Target the Right Student Loan Borrowers at the Right Time

The student loan refinance market is booming as consumers are trying to find ways to increase their income potential. Fintech companies, like SoFi, have been leading the charge into this market, and picking up consumers for other services as well, including real estate products and deposit accounts.

Credit unions must effectively compete for these lucrative members and potential members to ensure they capture them early in their careers and continue serving them as sources for the auto and home loans that are to come during their prime borrowing years. The average student loan debt for a 2016 graduate was about $37,000. While the market had a bit of trouble during the economic crisis, Sarah Snell Cooke who works with Ser Tech, said during our recent webcast, "The decline in student lending has plateaued and we really see a bright future for student lending, particularly refinancing these loans."

Sarah Cooke
Principal
Cooke Consulting Solutions

The total opportunity for student loans likely to refinance is $150B-$200B, plus with the rising cost of college loans are extending beyond the historic 10-year period, according to Mike Weber of CU Student Choice, a new business partner of Ser Tech. Consumers are going so far as to question to value of college, but according to Weber, there's no question about its ROI.

Michael Weber
Chief Marketing Officer
CU Student Choice

Even when spending up to $200,000 for an undergraduate degree the income potential is far superior to going without. Income for 25 to 34 year-olds with a high school diploma may make $30K but with a bachelor's degree income rises to an average of $50K, which over a life time is valued at more than $1 million. "Going to college is likely going to pay off for the vast majority of folks," Weber said.

CU Student Choice

- **Business Model: CUSO**
- **Primary Business: Provide responsible education finance solutions**
- **275 CU partners**
- **80,000 borrowers**
- **$2.3B in loans under**

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After that initial period, professionals enter their prime earning years and want to pay those loans off faster, so they may choose to refinance to a better rate for a shorter term. Federal PLUS loans, which are intended for parents and graduate students, are great targets for refinancings, Weber advised. PLUS lines that are about 10 years old now carry rates of 7.9% or 8.5%. As the former students are looking to potentially take that debt over from their parents or graduate students want to consolidate their loans, we must demonstrate to them that credit unions are a great option for refinancing and consolidation.

Private student loans are market driven versus the congressionally mandated rates of federal loans, and private loan interest rates reached as high as 14% to 16% in 2008, so they are also prime targets for refinancing as market conditions have improved, Weber added.

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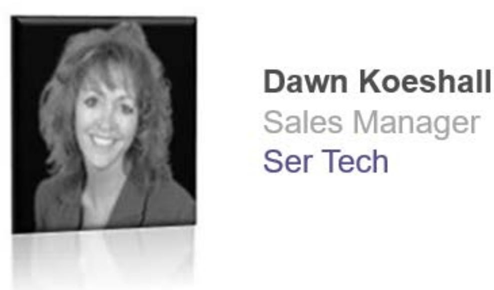
"It's not surprising this market has grown tremendously in the last several years," Weber said, and SoFi and others are looking to cement relationships with those young borrowers. These are young professionals with a lot of earning years left in them, making them a very attractive audience for lenders.

Enter Ser Tech, offering Fetch Marketing that provides prescreened, highly targeted marketing for credit unions. Its unique relationship with credit bureaus helps credit unions preserve and extend their marketing budgets at an increased response rate, according to Ser Tech Sales Manager Dawn Koeshall. She explained the program is completely turnkey, fully compliant and built to reach members and potential members. Ser Tech's is able to identify existing loans, balances and whether they're public or private loans.



Cooke added that millennials are a primary target for these refinancings. They prefer companies are that are trustworthy, honest and stand for something, which is "right up credit unions' alley." Many millennials move back in with their parents after school because their student loan debt is so burdensome. They have delayed buying homes and vehicles – primary credit union loan products – they aren't able to take advantage of yet, but they will at the credit union when you help them out with their student loan debt. And, don't forget their Gen X and baby boomer parents, too!

"About 6 months after the spring and fall semesters, it's a real, wonderful opportunity, too, because those loans are starting to come due," Koeshall suggested. "Members are going to need solutions, whether to consolidate or get them to a lower interest rate."

Credit union clients average a 500% ROI with Ser Tech programs, so click here to request more information today!