

# 2019 Education Finance Council Annual Membership Meeting

The Addressable Market for Private  
Student Loans

March 14, 2019

**STRICTLY PRIVATE AND CONFIDENTIAL**



**RBC Capital Markets**

## Disclaimer

---

RBC Capital Markets, LLC (“RBC CM”) is providing the information contained in this document for discussion purposes only and not in connection with RBC CM serving as Underwriter, Investment Banker, municipal advisor, financial advisor or fiduciary to a financial transaction participant or any other person or entity. RBC CM will not have any duties or liability to any person or entity in connection with the information being provided herein. The information provided is not intended to be and should not be construed as “advice” within the meaning of Section 15B of the Securities Exchange Act of 1934. The recipient should consult with its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it deems appropriate.

This presentation was prepared exclusively for the benefit of and internal use by the recipient. This presentation is confidential and proprietary to RBC Capital Markets, LLC (“RBC CM”) and may not be disclosed, reproduced, distributed or used for any other purpose by the recipient without RBCCM’s express written consent.

By acceptance of these materials, and notwithstanding any other express or implied agreement, arrangement, or understanding to the contrary, RBC CM, its affiliates and the recipient agree that the recipient (and its employees, representatives, and other agents) may disclose to any and all persons, without limitation of any kind from the commencement of discussions, the tax treatment, structure or strategy of the transaction and any fact that may be relevant to understanding such treatment, structure or strategy, and all materials of any kind (including opinions or other tax analyses) that are provided to the recipient relating to such tax treatment, structure, or strategy.

The information and any analyses contained in this presentation are taken from, or based upon, information obtained from the recipient or from publicly available sources, the completeness and accuracy of which has not been independently verified, and cannot be assured by RBC CM. The information and any analyses in these materials reflect prevailing conditions and RBC CM’s views as of this date, all of which are subject to change.

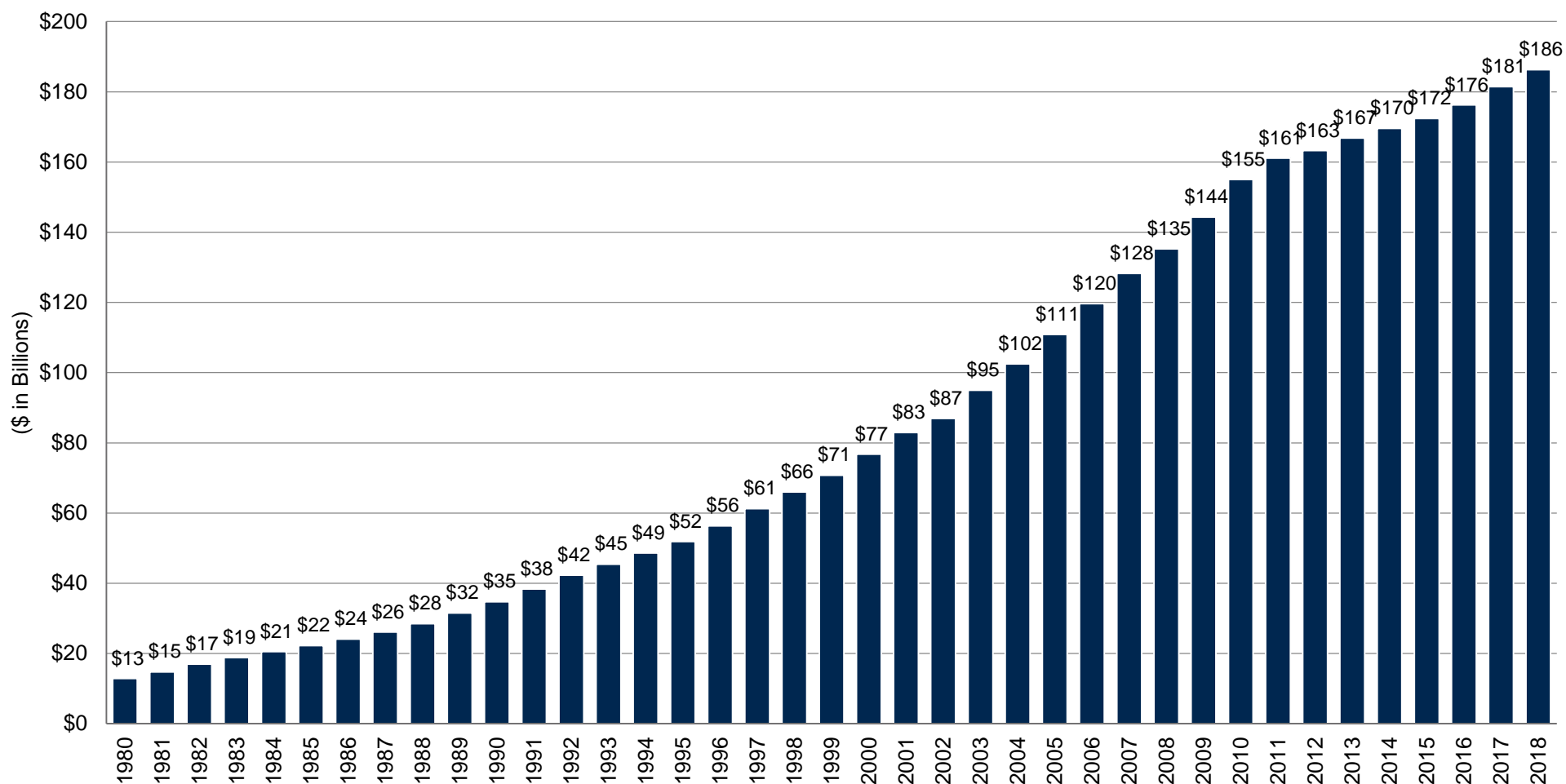
To the extent projections and financial analyses are set forth herein, they may be based on estimated financial performance prepared by or in consultation with the recipient and are intended only to suggest reasonable ranges of results. The printed presentation is incomplete without reference to the oral presentation or other written materials that supplement it.

IRS Circular 230 Disclosure: RBC CM and its affiliates do not provide tax advice and nothing contained herein should be construed as tax advice. Any discussion of U.S. tax matters contained herein (including any attachments) (i) was not intended or written to be used, and cannot be used, by you for the purpose of avoiding tax penalties; and (ii) was written in connection with the promotion or marketing of the matters addressed herein. Accordingly, you should seek advice based upon your particular circumstances from an independent tax advisor.

# Higher Education Spending in the United States Has Increased Dramatically

Over \$186 billion was spent on U.S. Higher Education in 2018 alone

## Personal consumption expenditures: Services: Higher education (\$ billions)



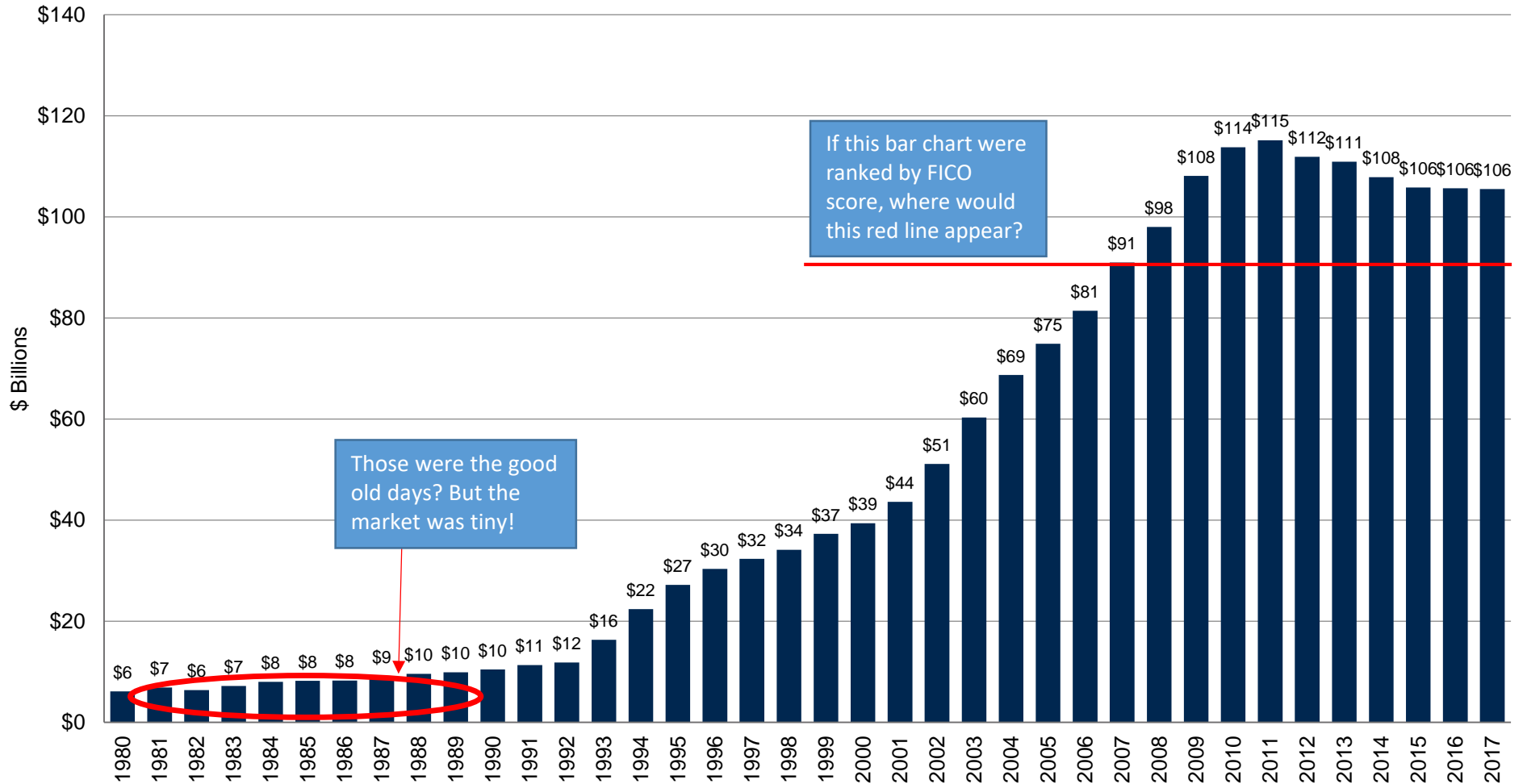
**Do you think you can find a few loans to make out of this money fest?**

Source: FRED Economic Data

# Education Lending Has Increased Dramatically Since 1980

Education loan volume has averaged \$108.3 billion over the last ten years

## Total Federal Loans Disbursed (\$ Billions)

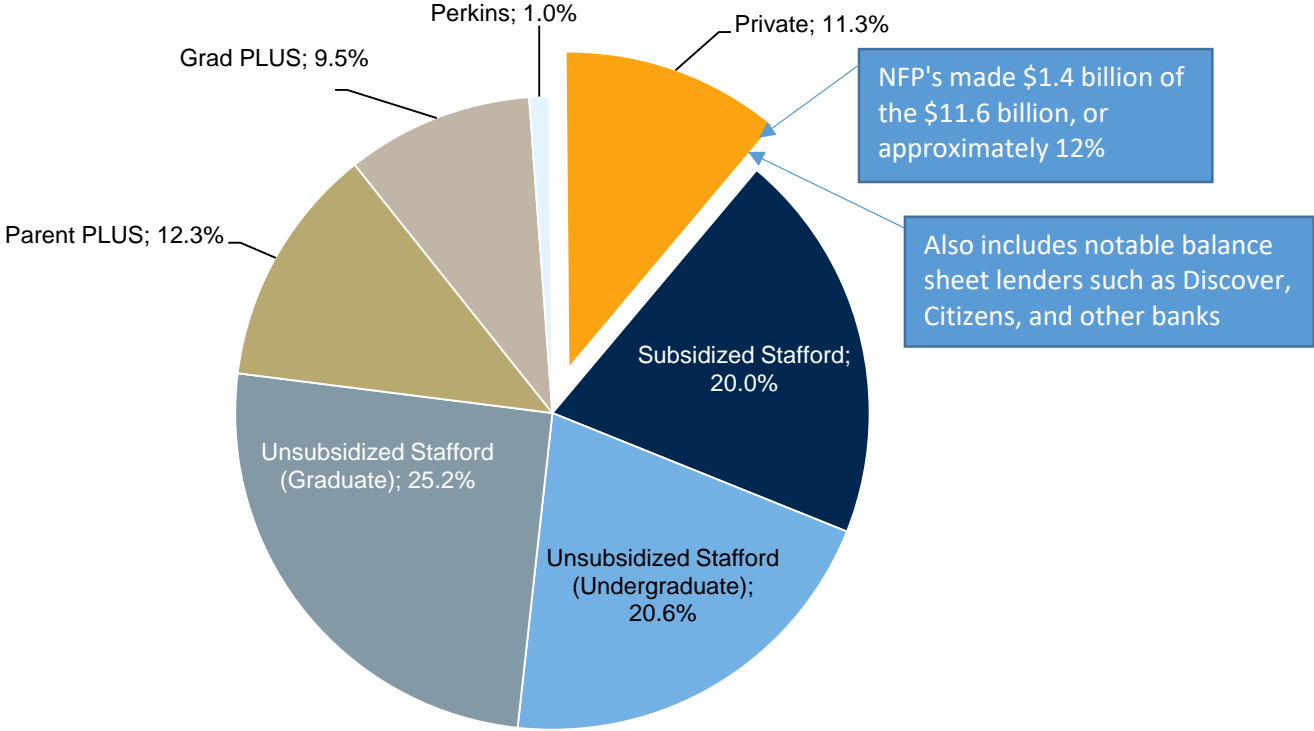


Source: Trends in Student Aid 2018; The College Board

# Private Student Loans Compose a Sizeable Portion of Education Lending

Someone made \$11.6 billion of private in school loans last year

## Student Loan Composition in 2017-18

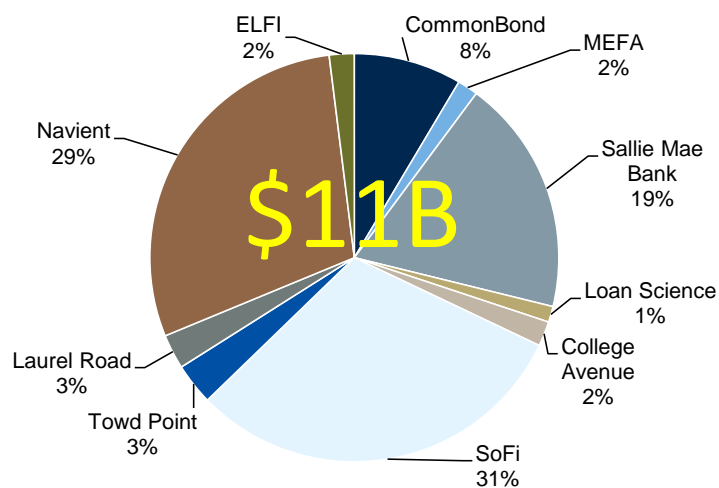


Source: Federal loan data: [www.studentaid.ed.gov](http://www.studentaid.ed.gov); private loan data: The College Board

# 2018 Private Student Loan ABS Issuance Activity (Non-FFELP)

These Firms Financed over \$11 Billion of In-School and Refi Loans Last Year

Pricing Date	Issuer / Trust	Par Amount	Class A Ratings (M/S/F/D/K)	Class B Ratings (M/S/F/D/K)	Class C Ratings (M/S/F/D/K)	Blended WAL (Years)	Speed (CPR)	Coupon Type	Blended Spread (DM) <sup>1</sup>
12/7/18	CommonBond 2018-C	\$366,450,000	Aaa/NR/NR/AAA/NR	NR/NR/NR/AA/NR	NR/NR/NR/A/NR	3.63	12%	Fixed & Floating	+1.07%
11/7/18	Navient 2018-E	\$688,390,000	NR/AAA/NR/AAA/NR	NR/NR/NR/AA/NR	N/A	3.45	12%	Fixed	+0.82%
10/18/18	Navient 2018-D	\$626,000,000	NR/AAA/NR/AAA/NR	NR/A/NR/AA/NR	N/A	4.49	12%	Fixed & Floating	+0.96%
9/19/18	MEFA 2018-A	\$164,097,000	NR/AA/NR/AAA/NR	NR/A/NR/A/NR	N/A	5.24	8%	Fixed	+1.05%
9/18/18	SoFi 2018-D	\$577,540,000	Aaa/AAA/NR/AAA/NR	NR/NR/NR/AA/NR	N/A	3.82	12%	Fixed	+0.67%
9/12/18	Sallie Mae Bank 2018-C	\$544,000,000	Aaa/AAA/NR/NR/NR	Aa2/A/NR/NR/NR	N/A	4.32	8%	Fixed & Floating	+0.77%
8/7/18	SoFi 2018-C	\$710,700,000	Aaa/AAA/NR/AAA/NR	NR/NR/NR/AA/NR	N/A	3.70	12%	Fixed	+0.68%
7/26/18	CommonBond 2018-B	\$266,947,000	Aaa/NR/NR/AAA/NR	NR/NR/NR/AA/NR	NR/NR/NR/A/NR	3.66	12%	Fixed & Floating	+0.71%
7/18/18	Navient 2018-C	\$631,900,000	NR/AAA/NR/AAA/NR	NR/NR/NR/AA/NR	N/A	3.26	12%	Fixed	+0.74%
6/22/18	Loan Science 2018-A	\$127,450,000	NR/NR/NR/A/NR	NR/NR/NR/BBB/NR	N/A	3.57	4%	Fixed & Floating	+2.16%
6/13/18	Sallie Mae Bank 2018-B	\$686,500,000	Aaa/NR/AAA/NR/NR	Aa2/NR/A/NR/NR	N/A	4.41	8%	Fixed & Floating	+0.76%
6/12/18	College Avenue 2018-A	\$199,290,000	NR/A/NR/AA(L)/NR	NR/NR/NR/A/NR	NR/NR/NR/BBB/NR	6.36	6%	Fixed & Floating	+1.44%
5/30/18	Towd Point 2018-SL1	\$333,483,000	Aaa/NR/NR/AAA/AAA(MS)	Retained	N/A	2.79	10%	Fixed	+0.75%
5/15/18	Navient 2018-B	\$521,000,000	NR/AAA/NR/AAA/NR	NR/A/NR/AA/NR	N/A	4.09	12%	Fixed & Floating	+0.77%
4/26/18	Laurel Road Bank 2018-B	\$278,146,000	NR/AAA/NR/AAA/NR	NR/NR/NR/AA/NR	N/A	3.81	12%	Fixed	+0.65%
4/11/18	Education Services (ELFI) 2018-A	\$200,000,000	NR/AAA/NR/AAA/NR	NR/NR/NR/A/NR	N/A	3.91	10%	Fixed & Floating	+0.85%
3/14/18	Sallie Mae Bank 2018-A	\$670,000,000	Aaa/AAA/NR/NR/NR	Aa2/A/NR/NR/NR	N/A	4.43	8%	Fixed & Floating	+0.78%
3/13/18	SoFi 2018-B	\$868,770,000	Aaa/AAA/NR/AAA/NR	NR/NR/NR/AA/NR	N/A	3.70	12%	Fixed	+0.63%
3/9/18	CommonBond 2018-A	\$233,750,000	Aaa/NR/NR/AAA/NR	NR/NR/NR/AA/NR	NR/NR/NR/A/NR	3.87	12%	Fixed & Floating	+0.56%
2/13/18	Navient 2018-A	\$507,470,000	NR/AAA/NR/AAA/NR	NR/NR/NR/AA/NR	N/A	3.26	12%	Fixed	+0.56%
1/18/18	SoFi 2018-A	\$960,200,000	Aaa/AAA/NR/AAA/NR	NR/NR/NR/AA/NR	N/A	3.59	12%	Fixed & Floating	+0.59%
<b>Total</b>		<b>\$10,162,083,000</b>							

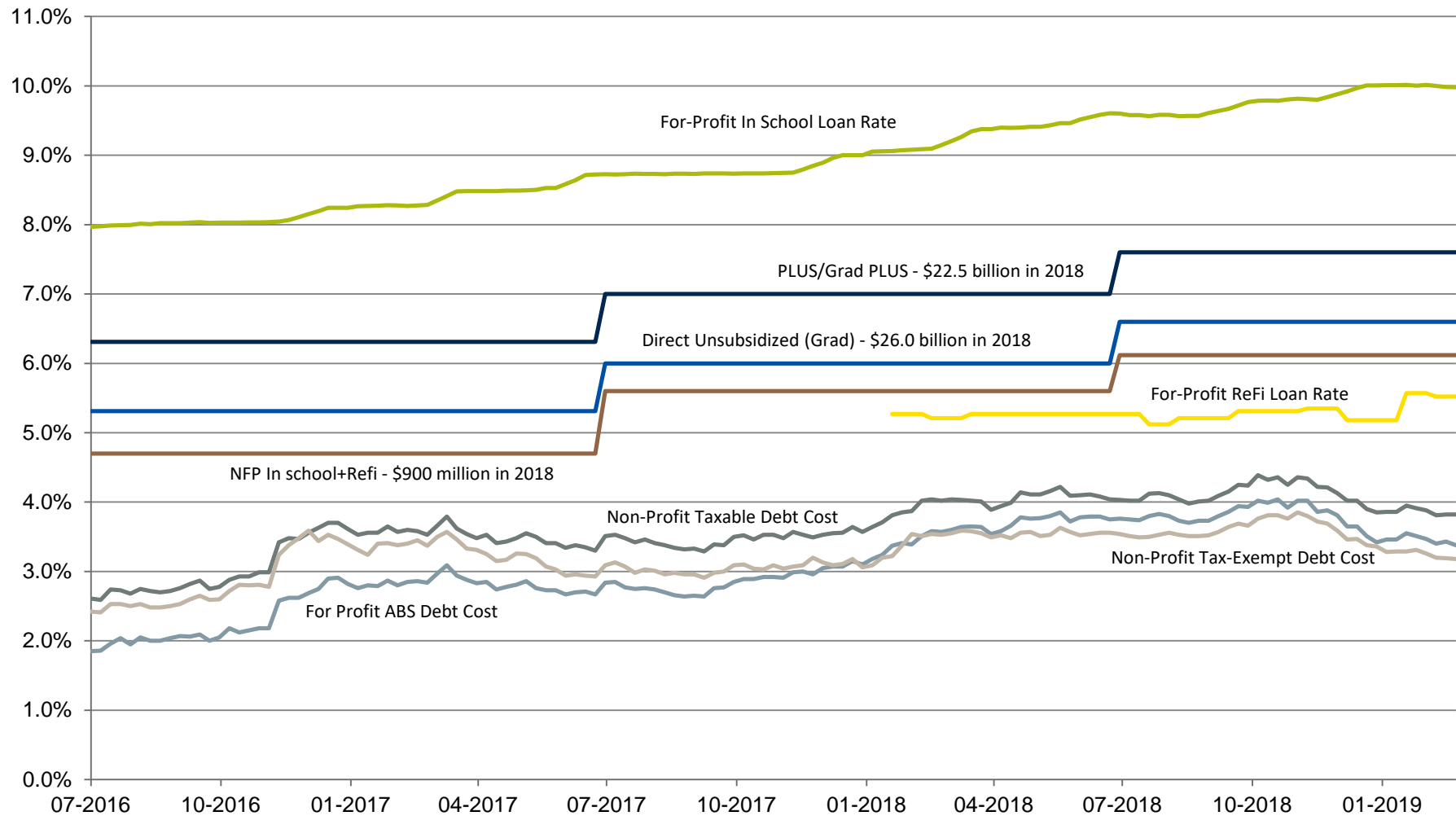


Source: Finsight; Bloomberg

# Comparison of Not-For Profit, For-Profit, and Federal Borrowing and Relending Rates

You borrow in the same zip code as For Profits, and lend at better rates

## Borrowing and Relending Rates for Different Lender Profiles

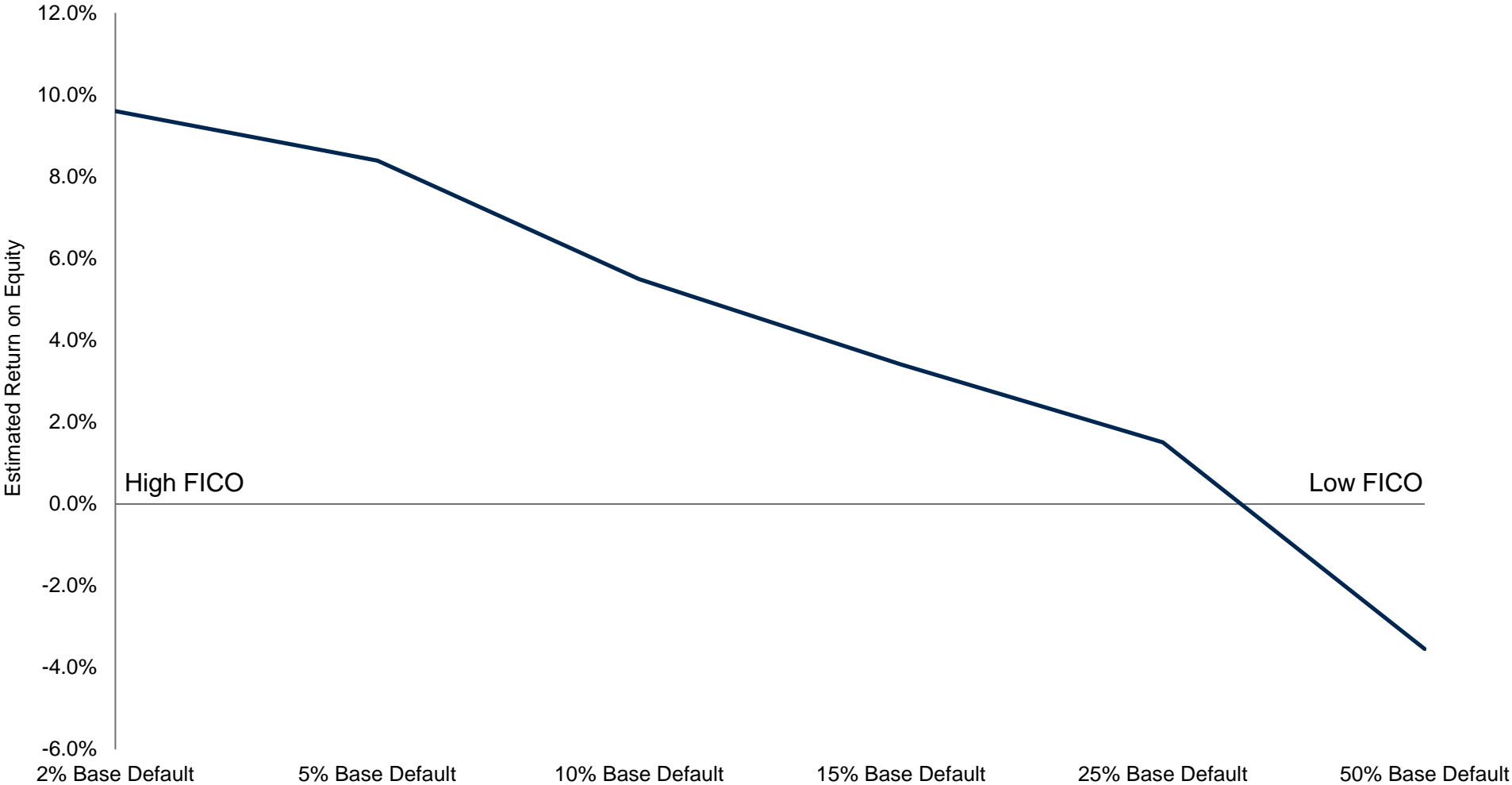


Source: RBC Capital Markets; TM3; US Treasury Daily Yield Curve Rates; www.studentaid.ed.gov; Bloomberg

# Credit Quality and Return on Non-Profit Equity

Return on Equity drops quickly down the credit curve, but maybe there is some room

## Estimated Return on Equity vs. Credit Quality



Source: RBC Capital Markets



## Addressable Market: Where There's Smoke, There's Fire

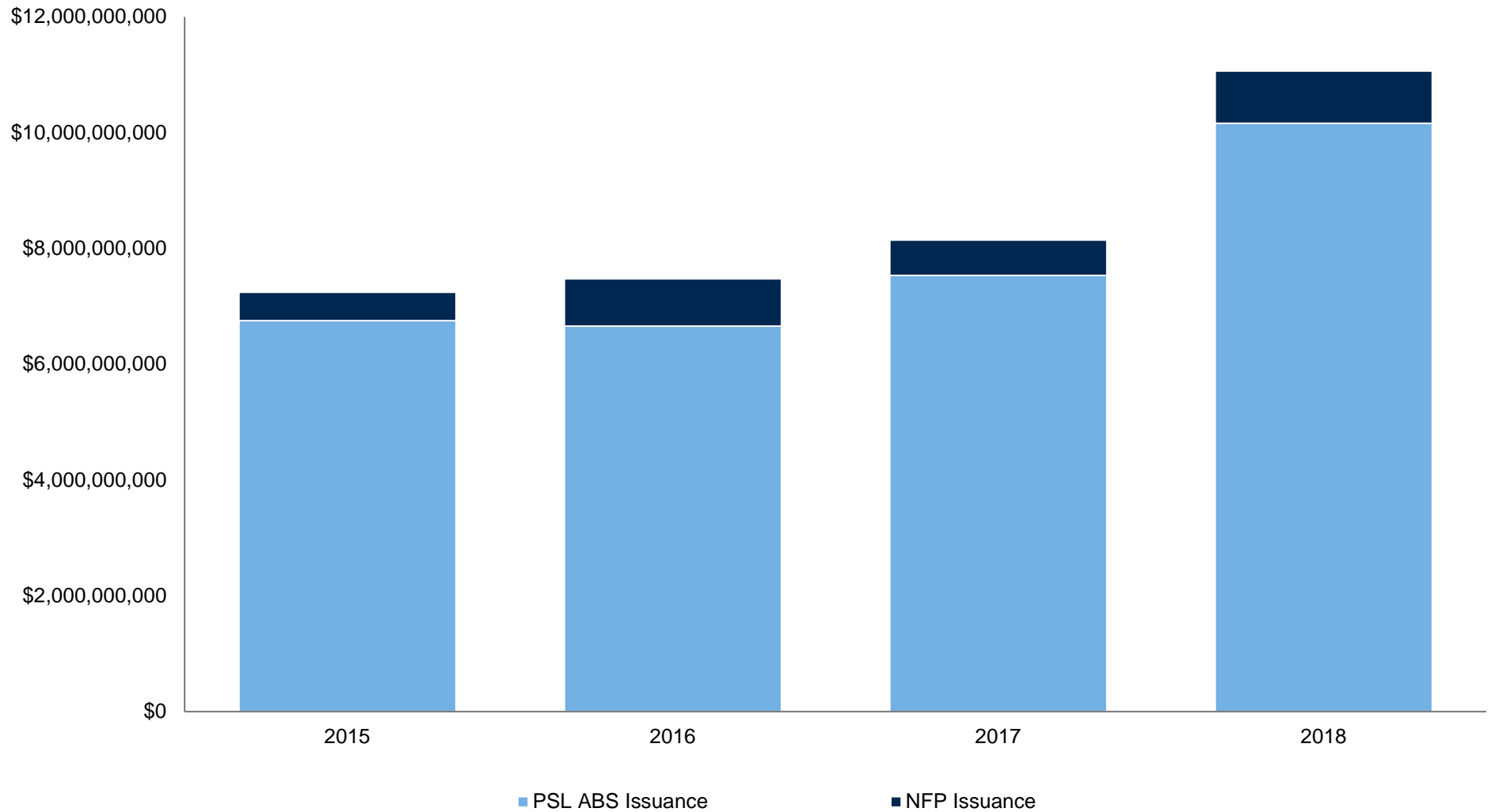
---

1. Key Bank bought Laurel Road
2. Navient bought Earnest, later announced private lending strategy, and announced in-school lending
3. A private equity group tried to buy Navient
4. Sallie Mae continues to build and innovate, and with CommonBond dominates the in-school market
5. SoFi continues to spend big for general marketing, and is thought to be staffing up an in-school effort
6. Established State Agency issuers are growing, getting more sophisticated, finding new financing sources
7. PHEAA announced plans to introduce an in-school private loan program for 2019-20
8. Many other NFPs are actively studying the space

# Start Your Engines

Issuance of student loan backed securities has risen over the past four years

## Issuance of PSL ABS and NFP Student Loan Bonds Since 2015



Source: Finsight; Thomson Reuters