



Top 5 Reasons to Offer & Grow Private Student Loans in 2023



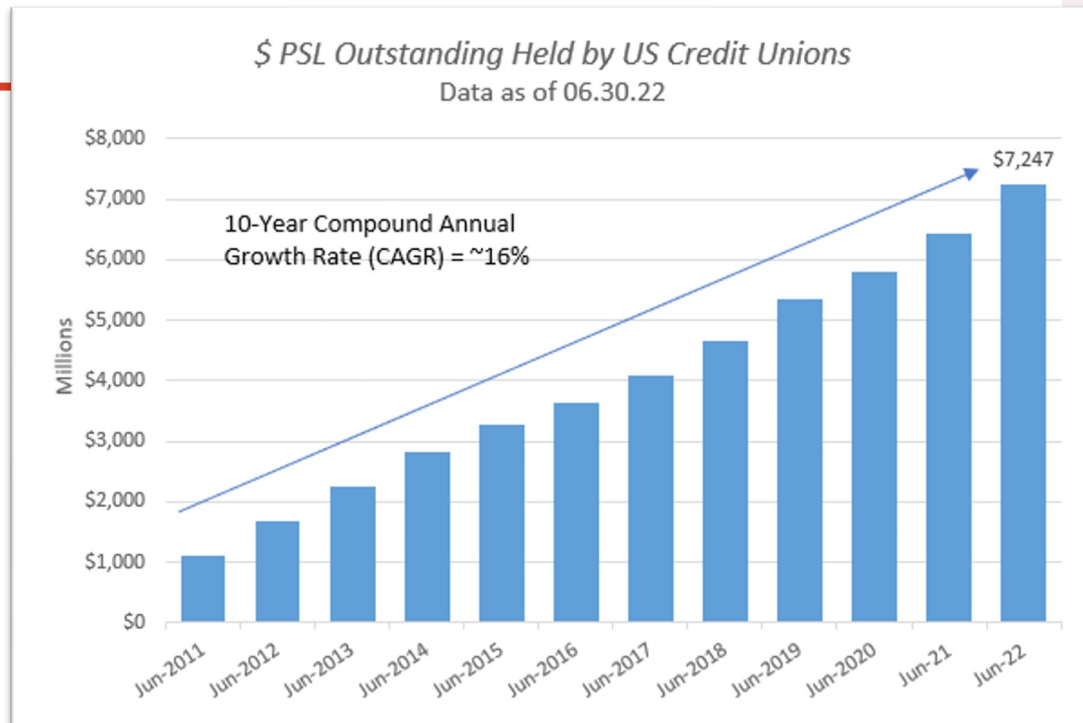
Jim Holt, Chief Development Officer



Credit union market share in private student lending



Credit unions started jumping into this space during the Great Recession

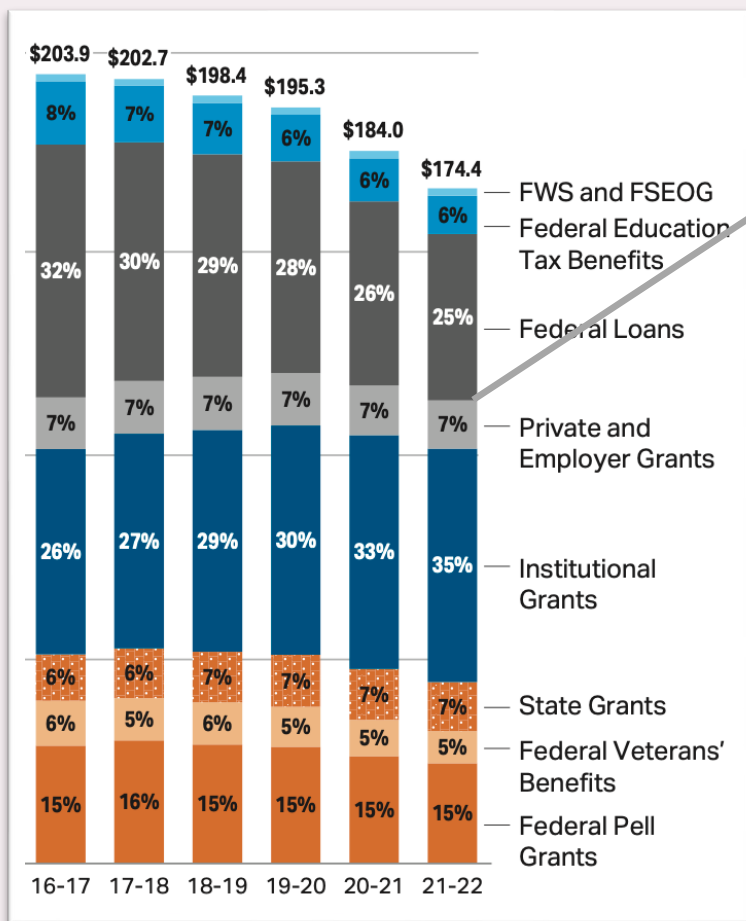


There are now **700+** credit unions putting private student loans on their balance sheets, with a net charge off rate well under 1%.

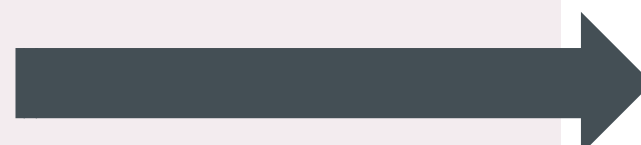
Source: 5300 Reporting & Callahan Peer to Peer



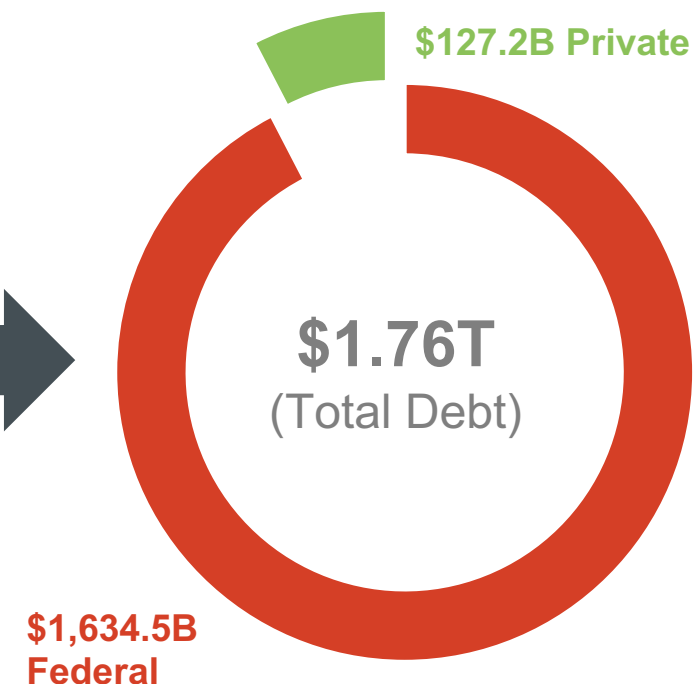
What is the total education finance **market size**?



\$12.2B Annual Originations



Total Student Loan Market



<https://research.collegeboard.org/media/pdf/trends-student-aid-presentation-2022.pdf>

MeasureOne date -
<https://fs.hubspotusercontent00.net/hubfs/6171800/assets/downloads/MeasureOne%20Private%20Student%20Loan%20Report%20Q3%202021%20FINAL%20VERSION.pdf>



Top 5 Reasons to Offer and Grow private student loans in 2023

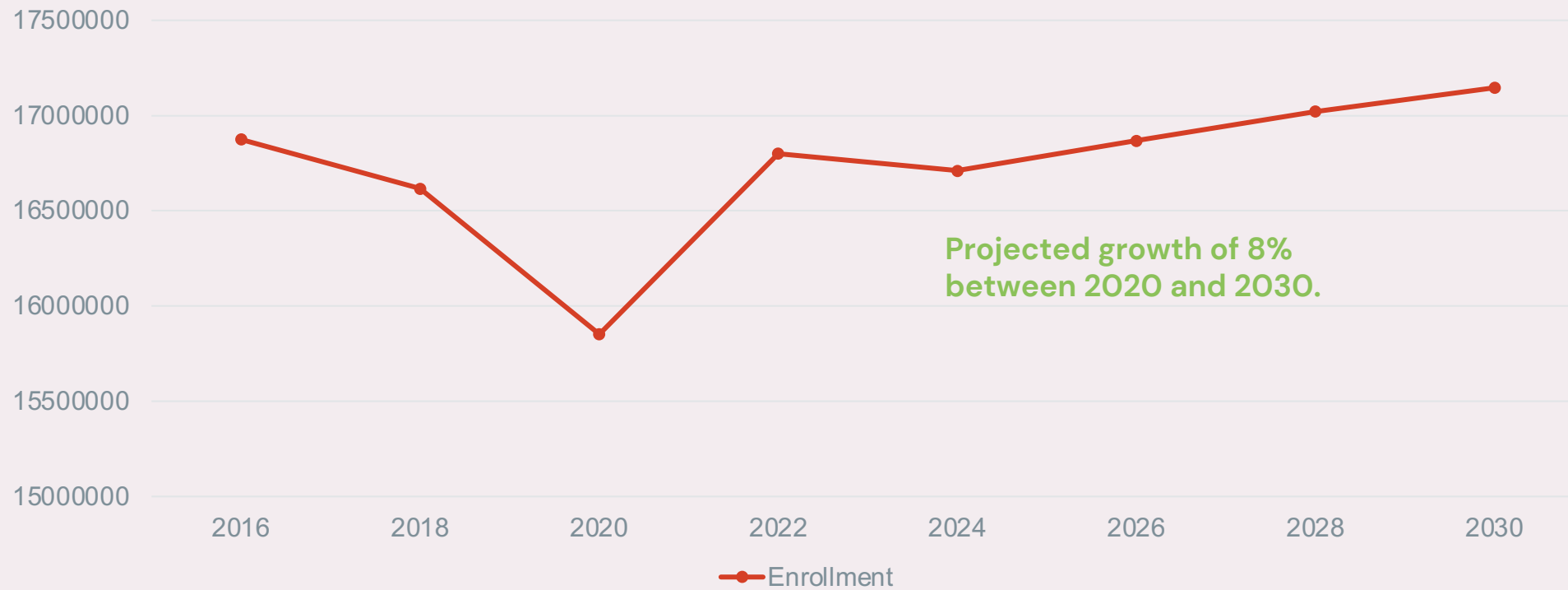


Surging Consumer Demand



Enrollment is on the rise

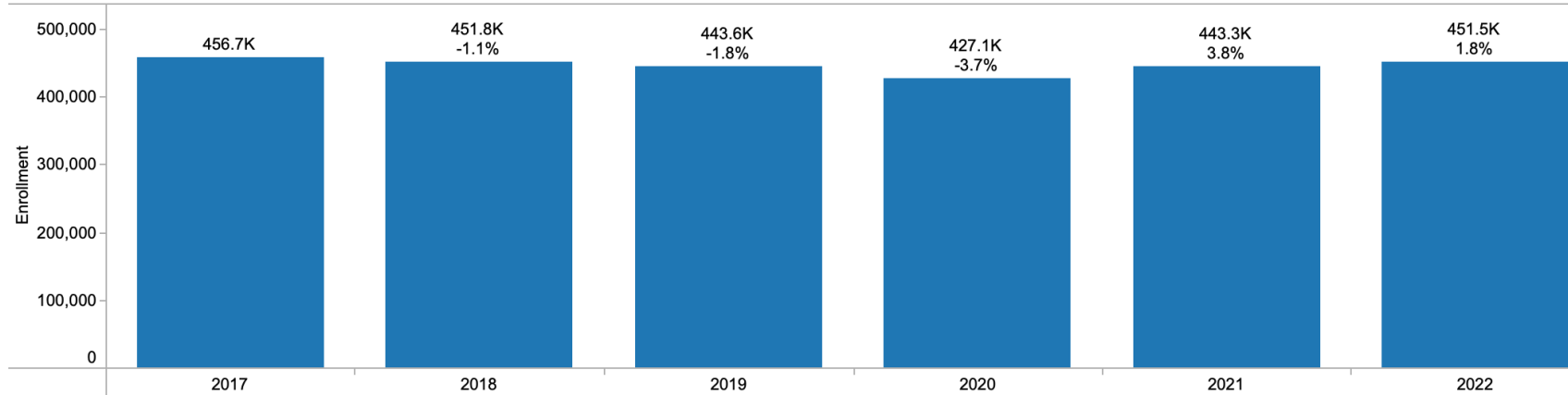
Historical and Projected Undergraduate Enrollment





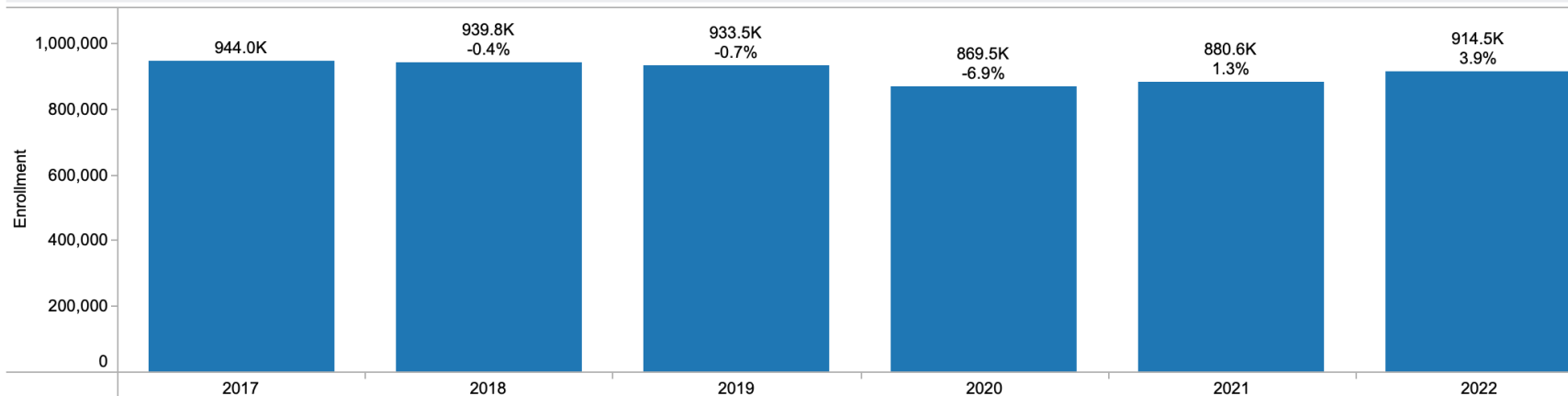
Freshman undergraduate enrollment up 4.3% overall

Figure 7. Total Fall Freshmen Enrollment: Private nonprofit 4-Year, All Ages 2017-2022



Up 1.8%
at Private 4-year
Colleges /
Universities

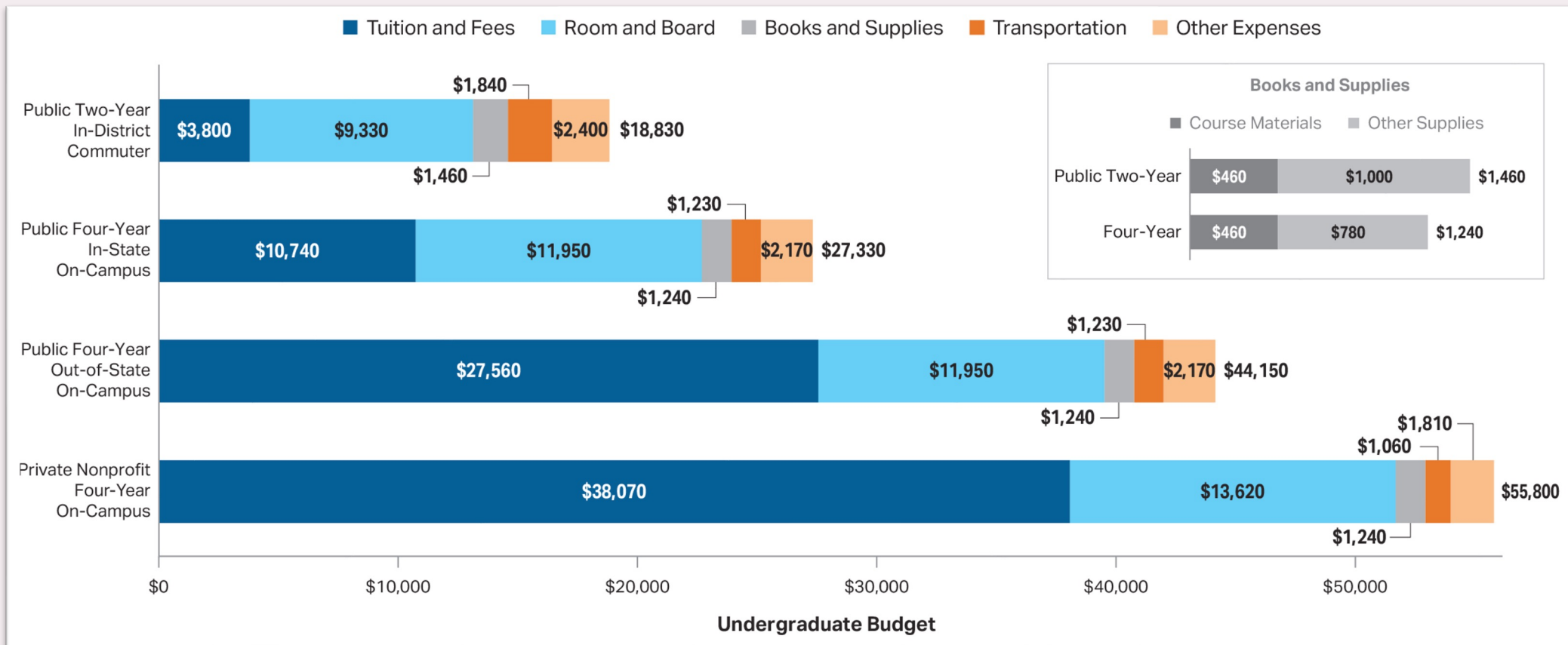
Figure 7. Total Fall Freshmen Enrollment: Public 4-Year, All Ages 2017-2022



Up 3.9%
at Public 4-year
Colleges /
Universities



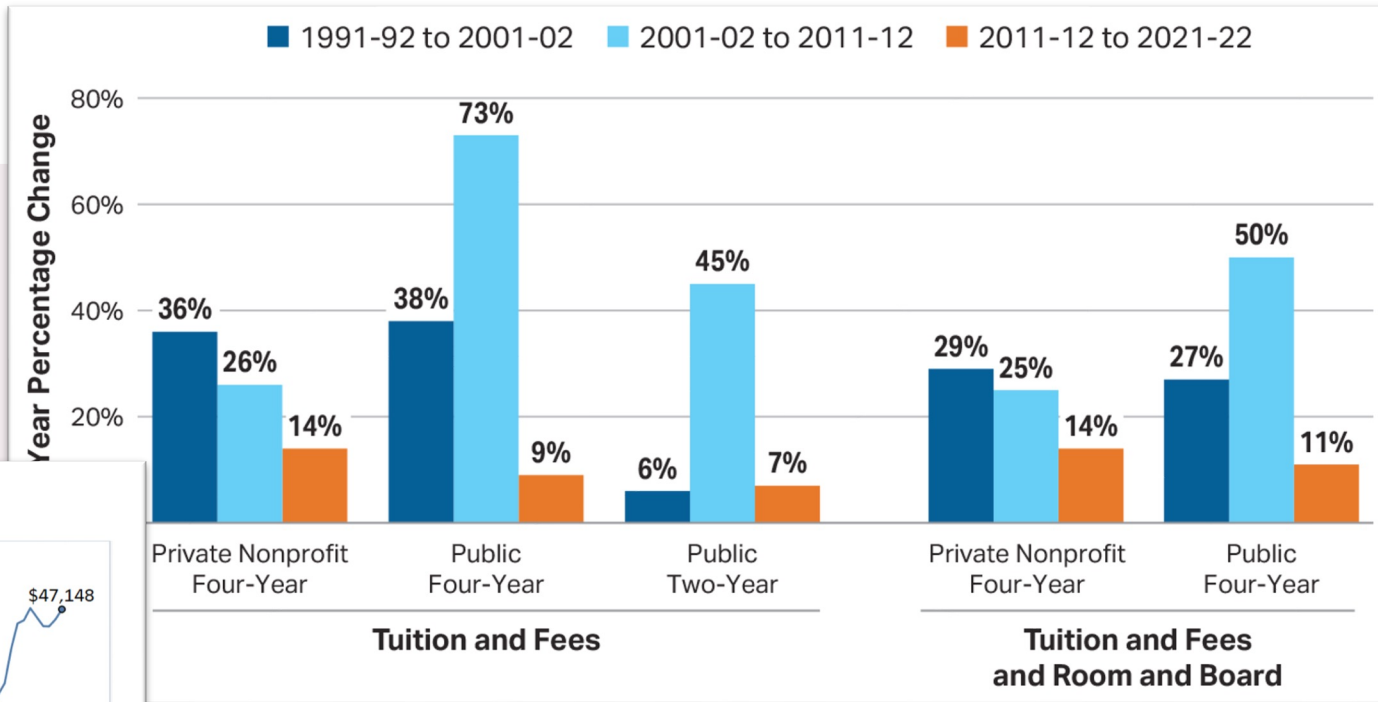
ON AVERAGE: It will cost **\$55,800**/year to attend a private not-for-profit university and **\$27,300** for an in-state public university



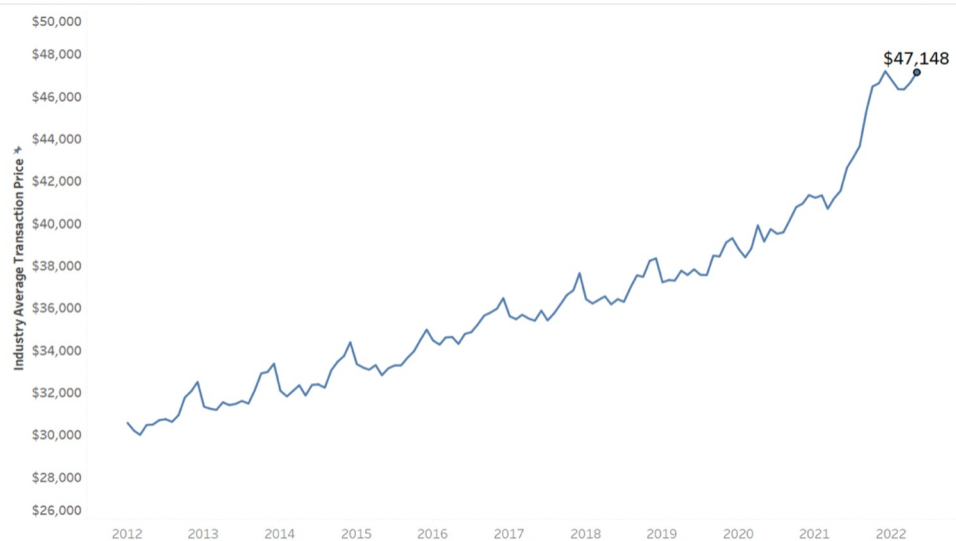


Increases to college costs have slowed . . .

From 2012 to 2022, college costs increased by 14% (private) and 11% (public)



NEW-VEHICLE AVERAGE TRANSACTION PRICE



New vehicle costs increased 52%



... But that is about to change.

Annual Percentage Change in
Inflation-Adjusted Published Tuition and Fees
Relative to 1990-91 (1990-91 = 1.0)



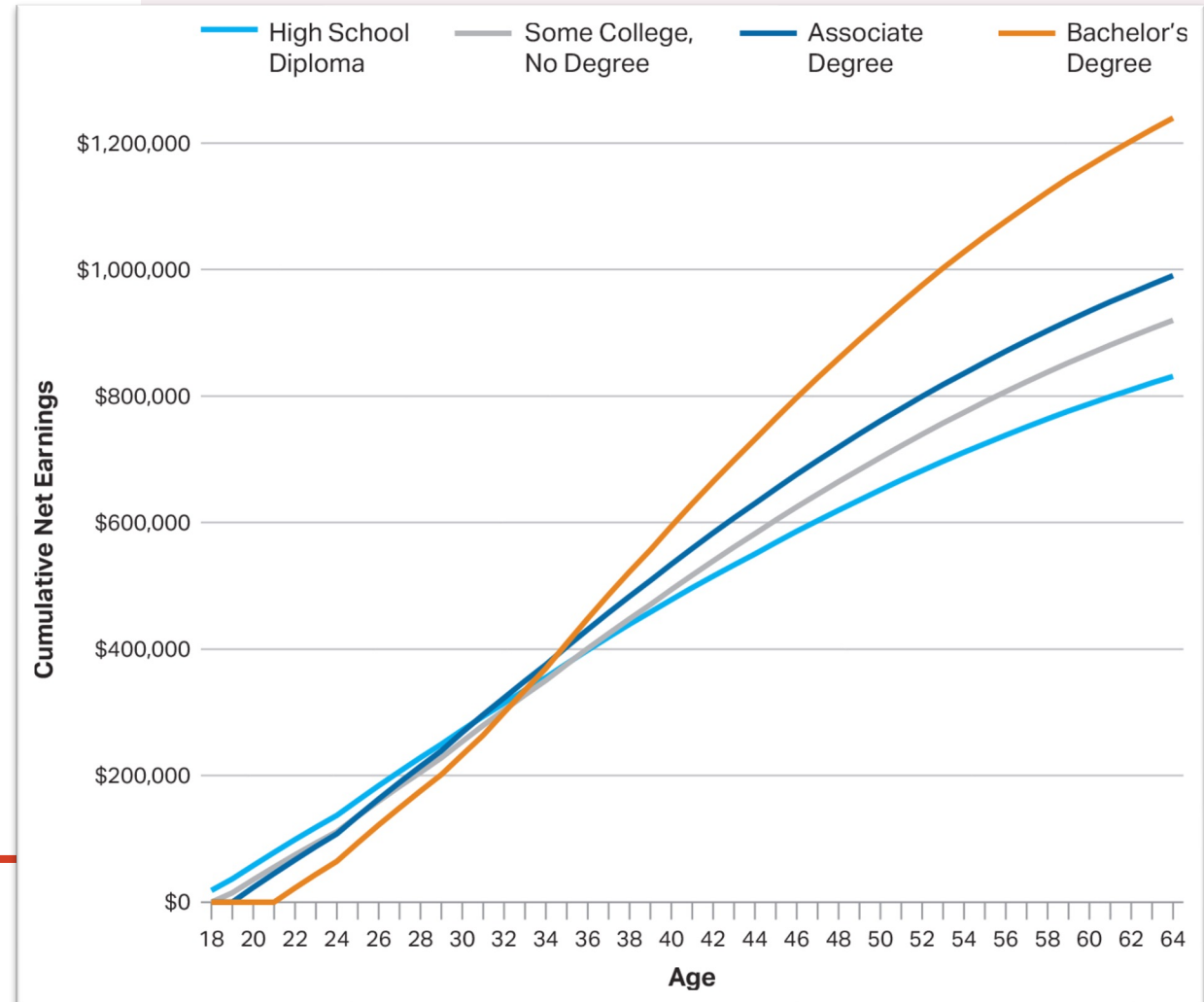


Is college *worth it?*



Yes, college is worth the investment.

By age 34, a bachelor degree recipient has accrued more earnings than those without a degree – **even when paying off their college loans.**

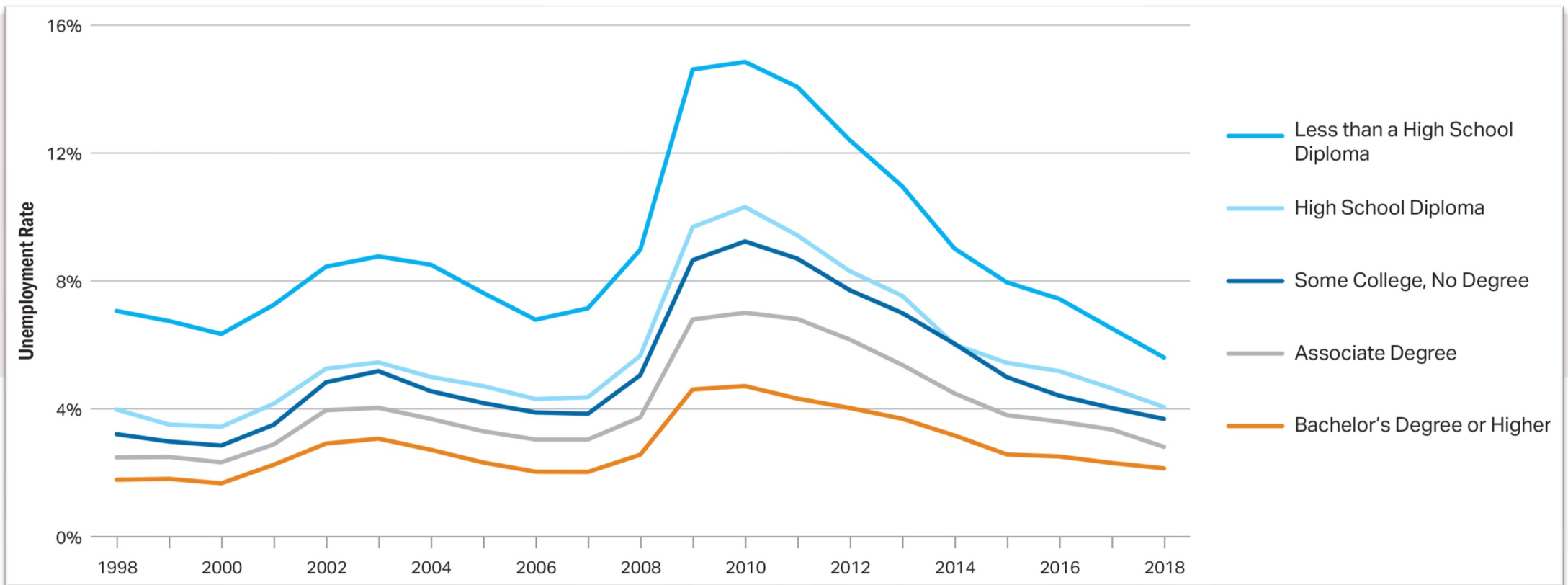


SOURCE: The College Board, Education Pays 2019, Figure 2.2A



A college degree recipient is 50% less likely to be unemployed than those without a degree

Largest gap between the bachelor's degree recipients and high school graduates is immediately following the Great Recession.
(Dec. 2007 – June 2009)



(Unemployment Rates of Individuals Age 25 and Older, by Education Level, 1998 to 2018)



**Cultivate Productive Young Adult
Member Relationships**



What **new member** would you want?

Member A

Age: 54

Member B

Age: 25



What **new member** would you want?

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Age: 54

Education: College Graduate or higher

Member B

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What **new member** would you want?

Member A

Age: 54

Education: College Graduate or higher

Income: \$129,000

Member B

Age: 25

Education: College Graduate or higher

Income: \$57,000



What **new member** would you want?

Member A

Age: 54

Education: College Graduate or higher

Income: \$129,000

Debts: \$320,000 Chase Bank Mortgage
\$27,000 Wells Fargo auto loan
\$4,000 Chase Visa
\$31,000 Chase home improvement loan

Member B

Age: 25

Education: College Graduate or higher

Income: \$57,000

Debts: \$18,000 student loan
\$1,200 credit card balance



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Assets: \$490,000 Primary Residence
\$640,000 401-K
\$4,500 ACH Chase Bank Checking

Member B

Age: 25

Education: College Graduate or higher

Income: \$57,000

Debts: \$18,000 student loan
\$1,200 credit card balance

Assets: \$900 checking balance
(No Payroll ACH yet)



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PFI: Chase

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Future Needs/Goals: Pay down debt and retire

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PFI: Undecided

Future Needs/Goals: Start aggressively saving, purchase new car, buy first home, sell home and upgrade, replace car, start investing, pay down debt and retire

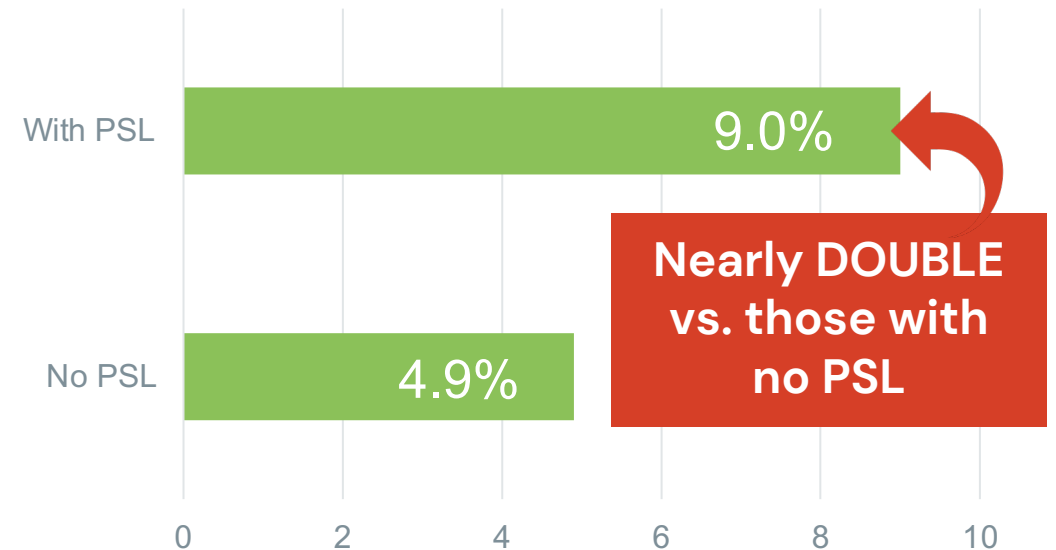


PSLs lead to **wallet share growth**

Members between ages 31–37 with PSL tend to have a deeper member relationship with their credit union.

27.4% also took out a credit union credit card

% of Members Aged 31-37 w/CU Mortgage Loans



Study completed 2020 – 172,615
member relationships reviewed



Two for One



Member A	Member B
Age: 54	Age: 25
Edu	Educa
Inco	com
Deb	ebts
loan	
Assets: \$490,000 Primary Residence \$640,000 401-K \$4,500 ACH Chase Bank Checking	Assets: \$900 checking balance (No Payroll ACH yet)
PFI: Chase	PFI: Undecided
Future Needs/Goals: Pay down debt and retire	Future Needs/Goals: Start aggressively saving, purchase new car, buy first home, sell home and upgrade, replace car, start investing, pay down debt and retire

**With private
student lending,
you get both
members!**



**Amplify wallet growth by
integrating into online
banking via SSO / APIs**

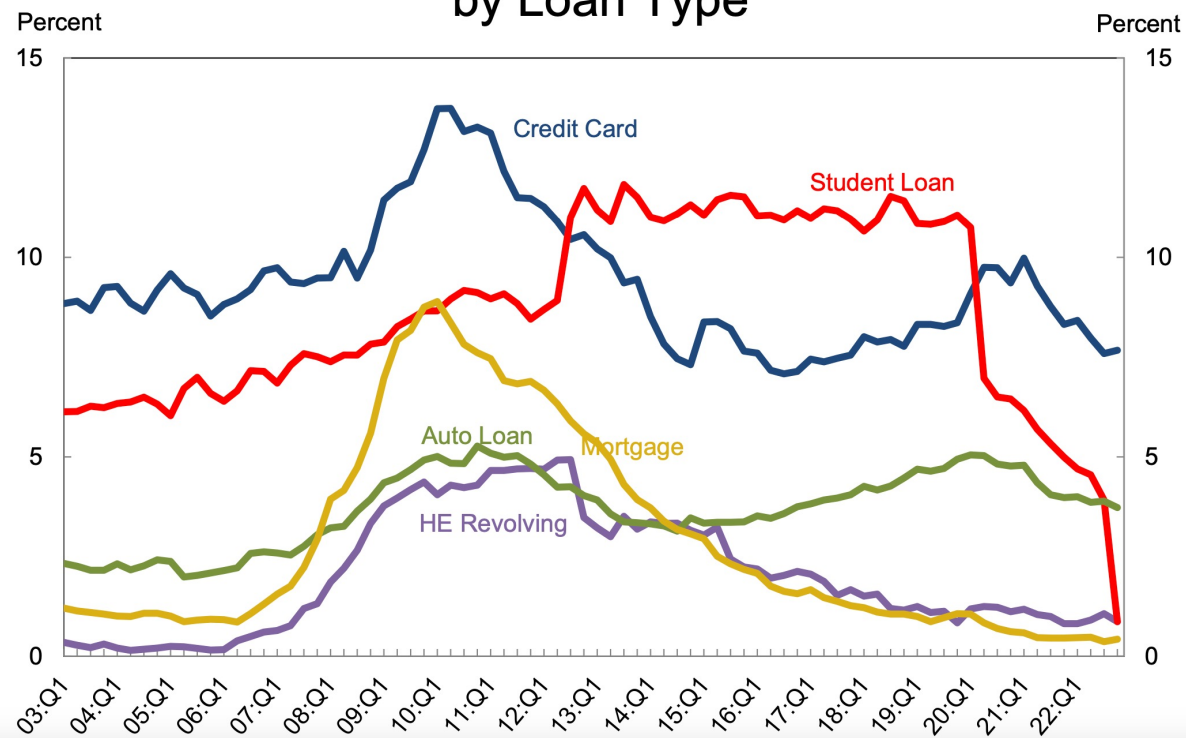


Strong and Stable Performance



Performance **considerations**

Percent of Balance 90+ Days Delinquent
by Loan Type



What Risk?

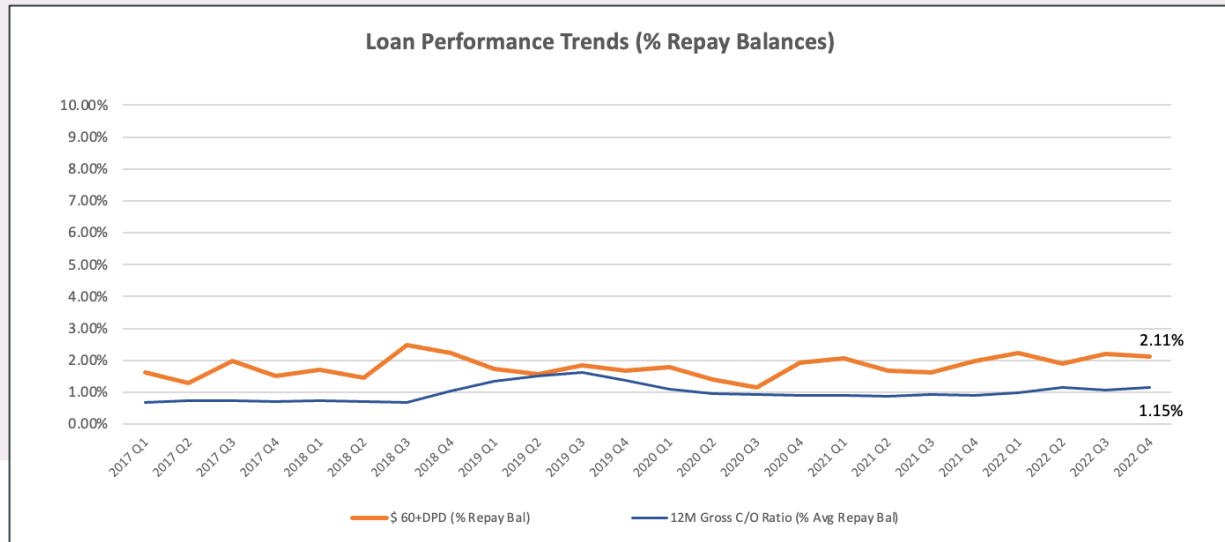
Federal Student Loan 90+ Day Delinquency record lows

(Just kidding ;-)



Performance considerations

15 Years of Performance Insight on Credit Union Originated PSLs



- Annualized Gross Charge-offs below 2% over full economic cycles
- Consistent and stable 60DD and Charge-offs
- Credit Union portfolios out-performing Fintech/Banks



What is **unique** about PSLs?

School certification is a significant risk mitigator and plays a key role in stable, long-term loan performance.

Every private student loan is certified by the University

- Borrower's requested loan amount is reviewed by the university to ensure that no excess funds are allowed beyond the approved academic year costs.
- Funds are disbursed directly to university bursar offices and applied directly against student account.
- Every semester/quarter, university reviews student progress to verify they are doing well academically and on schedule to graduate. If not, no additional loan proceeds are sent to the student borrower.
- In 97% of undergraduate private student loans, a co-borrower is included on the note.

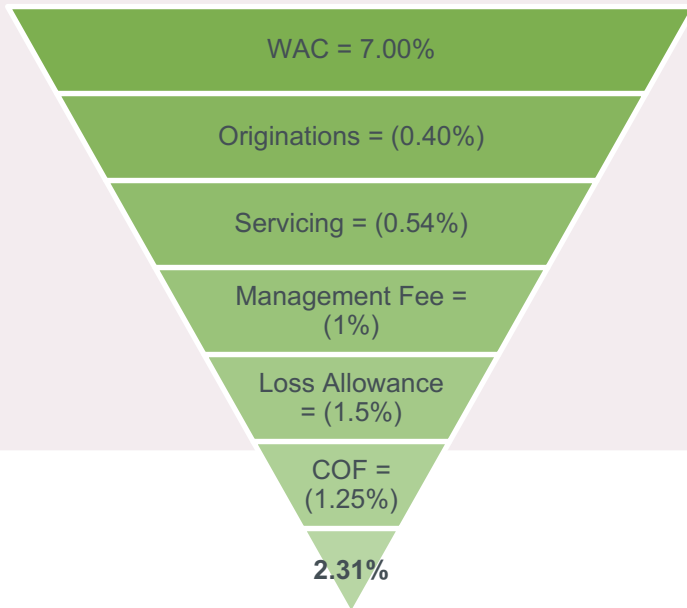


**High-Earning Yield with a Long
Duration**



Profitability & other considerations

Profitability = 2.31% net yield



Liquidity Challenges

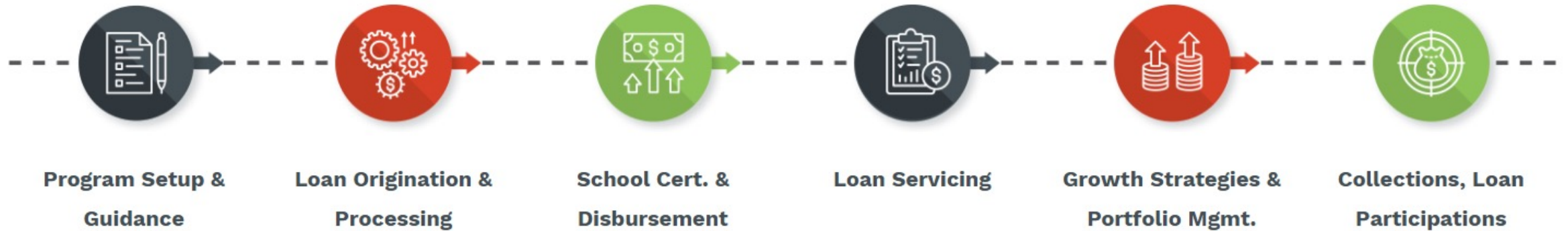


Resources

- Program Build
- School certification
- Servicing complexity
- FTE Requirements
- Technology demands
- Marketing expertise
- Audit requirements
- Seasonality pressure



Working with a CUSO





Getting Started



Basic **blast email** to members

- Add information about federal student loan payments and interest resuming after 6/30/23
- Be transparent about potential federal student loan benefits



Share **private student loan content**

- Newsletter
- Branch screens
- Social channels



Staff training and **provide resources**

- Help staff feel comfortable discussing the programs and directing members.



**Reaching new members
on digital marketplaces?**



OUR TOP PICKS
See credit cards & more

GUIDES & TIPS
Get money expertise

CALCULATORS
Crunch real numbers

Make smart decisions with side-by-side comparisons

CREDIT CARDS

BANKING

TRAVEL

SMALL BUSINESS

PERSONAL LOANS

MORTGAGES

INSURANCE

INVESTING

The right credit card is right here

Looking for a card that earns travel points, cash back, or rewards? Our side-by-side comparisons and objective reviews can help you make the smartest decision.

COMPARE CREDIT CARDS

EXPLORE GUIDES AND TIPS

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Guiding you through life's financial journey

Compare rates, crunch numbers and get expert guidance for life's biggest financial moments.

Credit cards

Personal loans

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Car insurance

Home purchase

Home refinace

High yield savings

CD rates

Loans

Mortgages

Credit Cards

Auto

Financial Help

Sign up for Free

Log in

1-800-813-4620

We show your options, you score the win.

Personal Loans

Home Purchase

Home Refinance

Credit Cards

Insurance

Business Loans

Free Credit Score

More Loan Options

Personal Loans

Find the right personal loan rate for you

Need to consolidate debt or make a large purchase? We bring the lenders to you so you can shop and compare personal loan offers in minutes.

Compare Rates

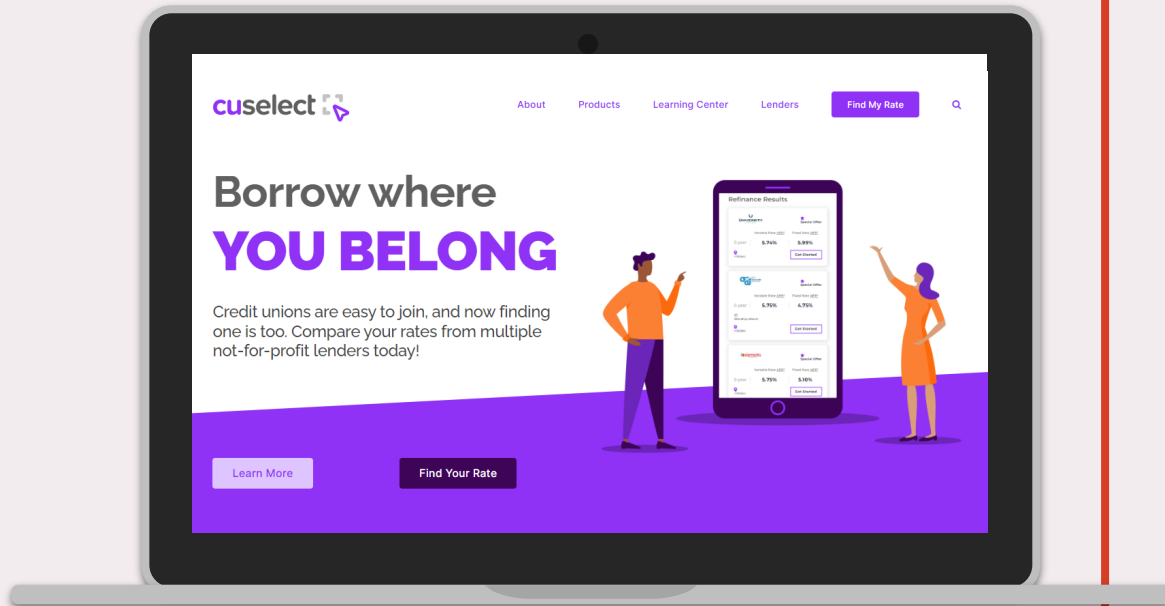
LOAN PURPOSE

☐ Debt Consolidation

☒ Home Improvements

☐ Pay Off Credit Cards Fast

☐ Home Buying



Come play in **ours!**

Other asset classes arriving soon.





**Other Benefits to consider and
Wrap-Up**



Created program to help unique membership base of utility and energy workers, many of whom attend trade schools

- Borrowing limits between \$1,000–\$25,000
- Repayment terms of 3, 5, or 7 years
- Rates currently as low as 6.99% (fixed rate)
- UECU's Business Development Team manages relationships with partner schools and presents at career/recruitment fairs to highlight the program to potential borrowers
- UECU is considering other partner schools to grow the program further
- Like with standard program, Student Choice handles the application process, including school certifications and disbursement of loans, as well as servicing



- **\$1.4B in Assets**
- **46,000 Members**
- **Located in Reading, PA**
- **Launched Energy Trade School Private Education Loan in June 2022**



Key Takeaways

1

With enrollment **on the rise**, more members, and potential members, need assistance paying for college.

Demand

2

Gain a highly **productive member** for the next 30 years by helping students and families afford one of life's biggest investments.

Members

3

A PSL delivers **strong yields**, over an average 10-12 year life. These longer duration loans can be a big support to balance sheets as interest rates decline.

Yield

4

Jump in now before summer when families start seeking support. Will your credit union be there to support them?

Now



Thank **you!**

