PITCHIT FINTECH STARTUPS PODCAST NO. 11–CHAR SAINTILUS

Welcome to PitchIt, the fintech startups podcast, one founder, one startup, one investor at a time. I'm your host, Todd Anderson, Chief Product Officer, LendIt Fintech.

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Todd Anderson: On Episode 11, we talk with Char Saintilus of Stubenefits. Stubenefits are for student loan benefit and repayment solutions for employers, employees, consumers and more. Student debt is one of the hottest topics, not only in fintech, but in broader society today and companies all across the fintech ecosystem are looking for ways to ease this burden on graduates and offering a solution as an employment benefit is not only beneficial to the employee but also the employer and this type of thinking is exactly what's needed to help solve the student debt problem. Char and I discuss the benefits of offering the solution, the overall student debt problem and potential solutions surrounding that, financial wellness and a whole lot more We had a lot of fun and we hope you all enjoy the show.

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Welcome to the podcast, Char, how are you?

Char Saintilus: Good morning, Todd, thanks for having me.

Todd: Of course. You know, I like to start off these episodes with a little background so if you can, go ahead and tell the audience a little bit about yourself, where you were professionally before you started Stubenefits, you know, introduce yourself to the audience.

Char: Excellent. Well, thanks again for having me. So, I'm Char Saintilus, Founder of Stubenefits. My background is actually in Software Engineering though I'm one of those lucky technical founders, but before kind of venturing out into the workforce studied at Florida State University, I got a degree in Computational Biology and another one in Bio Math, Bio Mathematics. None of those things are really related to what I'm doing today, but it's been a fun journey. My Computational Biology degree gave me an opportunity to work in technology software engineer, that's been great. Spent some time at Capital One and a few other organizations. I've since ventured out to start Stubenefits.

Todd: How did you come to the idea of Stubenefits? I know when we were talking the other day you said it did have a personal connection to you like a lot of founders I've talked to so tell the audience a little bit about why you thought of the Stubenefits idea and why launch when you did.

Char: Yeah, so that's a great question. I think it probably started when I was still in college, at least my venture into entrepreneurship, but Stubenefits as an idea is more recent although my inspiration for starting it is that it has personal impact. I have student loans as 45 million other Americans do and so it was in some ways trying to solve my own problem. So, I was working at my company, it offered great

benefits, but helping me pay down my student debt was not one of those benefits and so I saw an opportunity there in that sense.

But to back up a little bit, I finished at Florida State in 2014, but before then, I started a consulting company helping small businesses and startups with, you know, their launch and sales processes. That business eventually fizzled out and failed, but it taught me a really important lesson, one I could have learned from a book, but taught me the distinction between a scalable business and a non-scalable business. Consulting is a not a scalable business and so I was looking for ways to start another company that would scale so I started another startup that was intended to match companies with my own consultants.

That business also eventually went away, but since then people like to say that since this event I never looked back, but I've been doing anything but like I've been looking back ever since, but this time I wanted to do something that would have both impact, would be financially viable, scalable, etc. and with the rising cost of tuition across the country, rising level of the student debt…we're talking 100% increases here, I saw there a real opportunity to help people and the number of people who suffered today with excrutiating level of student debt, staggering 45 million or more than $1.7 Trillion, not hundreds of billions, but $1.7 Trillion, it's an amount I cannot even fathom and so we saw an opportunity that can help the everyday person who may be having issues with student loan.

Todd: What exactly does Stubenefits offer? I know when we caught up the other day, it's kind of the three main things that you guys do, so tell us a little bit about exactly what you guys offer.

Char: So, at a high level, we are a personal finance platform, Stubenefits is, and we do three key things. In general, we are building solutions in order to tackle the student debt crisis and more, but today, we do three things. First, we enable employers to provide a student loan payment benefit to their employees so that means that companies who want to help employees pay down their student debt can coordinate with Stubenefits and we manage that process end-to-end. We help them define and establish and manage a new benefit program where they are making regular contributions to the employee. We process that end-to-end taking in contributions and then making payouts to loan servicing companies based on the employees who have been contributed to so that's what we're doing it for employers.

There are different reasons why an employer might do this, for one, there is a recruiting edge. You know, imagine two identical job offers, one offers to pay down your student debt, $5,000 a year and the other doesn't, right. Studies have shown that you are more likely to accept the offer with that benefit, there's a retention edge as well. I imagine, if you work for a company that helps pay your student loans, that's the company you want to stay at, right, more likely want to stay at than leave. It really helps the employer to kind of entendre the kind of culture that they want, the positive work culture where people feel like their employer cares and the employer generally is thinking about them and wants to help them. So, that's all on the first part for the student loan benefit.

Todd: Just a quick question on that part. Are most employers doing either or right now and when I mention either or, are they giving the student loan pay down option or a 401 (k) option. I'm assuming some might do both, but for the most part, is it kind of an either or right now where we are today?

Char: Yes, that's an excellent question. So, it's not an either or. Today, there are some employers, I think they're more the exception than is the case who are being really creative and trying to find ways to save money in offering one or the other or finding a hybrid solution than incorporates, the 401 (k) Match as a student loan payment, but that's more of the exception than is the case because the process for setting one of those up is a little more involved, working with an administrator and maybe get the IRS involved, etc.

You know, most employers who do offer student loan benefit are offering both. At the end of the day, it's who you work with, it's really a customized process. Some employers are saying, hey, we're going to give you $4,000 at the end of each year, some are saying we're going to give you $100 every pay check, some are saying, hey, we'll give you $200 for the lifetime of your employment here. Another is saying, hey, we're going to cap it out, $15,000, we'll give you $100 every pay check, but once you reach $15,000 it's done and the law doesn't prescribe any of that, that's up to the employer.

Regarding the second thing that we do, that falls on the other side of our platform which is the consumer side. The first side is described as the Enterprise, Stubenfits employer, Stubenefits enterprise. For the consumer, we do two things, we enable consumers to crowdfund their student loan pay down through the support of friends and family so you can set up those two benefits, consumer account and your sister or grandma or grandpa, mom or dad to make either one time or recurring contributions for the student loans. It is also a very common practice across fintech today, we offer a transaction round up service so you can round up your transactions. Everyday, you pass on all the hamburgers and all the beers that you're buying and contribute that towards your student loans and we do that for you automatically.

Todd: In the crowdfunding aspect to it, is that through another crowdfunding service or did you guys build that yourself to help ensure the money is used for what it's supposed to be used?

Char: We have built on the platform ourselves and we are still making improvements, we're getting feedback and adding features to make it more personalized and customized to the individual. One of the benefits of working with Stubenefits…….either your grandma in Montana or company elsewhere is that you have the guarantee that these funds are being used for the purpose it has been intended. We are not writing a check against cyberspace or anything like that where you're not sure that these funds are being contributed to student loans, with Stubenefits you can be sure, you can track it, etc. via a dashboard as an employer with email notifications as a contributor.

Todd: So, how important is that community aspect? Student loans have become a hotter button issue the last days five to ten years, they are a lot more present in kind of that everyday conversation. you see them covered in one of the financial publications, but it's no longer this thing that's kind of in the

background, it's pretty front of mind. How important is that community feel to it because these are people who can talk or gather amongst each other because they have a similar issue.

Char: The community aspect is so crucial. If you think about someone graduating next year, that is a person who is coming into the professional world and in many ways that person may be un-mentored and are looking for their first job and may be worried that they might not be able to secure that job, etc. having the support of that community that says hey, we support you, we understand what you're going through and we want to help you, whether that's friends, whether that's family or your uncle is really crucial.

But, there's another aspect of the community where we want to bring people together on Stubenefits for the purpose of supporting others. We're still building that out, that's not something that we have standing up today, our intent is to build out a true community platform, the product is called StuCommunity. We want to build out a true StuCommunity platform where people can come, engage and share stories. but, again, that's not something that we built out today, that's just on our roadmap.

Todd: In terms of how you guys make money and where you are in terms of, you know, working with various employers, are you going employer by employer and saying hey, this can be an option for you or are you going to some of these organizations like a TriNet or others who pretty much act as a benefits hub for thousands of companies?

Char: Sure. There are two stages and we're just getting started in the first stage. The first stage is what you mentioned, door-to-door sales, right, we talk to every customer that we have and we are their only direct contact, etc. not selling any to any partner or third party so we sell direct to the employer, but that will only get us to grow so fast. We see a lot of opportunity and this is where we intend to go in terms of actually scaling our business. We see a lot of opportunity to partner with benefit administrators and benefit consultants and third parties like TriNet or even PayChex or Oasis, partnering with those organizations to offer Stubenefits as a menu item.

These organizations point to other organizations, they say hey, let's get you set up with a benefits package. That organization was looking at a menu and they're saying okay, one, two, three, we'd like number three for healthcare and then we'd like to make it possible for those consultants to have a conversation with those employers about the need for student loan benefit and the benefit of doing something like that. On that menu when we start, we'll likely be the only person on that menu because most of the competitors are not doing this today, we're all direct to our customers who want the benefits on that.

I mean, to speak further about this, on our roadmap is a broker platform or a benefit advisor platform who you want to facilitate end-to-end implementations of Stubenefits meaning anyone who would like to sell Stubenefits to their customers, think about financial representatives can sell Stubenefits, not only sell it, but also implement it so it's sort of like how we sell insurance today. Maybe there's someone out there who sells State Farm and is licensed to do it, etc. meaning you buy it, you buy it directly from them. They take all the information, they process it etc. and then you get your policy, you

never have to go to someone else at State Farm. We'd like to make that possible for Stubenefits, but that's more of a long term vision.

Todd: Stepping back a little bit, what would make the student debt problem more easily solvable. I mean, we hear all these stuff in Congress and what not about we'll cancel student debt or free college for state schools what not, but ....I mean, it costs money to go to school, it costs money to run schools, student lending, generally, is not going away. As someone who is running on a platform like yours, what are your thoughts just more generally on the student debt problem that currently exists?

Char: I think the student problem is twofold, it's an economics problem for one and it's a public policy problem for two. By economics, I mean there is more than ever in the history of our country high level demand for education, people want to be educated, access to education has never been easier, access to the funding, the student debt, the loans to fund that education has never been more accessible.

These are all great things and so you think about the aftermath because at some point someone has to pay that debt back and so we have to find ways to ensure that universities are one, being wise with how they spend their money and that they are being held accountable to educate their customers, the students, because as universities grow and economies grow, it costs more and more to run universities, but it doesn't necessarily have to. You see that reflected in the tuition so there's sort of an economics problem that needs to be considered there, plenty of demand, the prices increasing, access to the funding to pay that price is also increasing.

The second is more of a public policy issue. We're having that debate as we speak, should we forgive student loans, should we not. I think there has been quite a few informed voices that have weighed in on the different impact for student loans across different socioeconomic categories. We have to think about what does student loan forgiveness mean, what would be the benefit, are there side effects. It's sort of like how a $50,000 income in Austin, Texas is not exactly the same as Gainsville, Ohio, it's not exactly the same so you have to think about that.

Does a $50,000/$10,000 student loan forgiveness mean the same to a physician as it does to someone who went to a predatory, for profit college. So, I think that the policy problem could be best solved through a comprehensive approach, meaning let's not just find one thing and do that one thing and try to find another thing to do that other thing. Let's sit back and study the problem and actually figure out what's the comprehensive approach here, right, how do we bring universities and how do we bring people and borrowers, etc. It's actually the other policy framework not a piece of that policy.

Todd: I'd be curious coming out of the pandemic, the virtual learning we've seen the last year, some kids in high school that are now graduated, have had virtual learning, I don't know how much virtual learning will continue long term, especially as you go younger, but what that potential competition might be in changing how universities, like you said, spend the money they have. Will they be forced to become more efficient because competition is starting to come in and people are going to maybe some of these virtual-type schools where the education is not that different, but the cost and the

benefit of being able to do things from home is significantly different. I'd be interested to see how that plays out the next few years.

Char: I'd be curious how that plays out as well. I think more and more we can expect technology to play a greater role in enabling and facilitating education outside the classroom because Edtech is huge, but it's mostly about bringing it into the classroom as opposed to bringing it in to the students. I'd be interested in seeing how that plays out. I think it's also worth mentioning that where we will be in ten years from a technology perspective and the things we'll be able to do, no one really knows.

It's amazing how much progress we were able to make in a very, very short time, I mean, a year and a half ago, most of us were working from home and the entire global economy came to a halt, but picked right back up shortly thereafter. I don't think we would have expected that would be possible maybe ten years ago. So, we'll hire for the jobs, we'll create the jobs, we'll work for the jobs that people would be graduating into as they have more and more student debt that haven't really been created.

Todd: How co-related is the student debt with overall financial wellness? You know, at the top I think you mentioned you guys are either a personal finance platform or something along those lines, you said. How much of an impediment is it and where are we in terms of that student debt load and the overall financial wellness of people?

Char: It is a great driver and deciding factor as to whether are you healthy financially or are you unhealthy. It's probably one of the only deciding factors. What I mean is if you are graduating college in 2022, you have never owed more money than you've been in student debt all your life. It is the most amount of money you've ever owed in your life and it will be the most amount that you owe for the next eight to ten years.

The other thing to consider is that people are quite literally putting life on hold in order to manage, sustain, etc. get a handle on student loan debt. Fewer are getting married, waiting until they can take care of the student debt before they do that, I suppose that might be the responsible thing to do, but is that what we want. People are waiting to buy homes because I owe $80,000 to the government is the argument and it's just doesn't seem to make sense to them that they would take out a $300,000 mortgage when they owe so much money, buying cars, having children, if you are married or not, life is literally being put on hold.

So, student loans is a major component of whether or not you are financially healthy. I mean, it is what it is or you stress out about it all the time where you just say I'm never going to pay this off and I need to work all the time. I have the proof of talking to so many people, particularly those who are still in debt and one of the most heartbreaking things you hear from people is I'm never going to pay it off. There's this resignation that it is what it is, it's a terrible situation and so that's why we exist. It brings sort of a hope to those situations where hey, you can probably get support from family and get it crowdfunded, you could use your own spending or your employer can actually help you.

What we found is that the problem that we are solving for many employees is not a money problem, it's more of a resource allocation problem. What I mean by that is if you give someone $50,000 per year in income, they manage to pay their student loans and still have the debt. If you give them $100,000 per year, they pay down the student debt, but still have the student debt. It's not really an income issue because doctors who make $200,000, $300,000 a year still have student loans. It's almost really a resource allocation from benefits just really you might have enough money to pay you.

Todd: Do you think that we're finally getting to the point where graduates are aware of the various options? I feel like a few years ago, it was reading stats on student loans that were in default or what not and it's scary numbers. It feels like we've made progress, but there's now more options that ever before, someone like Stubenefits. The ecosystem is starting to form and are graduates begin to be more aware now of these options than they ever have before.

Char: There are maybe two ecosystems being formed. One is more on the front end, before high school going to college where they take on the debt. There is also the ecosystem being formed around taking care of the prices of the debt after it's been obtained and if you have to guess and you guessed that the latter one is growing far more, you'd be correct. There are a lot more companies trying to get a handle of how to manage student debt and how to pay it off, how to make it a benefit to pay it off etc. than there are companies who are preventing.

I think that, yes, people are far more informed. The laws make it so that universities and other institutions have to really take steps and so the people are informed. The promissory note that they're signing for that Perkins Loan, it means something. They need to sit there, you can't just grope through the bottom of the form and just quickly accept, you have to read the document etc. so people are more informed, but from what I've seen, professional and personal research, it's not slowing down how much debt people are taking.

It's not as if so many more people are working their way through college or so many more people are considering community college or so many more parents are saving 529 Plans for college. Those things are now happening, but not in massive numbers and by way of the ecosystem that's kind of growing on the front end. You do have quite a few companies who are just like us, but those guys focus purely on 529 accounts, they make it possible for the employer to contribute to the 529 account, making it possible for members to contribute to the 529 account. It is easier to set up those accounts so you can save for college or save to repay debt.

Todd: I want to shift a little bit to more of the general startup building. So, how has the last year been for you and the team, how big is the team. You know, I think you guys have not raised money to date so that bootstrap way, how has things been going, especially working through the pandemic?

Char: I personally started working from home in March of last year. Our team is fully remote, we have one person in New York, we've also employed contractors from across the globe for product and development. It has impacted us in part because employers are thinking about one, is it an expense that I really want to make, but it's kind of been a balancing act because at the same time, employers

are somehow struggling to find employees. As a result of that, they are looking for any way that they can incentivize employees to join them. Smaller companies are offering (inaudible) this morning in Montana who's looking at offering yearly bonuses to new employees and existing employees, they're looking at increasing wages. it's kind of a balancing act, right. Is COVID hurting us or is it helping us and I think it's sort of a balancing act.

Todd: You haven't raised money to date, but how do you think of alright, now this might be the right time to raise money or we really don't need to raise money. I mean, other startups listen to the podcast so I always think it's an interesting question when it comes to that point of I'm going to raise a round or, you know, I think the bootstrap is the way to go because I don't want to give up equity.

Char: As a startup founder running a company today as is the case with many aspects of life, you will never have more options from online platforms that allow you to raise money from strangers on the Internet to a revenue-based financing. You have a lot of options outside of giving up control….as you stated, we have not raised any money to date and as the saying goes, you know, if you don't need venture capital then don't raise venture capital.

At this point, we are fully bootstrapped and don't require additional capital to get to kind of our next milestones in terms of product development, but we never close any doors. We believe, eventually, we will raise capital, I certainly believe in building a company based on revenue and customers. I think once you've done that, it becomes so much easier to raise money. When raising money, it's not the goal to building a company, as a goal you end up building a company; when raising capital is the goal, you end up raising capital and that is too often the end of the story.

Todd: So, we have just a few minutes left here, I would like to kind of shift and have some fun. I'm not sure if you are a reader, but if you are, one, what's your favorite book first, second would be the last book you read. If you're not a reader then pick the medium, pick the podcast if that is it.

Char: I don't think I have a favorite book. I do my best to read as widely as I can from pure fantasy novels, etc., but most recently, I've been reading a lot of some business books and then books that kind of shine a light on finance, right, historically, culturally, racially, etc. So, one book I'm currently reading is called "The Color of Money," black banks and the racial wealth gap by Mehrsa Baradaran. It's a really good book, it kind of really sets the history of banking in the US and how and where the rich (inaudible). I definitely recommend it.

Todd: Do you have a favorite sport and sport team or teams that you root for.

Char: That's also a really good question. I'm not a huge sports guy.

Todd: It's so funny, it continues to happen on the podcast. I've only had like one or two that watch basketball or football. I've had chess, tennis, tennis I think four times now, it's turned into……cricket as well.

Char: I play soccer occasionally, but not a huge sports guy.

Todd: Too busy building your company, I guess. (laughs) Final question before we wrap up here, biggest inspiration in life.

Char: I'm always amazed by human potential, the idea that someone could have an idea that exists just in your head and you can put that down on paper, on a computer screen, on a hard drive, in a cloud, bring people around that, form a culture, build a company, etc. whatever it might be, a movement, I'm just amazed and inspired by human potential, right, our ability to do whatever we set our minds to. And also more recently, resilience as individuals, we go through things and our ability to give back up and keep moving.

Todd: Well, we're going to have to leave it there, Char, I greatly appreciate you joining me on the show. I had a lot of fun, I wish you and the team continued success. I really think solving that student loan problem is a big problem to solve, but companies like yours, I think, are helping in that path so I wish you guys the best of luck and, hopefully, we'll get you back sometime in the future.

Char: Well, Todd, it's been a pleasure and I look forward to connecting again in the future. I'm glad I had a chance to share about Stubenefits. At the end of the day, our mission here really centers around empowerment. We want to empower consumers to make the best possible decisions financially for themselves and we want to empower employers to build and support workplaces. I'm glad I had the chance today to talk to you and how we do that.

Todd: Alright, sounds good, thanks so much for joining me, Char.

Char: Thank you, Todd.

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Todd: Thank you for listening to the latest episode of PitchIt, the fintech startups podcast. I encourage you to take a few minutes to write a review or rate the episode. Ratings and reviews both help us to improve the show for future episodes. If you're interested in learning more or would like to be considered for a future episode, please reach out anytime to todd@lendit.com and until next time.

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