



Student Loans As A Gateway

by [Steve Brown](#) Topics: [lending](#), [Gen Z](#), [customer retention](#)

Summary: With the high cost of college, students need to take on more debt than ever. Connecting with these young customers and educating on managing debt may earn your bank life-long customers.

Merrill research finds 85% of Americans believe how they manage their money would make their parents proud. Interestingly, 56% reward themselves for meeting a financial goal by purchasing something like clothes or jewelry (48%), taking a vacation or trip (48%), or eating out at an expensive restaurant (40%). Maybe it's time to test a savings account that provides such awards automatically to customers when certain milestones are achieved.

When it comes to the cost of education though, saving enough is very difficult, when you consider the cost of a college education has skyrocketed nearly 450% since the early 1980s.

College costs have reached a point that has made it all but impossible for most people to single handedly finance the costs of their child's education, along with their own retirement and day-to-day living expenses. As a result, more students are taking on the financial burden of financing their college degrees than ever before, a trend that is unlikely to change anytime soon.

[According to Lending Tree's ValuePenguin](#), the average cost of college for 2017-2018 was \$20,770 for students attending in-state public universities vs. \$46,950 for private universities. Further, [according to Lending Tree's Student Loan Hero](#), almost 70% of students graduating college in 2018 have student loans, with the average student carrying \$29,800 of private and federal debt in addition to loans taken out by parents.

Add to that the fact that in 2018 almost 20mm students attended colleges, and it is not hard to see the importance of community banks building relationships with young people to help them learn fiscal responsibility, the value of saving and how best to pay down debt.

A recent study from financial service consulting firm Cornerstone found that 60% of students who take out education loans from lenders other than their primary banks go on to do further business with those lenders, with 65% opening a new checking account; 57% getting a credit card; 44% opening a savings account and 19% going on to take out a mortgage or home equity loan. Because of this, it is extremely important for community banks to put focus on courting this educated group.

To start, perhaps remind parents of college age students about loan options through your bank and various government agencies. Next, in addition to other services you may offer college age students, let customers know your bank can help parents easily transfer money to their child's account for instance.

Another thing to note, keep in mind when you are marketing services that you are marketing both to kids and their parents. Because of this, there are different things that will resonate with each group. For example, given the younger generation's preference for P2P payment services and mobile banking apps, be sure to highlight capabilities in these areas.

It is always good to stay connected to the generations as they shift and move through life. After all, your bank is within a community that contains people of all ages and stages, so you are in a great spot to know how best to satisfy their financial needs as you build relationships.

ECONOMY & RATES

Rates As Of: 07/18/2019 01:19PM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.07	-0.01	-0.28
6M	2.03	-0.06	-0.44
1Y	1.93	0.00	-0.67
2Y	1.81	0.06	-0.67
5Y	1.81	0.05	-0.70
10Y	2.06	0.05	-0.63
30Y	2.58	0.05	-0.43
FF Market	FF Target	Fed Disc	
2.41	2.50	3.00	
SOFR	Prime	Unemp	
2.47	5.50	3.70	

[More Market Rates](#)

BANK NEWS

CECL Delay

[FASB has voted to extend the CECL](#) deadline for all but the largest banks to January 2023. It also extended the deadlines for hedging, insurance and leasing. Smaller financial institutions now have a little extra time to get it right. But, there is still lots to do in preparation.

P2P Trust

The ICBA reports consumers trust the following most for their P2P transactions: Banks - 87%; Money movement companies (PayPal, Western Union, etc.) - 60%; Apple/Google - 52%; Mint/Intuit - 40%; Retailers - 34%; Social media (Twitter, LinkedIn etc.) - 18%.

Blended Banking

According to an Accenture survey, 71% of consumers have a good experience when they visit their bank's branch; 66% prefer face-to-face interaction; 50% want a blend of physical branches and digital services; and 40% say their mobile phone is the primary device for interacting with their bank.

Biometrics Skeptics

[ING research finds](#) 62% of Americans have never used fingerprint or voice recognition to log into their bank's app. This echoes the belief of just 37% and 54% of respondents respectively, that voice and face recognition are secure.

LOAN SERVICES FOR COMMUNITY BANKS

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