



**Testimony of James J. Fadule  
Before the Committee on Finance  
United States Senate**

*Hearing on the Role of Higher Education Financing in Strengthening U.S.  
Competitiveness in a Global Economy*

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Introduction

Mr. Chairman, and distinguished Members of this Committee, thank you for the opportunity to share with you the capabilities of Upromise and to share with you our initial results in helping families get started saving for college. My name is Jim Fadule. I am a senior officer of Upromise, Inc., and president of its subsidiary, Upromise Investments, Inc., a registered broker dealer.

A college degree has never been more important. Over a lifetime, the difference in earnings between those with a B.A. or higher and those with a high school diploma exceeds \$1,000,000 (based on data from the U.S. Census Bureau, as presented by *The College Board, Trends in College Pricing, 2003*). Yet paying for college continues to be a challenge for many students and families, especially those with modest incomes. The gap between the savings available to families and the cost of college continues to widen, and families are looking for ways to help them bridge the gap.

Upromise Overview

Upromise was founded with the singular purpose of helping families save for college. We do that by helping millions of American families recognize the importance of saving for college; second, by providing families with a free and simple way to jump-start their efforts by providing real cash rebates on their everyday purchases, which can be used to help pay for college; and lastly, by encouraging families to prudently invest their own money for college as their circumstances permit. Upromise has teamed up with hundreds of companies, including Coca-Cola, McDonald's, Citi, America Online, ExxonMobil and Procter & Gamble, who provide rebates on customer purchases. In short, Upromise Members get rebates to help pay for college from participating companies, who benefit by attracting new customers and building loyalty toward their company's products. Upromise is a for-profit company where the participating companies pay Upromise an administrative fee for managing the service.

Over 5.2 million people across the country have joined Upromise, representing typical parents, grandparents and future students. In total, Upromise Members have accumulated over \$165 million in college savings from Upromise partner contributions.

## Private Sector Coalition Administered by Upromise

Upromise has been effective in mobilizing Corporate America, whose willingness to allocate marketing funds toward a fundamental need in the country has resulted in a nationwide effort to help families save for college.

Over 300 companies currently participate in the Upromise coalition, offering anywhere from 1-10% back on thousands of products and services. Below are some general examples of the ways families can save through Upromise:

- 2% back on school supplies at Staples
- Up to \$3,000 back on the sale or purchase of a home through a participating Century 21, Coldwell Banker or ERA real estate agent
- Up to \$35 back on a new Whirlpool dishwasher
- 5% back on a transmission repair at AAMCO
- 2% back on all purchases through Wal-Mart.com

Members can save on over 7,000 items across more than 18,000 grocery and drug stores nationwide, on gasoline at more than 15,000 locations, on dining at over 9,000 restaurants, on lodging at over 10,000 hotels, as well as tens of thousands of retail locations, and over 200 online shopping sites.

## How It Works

Consumers join free at the Upromise website. They securely register certain key information, such as their grocery loyalty cards or the credit or debit cards they already carry, then shop with any of the hundreds of Upromise partners. Contributions are automatically deposited into the Member's account with each qualifying purchase.

There are no coupons to clip, and no receipts to keep. Unlike most consumer loyalty programs, Upromise provides actual dollars (not points), which are funded by corporate partners. We vigorously protect Member privacy, do not sell or lease Member information, and only use credit card information so that we can recognize qualified purchases and deposit the appropriate rebate in the Member's account.

Members can also expand their savings opportunities by inviting family and friends to join. For example, grandparents, aunts, uncles or anyone else can join Upromise and designate their savings to benefit the same future student.

Members can save even more through special programs such as with the Citi® Upromise® Card or as a customer of America Online, which offers Members double savings on everyday purchases such as groceries and gas. Members have access to their Upromise account online 24-hours a day and can watch their savings grow with each company's contribution. If Members have questions, they can contact the Upromise Customer Care department through email or a toll-free telephone number.

## Appealing to a Financial and Emotional Need

We believe that our adoption rate has been robust because Upromise appeals to families' financial need to save for college and their emotional desire to do something positive for their children. Since launching the service 3 years ago, we have received over 5,000 unsolicited testimonials. I would like to share with you a few pieces of correspondence from Upromise Members that demonstrate the impact we are having on families:

### **Upromise Member Testimonials**

"I love Upromise because as a single mother, I need all the help I can get. And the best part is that it DOESN'T COST ME ANYTHING to save for my son's future!"

*-Upromise Member from Hoover, Alabama*

"We do okay day to day but paying for college may be out of our reach. We're saving what we can and every little bit helps."

*- Upromise Member from Bedford, New Hampshire*

"I wanted to thank you from the bottom of my heart for participating in the Upromise program – it means a lot to me and my friends. I didn't get a chance to go to college and for companies like you to help me send my son to college, I think that it's absolutely wonderful. It also encourages me to buy more of your brands. Keep up the good work."

*- An anonymous Upromise Member*

### **Upromise Partner Testimonial**

"At last count, we'd received over 650 requests, many of them pleading with us... 'Please, please consider adding [Upromise].' We pride ourselves on listening and responding to our customers, so when it became clear that so many of our loyal customers wanted to take part in the program, we went back to the drawing board."

*- Mary Ellen Burris  
Senior Vice President of Consumer Affairs, Wegmans*

## Upromise Grocery Savings

A particularly successful Upromise program involves helping families save for college when they buy grocery and household items at over 18,000 grocery and drug stores nationwide.

Participating products include many of the most well known consumer brands in the country, such as:

- Coca-Cola
- Kellogg's
- Keebler
- Huggies
- Skippy
- Welch's
- Kleenex
- Beech-Nut
- Folgers
- Lysol
- Tylenol
- Tide

and over 7,000 other items in categories ranging from milk and pasta to light bulbs, batteries and film.

## Hypothetical Grocery Store Example

I'd like to provide an example of how effective a family trip to the grocery store, such as a Kroger, Albertsons, or a Giant and Safeway supermarket here in the Washington area, could potentially be:

Account #: 000-000-0000 Member Since: 10/2002

Transaction dates: 07/06/04

**Purchase Details for 07/06/04 (Tue)**

Item	Qty	Price	Contributions	Savings
<a href="#">Aquafresh Toothpaste</a>	1	\$2.50	5%	\$0.13
<a href="#">Beech Nut Baby Food</a>	10	\$5.00	3%	\$0.15
<a href="#">Coca-Cola</a>	1	\$3.99	1%	\$0.04
<a href="#">Cottonelle Tissue Paper</a>	1	\$7.49	5%	\$0.37
<a href="#">Danimals Yoqurt Pack</a>	1	\$3.89	3%	\$0.12
<a href="#">Gorton's Fish Sticks</a>	1	\$4.99	3%	\$0.15
<a href="#">Hershey's Chocolate Milk</a>	1	\$2.39	3%	\$0.07
<a href="#">Huggies Diapers</a>	1	\$14.99	3%	\$0.45
<a href="#">Kellogg's Corn Flakes</a>	2	\$5.18	1%	\$0.05
<a href="#">Land O' Lakes Butter</a>	1	\$1.99	3%	\$0.06
<a href="#">Lysol Bowl Cleaner</a>	1	\$2.59	3%	\$0.08
<a href="#">Minute Maid Orange Juice</a>	1	\$2.99	1%	\$0.03
<a href="#">Skippy Peanut Butter</a>	1	\$3.99	3%	\$0.12
<a href="#">Tide Laundry Detergent</a>	1	\$14.99	3%	\$0.45
<a href="#">Welch's Jelly</a>	1	\$1.79	3%	\$0.05
		\$78.76		\$2.32
Doubled by AOL				\$2.32
Citi Contribution and Bonus				\$16.54
<b>TOTAL SAVINGS</b>				<b>\$21.18</b>

The Upromise Member could receive \$2.32 into their Upromise account, and that contribution would be doubled through the "AOL Members Save Double" program, then further enhanced by an additional 20% contribution through the Citi® Upromise® Card program in the grocery stores. Combined, the Member could receive up to \$21.18 into their Upromise account on a grocery bill of \$78.76, a rebate of 27% on their total trip to the grocery store, in addition to any store and product promotions running at the time.

Obviously, we recognize that not all Members can or will take advantage of special offers available through Upromise, and we are not suggesting that the contributions earned are the solution to the challenge of saving for college.

However, Upromise Members who are actively committed to the program can earn hundreds of dollars annually which, presuming a family gets started when the child is young, could lead to thousands of dollars over time.

### Supporting the Efforts of State 529 Plan Administrators

Upromise recognized the importance of helping families save their own money with the introduction of the Upromise College Fund, a section 529 plan sponsored by the State of Nevada, and made available at the Upromise website through Upromise Investments.

Through a partnership with The Vanguard Group, 529 plan investors can select from several low cost investment portfolios specifically designed for an average family investing for college.

Families can get started with as little as \$50 per month. Administrative services are designed to make it easy for families to establish and manage an online 529 account at the Upromise website, while taking advantage of the most recent web-based technology available to Members.

Through our subsidiaries, Upromise currently administers the Upromise College Fund 529 Plan and The Vanguard 529 College Savings Plan, as well as the New York's 529 College Savings Program. The company administers over 502,000 529 plan accounts, including 66,000 Upromise College Fund 529 Plan accounts. Recently, Upromise began administrative duties in service to College Savings Iowa.

With Vanguard as the investment manager, the plans have been recognized by national publications such as Morningstar, Kiplinger's, and Money Magazine.

### Reaching Modest Income Families

Upromise's initial results suggest that we are helping families, including lower and middle-income families, to get started saving. For example:

- 46% of Upromise's 5.2 Million Members have a household income below \$50,000

Families who open a Upromise College Fund 529 Plan account have average opening balances of \$542 and an average account size of \$1,429 (*data as of June 30, 2004*). These figures are significantly lower than the 529 industry average account size of \$8,500 and are lower than the investment minimums for many investment products offered by traditional firms (*529 industry data from the College Saving Plan Network as of March 31, 2004*).

Upromise College Fund accounts are opened online 96% of the time. 52% of accounts enroll in an automatic investing plan, with an average monthly investment of \$80,

reflecting the company's success in helping families get started with modest, regular contributions.

Account owners also have the ability to potentially channel additional contributions from grandparents, relatives, and friends.

As an option available to Members, Upromise will sweep Upromise rebates into the 529 account automatically on a quarterly basis, and then report back to the college saver the total value of their accumulated savings for college.

#### Private Sector and Public Sector Coordination

Upromise has experienced first hand that an increasing number of middle-income families are taking advantage of 529 plans. The States' efforts over the past decade to promote the importance of saving for college – combined with the compelling federal tax advantages of 529 plans – have led to more and more families taking action to save for college.

Upromise continues to collaborate with existing State clients to bring private sector marketing innovations in support of the States' continued efforts.

#### Close

Thank you again, Mr. Chairman and Members of the Committee, for your interest in Upromise and in the important subject of higher education financing. Without question, higher education is a foundation for our society. The more we can do to support the availability and attainability of college for our students, the stronger our society will be. We welcome the opportunity to work with you to continue to provide the best in college savings to American families.