime of your program.

We don't have issues with recruiting or retention.

This benefit has been utilized by employers to attract top technical talent, diversify their workforce and demonstrate to employees that their employers are aware of a socioeconomic problem that affects 70% of Americans. Industry leaders such as Honeywell and AECOM trust Gradifi to help them strengthen their company culture by trusting Gradifi as one of their financial wellness benefit offerings.

What will my employees who don't have student loan debt or children say about our offering this benefit?

Parity rarely exists with voluntary benefits such as paid parental leave and health insurance. PwC was originally worried about receiving complaints from employees who did not take out student loans or had already paid them off, however the response from the employees was a positive one as they saw PwC taking a positive approach to their colleague's financial stressors.

What are the tax implications for offering something like this?

Contributions made by employers to employee's student loan or 529 savings accounts are taxable to the employee in the same way income is. Contribution benefits do not have to adhere to ERISA law.

Referenceable customers

FIS, Carvana, Honeywell, PWC, Motus, Penguin Random House, Peloton, Robert F. Kennedy Human Rights, Sotheby's, Suffolk Construction

1 https://www.federalreserve.gov/releases/g19/HIST/cc_hist_memo_levels.html

2 <https://www.demos.org/publication/what-cost-how-student-debt-reduces-lifetime-wealth>

3 <https://www.debt.org/>

4 <https://affordableschools.net/tuition-vs-income/>

5 <https://news.gallup.com/poll/182537/parents-college-funding-worries-top-money-concern.aspx>

6 <https://bigfuture.collegeboard.org/pay-for-college/college-costs/college-costs-calculator>

7 A \$300 in PayDown Rewards® will be paid out after your eligible LendKey or Earnest loan has been applied for, approved and disbursed. LendKey or Earnest is not responsible for PayDown Rewards.

Note: Gradifi receives compensation from LendKey or Earnest for each loan funded through this program.

First Republic Bonus: Limit one student loan refinancing promotional offer per household and cannot be combined with other offers. Student loan refinancing promotional welcome bonus is nontransferrable. In order to qualify you must be: an existing Gradifi, Inc. member, a new student loan refinance client to First Republic Bank and be located within close proximity to First Republic offices.

For a complete list of locations, visit firstrepublic.com/locations or contact a First Republic Banker. Loan application received and funded by First Republic between January 13, 2018 and June 30, 2019 are eligible to receive \$300 welcome bonus. Bonus is reportable for tax purposes in the year credited. First Republic recommends you consult your tax advisor for this and any other implications resulting from these additional earnings.

8 <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/employers-explore-repaying-student-loan-debt.aspx>

9 <https://www.savingforcollege.com/article/state-tax-incentives-for-employer-529-plan-matching>

10 Oliver Wyman 2017 Survey of Student Loan Finances. Conducted May 2017. Survey included 3,002 US households between 18-50 in age, with a bachelor's degree or more, who are either employed or seeking employment. Of the 3,002 households that qualified to complete the survey, 1,012 had outstanding student loans.