Prepared by Vin Anand

Reasons to believe new to credit banking presents a growing opportunity

Market overview

18.5M Students enrolling in 4 year college or university programs in the US in 2022

45M Annual US customers that comprise unserved or underserved segments

Growth projections

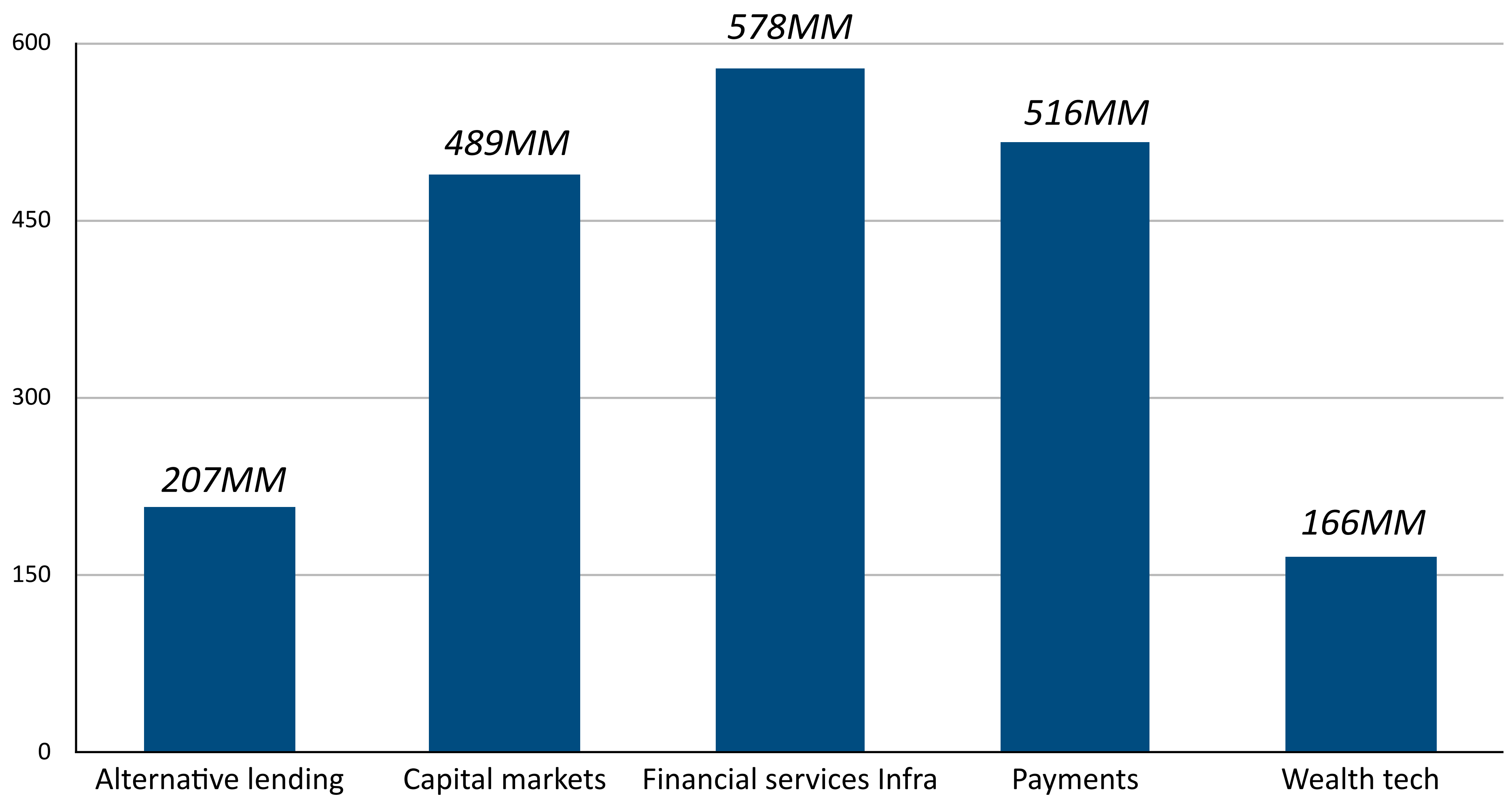
7.2B Market cap for alternative data in 2023

50.6% CAGR for alternative data market through 2030

1.31B Global personal finance market cap in 2023

3.6x Q1 to Q2 increase in VC wealth tech investments

Investments by vertical



Data from *Pitchbook Enterprise Fintech Q1 2024 report*

Key trends

High digital adoption bodes well for student segment

- With at least 95% of teens in the US having access to a smart phone, lower barriers to entry for financial products allows for high fintech growth

Limited student underwriting models presents an opportunity

- Financial regulations and policies make it hard to collect data for insights on the spend behavior of new-to-credit adults

Customer exhibit loyalty to primary financial services

- 57% of customers stay with their primary banking service, which projects high lifetime values for customers of first choice fintechs

Pitchbook Enterprise Fintech; TransUnion; Education data initiative; Statista; Inrix; Straits research

Students and teens represent a growing segment of the US population

Market size

- **38.9M** college and high school students in the US yearly
- Assuming a normal distribution, about **5M** new students enter colleges and universities each year
- Public vs private high schools - 15.4M vs 1.5M in 2021
- Around **4M** new students enter high school each year
- 85% of college students have a debit card
- 19% of high school students have a debit card

Trends and insights

Student population poised for **economic growth**

- With GenZ comprising 32% of the global population in 2019, this segment already outnumbers millennials
- GenZ population has surpassed the Baby Boomers in the workplace, with a growing presence

College expenses and student spend are both increasing

- Median spending of college students increased by 38% between 2002 and 2022
- Increased social media engagement leads to student "FOMO" and more spend

Increased GenZ access to credit, growing e-commerce and student spend means that students can benefit from banking products and services to meet their financial needs

Insights on student spend and creditworthiness

GenZ students are **more credit active** than millennials were as students

- Within the GenZ population, 50% have a credit card and a prime credit score
- 57% of college students in 2019 had a credit card
- average age at which a US student opens a line of credit is 20, and earlier credit use is correlated with a higher annual income

Student loan data may be omitted from bureau data

- Similar to how in 2022 the credit bureaus removed paid medical collections from credit reports, student loan data may be removed from credit reports
- A decision was made to not report student loan delinquencies to credit bureaus for 12 months until September 30, 2024, as a part of changes to resume student loan payments post pandemic
- The average consumer with a student loan carries about $35K in debt

National Student Clearinghouse, the most comprehensive source of national student-level college and university enrollment data

- collects education records from participating Institutions, education agencies, and other education authorities

Student data is a useful data enrichment for Financial Services applications

Inflow and outflow
Spend frequency, amount and on what products/service

- **Where is this data?** Cash App, Apple Wallet, Google/Samsung Pay, Venmo
- Wallets remain among the fastest growing payment methods with 15% CAGR at POS and 12% annual growth in e-com forecast through 2026.
- As of 2022 (the most recent data year), digital wallets displaced credit cards as the primary method of e-commerce payment in the US

Liquidity
Savings collection and rate of deposits over time

- **Where is this data?** piggy banks, savings/joint account, CDs, IRA (no age minimum)
- 73% of GenZ say they would rather have a better quality of life than extra savings
- 35% of teens do not have a traditional bank account, which can make saving more difficult
- Children from low-or-moderate-income families, who have a savings account, are three times more likely to go to college, and four times more likely to graduate college

Ambition and prospects
Education level, post-college path and lifestyle indicators

- **Where is this data?** college/scholarship applications, university reports, skills programs
- An additional year of schooling raises an individual's credit score by 8 points (roughly 9% of a standard deviation)
- One year of schooling reduces the probability of bankruptcy by 3.3 percentage points, from a base of 14.4%
- Case study by the Senate Banking Committee analyzes how Upstart's proprietary credit scoring model uses an individual's school/major/anticipated income to determine creditworthiness - recommendation was for CFPB to conduct fair lending examinations for use of such data in **underwriting or credit decision making**