

The Lifetime Value of a Student Lending Relationship

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Student Debt Today

Exceeded \$1.52T in 2018

- **146% increase** since 2008

Private lenders have increased their share of the market

- Private student loans accounted for **11% of total student loans** in 2017



LendKey

Student Debt Repayment

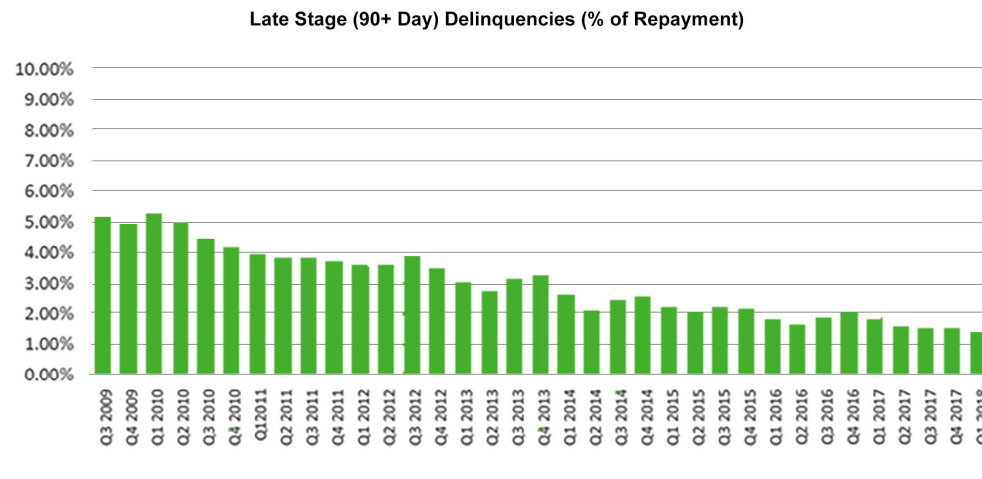
Repayment has been **above 70%** since 2011

- In-school repayment plans
- Lower rates of charge-offs and deferment

Delinquencies 1.49% of repayment balance in Q1 2018



Figure 1: Private Student Loan Late Stage (90+ Day) Delinquencies, 2009-2018



Source: MeasureOne



Federal vs Private Student Loan Myths



Federal: no cosigner required, little underwriting, deferment and forbearance approved



Private: 90% cosigned, higher standards for underwriting, little to no forbearance allowed



The increase in earnings from going to college more than offsets the cost of student loan payments for most borrowers.”

- Cleveland Federal Reserve Board



Consumer Demand

8%

of 18 - 24 year-olds expect to increase their level of student debt today

8% also intend to get an auto loan or mortgage loan in the near future



55-64

year-olds are in the market for student loans to support their college-age children

Parent PLUS loans



Consumer Thoughts

74% of student borrowers would help their children pay for college

69% feel higher education is important

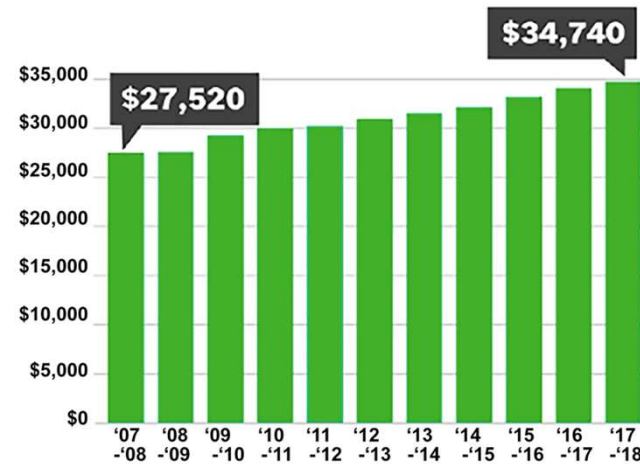


Cost of Tuition

Outpacing the rate of inflation by more than 300 basis points

The Average Price of Tuition and Fees

Average private college tuition & fees



SOURCE College Board
George Petras/USA Today



A Need for Education



of students say they **lack educational resources** to help them prepare for the financial burden of earning a degree



of education loan borrowers say student loans made it possible for them to attend the college or university of their **choice**



Digital Student Lending

Awareness is increasing among Millennials and GenZ of the value of private student loans

Digital originations will **double**



\$9.8B in 2016



\$22.8B in 2021 estimated



Federal loans don't come close to covering the cost of education, so there's definitely a vibrant market for private student loans."

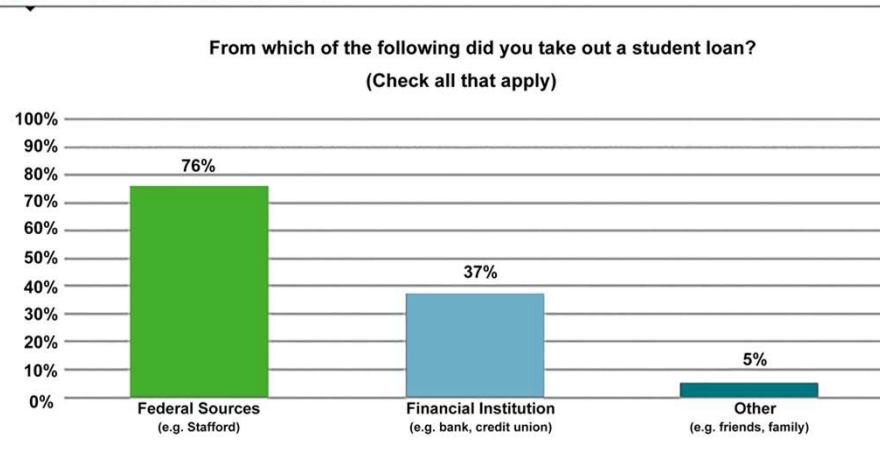
- Senior credit officer at Moody's Bank



The Student Loan Cross-Sell Opportunity

37% of student loan borrowers received a private student loan from a financial institution

Figure 5: Source of Student Loans



Source: Cornerstone Advisors

53% applied with the financial institution where they had their primary checking account

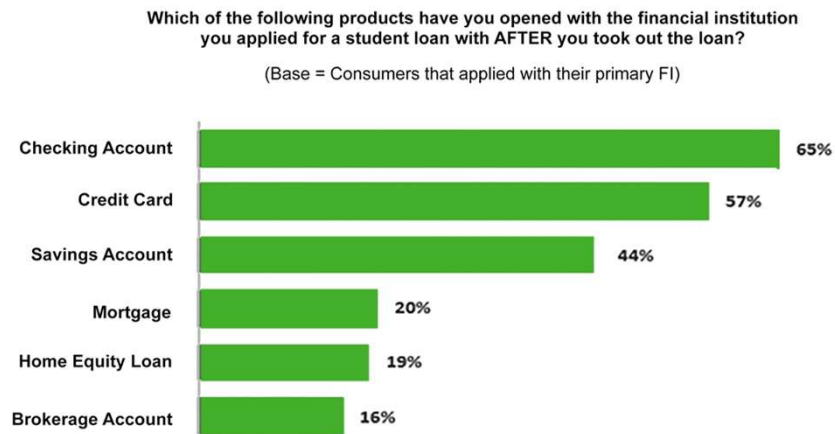


Cross-Selling Success

Products opened through the student loan lender:

- **2/3 of student loan borrowers opened a checking account**
- **6 in 10** opened a credit card
- **1 in 5** took out a mortgage or home equity loan

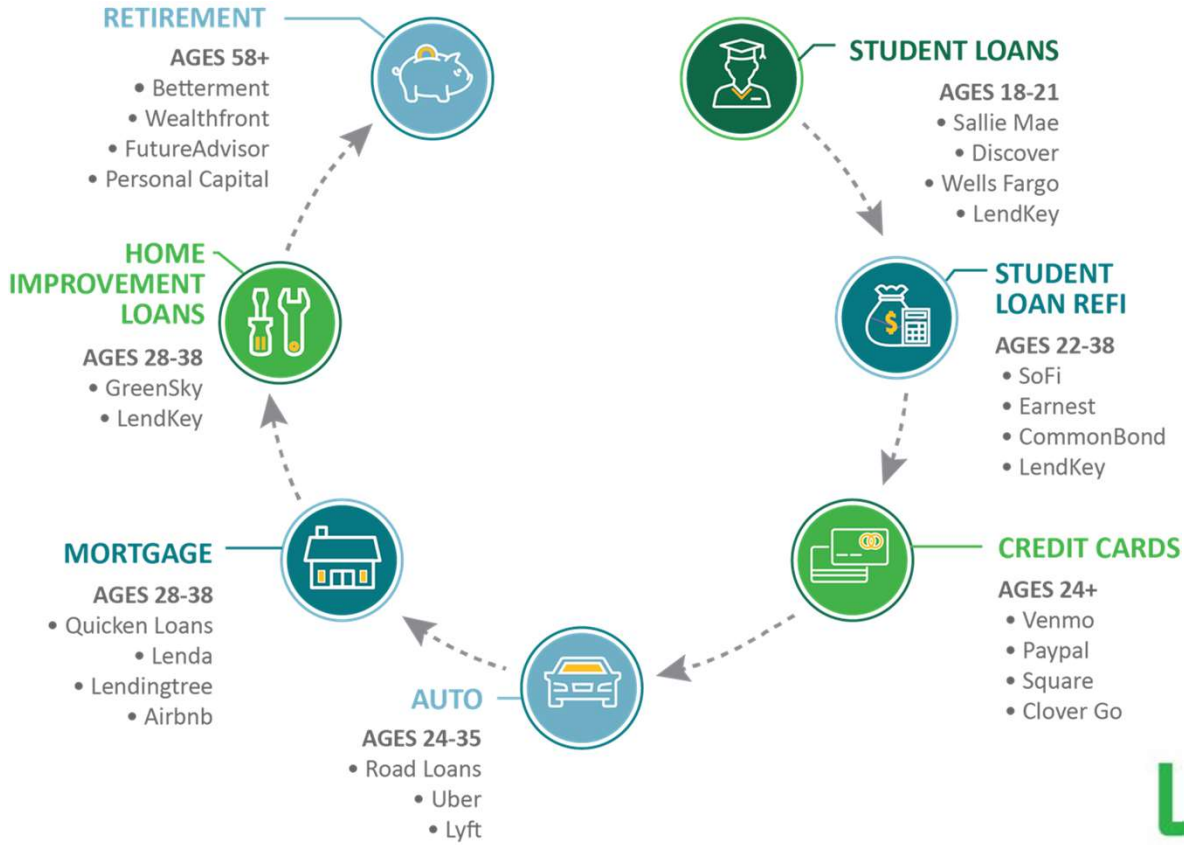
Figure 7: Products Opened with Primary FI After Taking Student Loan



Source: Cornerstone Advisors



Modern Credit Lifecycle



To Cross Sell or Not to Cross Sell?

Lifetime value of a student loan borrower can increase borrowing potential by up to 700%

- No additional products - \$3,000*
- Cross-sell success - \$23,000*
- **100 borrowers lifetime value estimated at \$650,000***

Table E: Student Loan Lifetime Value Model

Scenario	Lifetime value per customer (discounted)	Lifetime value per customer (gross)	Scenario distribution	Lifetime value per 100 borrowers (discounted)	Lifetime value per 100 borrowers (gross)
One	\$1,939	\$3,049	44%	\$85,295	\$134,173
Two	\$2,380	\$3,842	25%	\$59,495	\$96,038
Three	\$2,607	\$4,331	15%	\$39,098	\$64,965
Four	\$9,688	\$21,732	10%	\$96,883	\$217,320
Five	\$9,959	\$22,513	5%	\$49,797	\$112,565
Six	\$9,979	\$22,700	1%	\$9,979	\$22,700
TOTAL	\$36,552	\$78,167	100%	\$340,547	\$647,760

*Lifetime value estimated from an original student loan borrower with a 10-year term loan

Source: Cornerstone Advisors



Enabling Education Lending

FinTech partners can enable white labeled and cost-effective digital lending

Loan origination

Credit decisioning

Loan servicing

Modern Partners Also Support:

Balance sheet management

Liquidity options

Lead generation

Marketing support



LendKey



Thank You



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