



HOULIHAN LOKEY

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# Darien Rowayton Bank Student Loan Refinance Program

*Houlihan Lokey Financial  
Services Industry Conference*



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# DRB | History

## Darien Rowayton Bank



**DRB**  
Education Finance

**\$100MM in Student Loan originations**

**\$1B in Student Loan originations**

**\$2B in Student Loan Originations**

**Introduction of DRB Mortgage**

2006

2010

2013

2014

2015

2016

2017

### Founded in 2006

- DRB opens two branches in Connecticut

### Acquired in 2010 by current management following capital shortfall

- Regulatory & Compliance Culture
- Strong Underwriting
- Multi-Product Origination and Servicing Experience
- Highest performing bank in CT<sup>1</sup>

### Super Prime Lender

- First loans made in 2013
- Low customer acquisition cost
- Fastest to \$1B
- Valuable customers with high cross sell potential

### Super Prime Product Offering

- Bank Cost of Funds – Low Cost Provider
- Best in Class Technology

### Best in Class Mortgage Origination Platform

- Targeting existing “Super Prime” student loan customer base
- Leveraging superior back-end technology with state of the art UI to drive a streamlined, transparent, user-friendly mortgage origination process

1. Source: Connecticut Bank Performance Report 2014 completed by Financial Management Consulting Group. DRB ranked as highest performing bank based on eight performance metrics including return on equity, return on assets, efficiency ratio, asset quality, NPAs, interest and non-interest income, and expenses



# Education Loan Refinance Product

## DRB Student Loan Program Information:

- Eligible Borrowers:** Working professionals with graduate degrees-JD, MBA, MD/Dentist, Physician Assistants, Advanced Degree Nurses, Pharmacists, and Engineers-as well as working professionals with undergraduate and other graduate degrees
- Eligible Loans:** Up to 100% of outstanding private and federal student loans (minimum \$5,000)

## Current DRB Rates:

	Loan Type	Rate <sup>1</sup>
DRB Student Loan Rates	5 to 20 year variable	3-month LIBOR+2.74%-5.39%
	5 to 20 year fixed	4.20%-7.20%

## Additional Borrower Benefits:

- Easy application process (decision within a few business days)
- No origination fees
- No prepayment fees

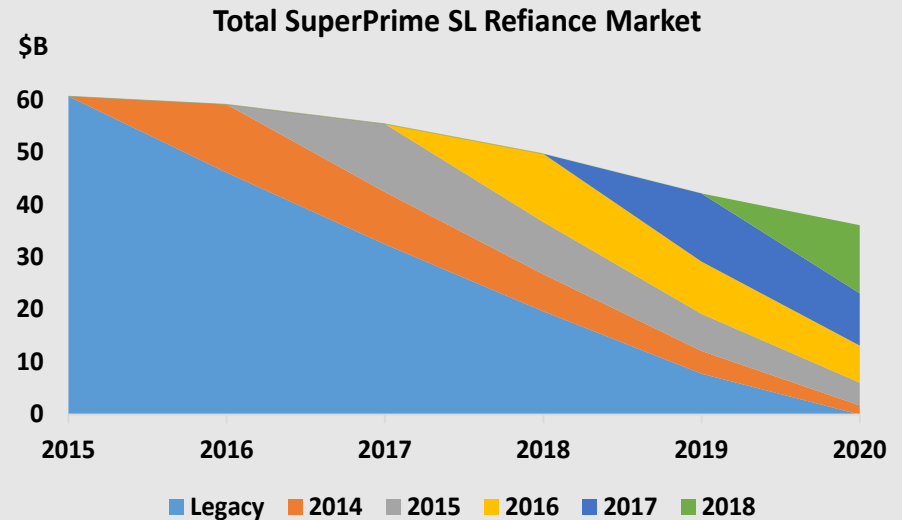
<sup>1</sup> Rates reflect a 0.25% reduction for automatic deduction of the monthly payment from the borrower's DRB checking account.

# DRB | Addressable Market

## \$13B Annual Superprime Student Loan Originations Available for DRB to Refinance

Career	DRB Target	Annual Oppor. (\$MM)
Medical & Dental	Pharm	1,308
	PDO	591
	MD	545
	Nurse Practitioners	271
	Physician Assistant	105
	Podiatry (DPM, DP, PodD)	62
	Anesthetists	47
	Optometry	195
	Veterinarian	203
	Other Health Sciences	1,475
	DDS, DMD	565
	Business	MBA (Top 100 Programs)
Law	JD (Top 100 Programs)	1,518
Other	Engineering	1,240
	Biological and Agri. Sciences	826
	Math and Comp. Science	635
	Phys. And Earth Science	516
	Parent Plus at Top 100 Universities	2,370
<b>Total</b>		<b>13,392</b>

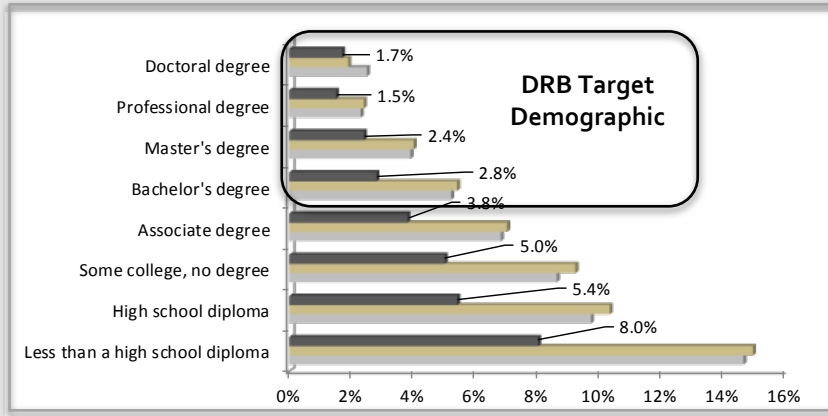
## Total Addressable Market Projected at \$35+ B



	Medical / Dental	Law	MBA	Other	Parent Plus	Total
Current Penetration	2.7%	2.6%	2.0%	1.2%	1.0%	2.0%
Current Addressable Market (\$B)	24.4	6.9	4.2	14.7	10.8	60.6
Future Addressable Market (\$B)	14.4	4.1	2.5	8.6	6.4	36.1

# DRB | Borrower Profile

## Unemployment Rate by Educational Attainment<sup>1</sup>



## Home Ownership



% Homeowners ~43%



% Renters ~47%

## Customer Profile



Weighted average income  
**\$197K**



Weighted average age  
**Early 30s**



Weighted Average FICO  
**766**



Weighted Average DTI  
**28%**



Doctors & Dentists  
**~50%**



Pharmacists, Nurses  
& Other Medical  
**~20%**



Top JD  
**~10%**



Top MBA  
**~10%**



With graduate degrees  
**>95%**



Grad PLUS 3 Year CDR<sup>2</sup>  
**~1.0%**



With undergraduate degree  
**100%**



Years since graduation  
**~4.00 years**

<sup>1</sup> Unemployment data - Bureau of Labor Statistics,

<sup>2</sup> Rates calculated based on borrowers entering repayment after in-school deferment. [http://www.nasfaa.org/news-item/1359/ED\\_Releases\\_Cohort\\_Default\\_Rate\\_Data\\_For\\_PLUS\\_Loans](http://www.nasfaa.org/news-item/1359/ED_Releases_Cohort_Default_Rate_Data_For_PLUS_Loans)

# DRB | Origination Channels



- **Our stronghold in the healthcare sector creates a competitive moat**
- In Q3 2015 won a request for proposal to be the exclusive provider for student loan products for the American Dental Association (ADA), an organization with 158,000 members
- We have also partnered with many other physician and healthcare associations
- Dentists and physicians are an attractive, difficult to capture degree type
  - Strongest credit profiles of all degree types
  - Employment resilience during recessions
  - Stable but high incomes with smoother and slower prepayment speeds
  - High cost of education creates need for student loan refi product

# DRB | User Experience



### Profile

First Name: Victor Middle Name: Ivan Last Name: Conrad

Email: victor.conrad@gmail.com

Date of birth: June 23 1988

Password: ..... Confirm Password: .....

SSN: ..... Confirm SSN: .....

We require your social security information in order to verify your identity.

Primary Phone Number: 637-229-1148 Cell Phone?  Yes

Permanent Address: 1313 Mockingbird Lane Zip Code: 82294

Length at Address: 3 years 2 months

US Citizenship Status: U.S. Citizen

We accept only US Citizens and permanent resident applications.

**NEXT**

Education & Employment

Confirmations



# DRB | Origination Process

## Complete Application

- Borrower completes online application
- Borrower receives required disclosures

## Documents

- Borrower submits required documents
  - Photo ID
  - 2 recent pay stubs
  - Proof of graduation
  - Loan payoff statements
  - For Medical Professionals – license, malpractice

## Accept Terms and Final Docs

- Borrower accepts terms of loan
- Receives final disclosure and promissory note
- Borrower signs promissory note

## Credit Check

- Credit pulled and borrowers not meeting credit requirements denied
  - Min FICO of 680
  - No 90 days past due in the last 24 months or and derogatories
  - No current delinquency
  - No previously defaulted education loans
  - Calculate debt to income ratio (max = 40%)



## Underwriting

- Verify income, identity, and graduation

## Approval

- Send approval disclosure to borrower

## Funding

- Checks mailed to previous lender
- DRB checking account opened
- First payment due in 30 days to DRB

- Internal Quality Control Team
  - 5 Member team
  - Verifies 100% process and system accuracy
- External 3<sup>rd</sup> Party Controls
  - 10% monthly random sample test of loans originated
  - 10% monthly random sample test of loans qualified but not originated

## Post Funding



- Master Servicer
- Administrator
- Overall responsibility for the borrower life cycle



- Primary servicer
- In the event a loan goes past 60 days delinquent it is handed over to DRB
- Very high percentage of borrowers are on ACH<sup>1</sup>

1 ACH (Automated Clearing House) Payment Service allows for direct account payments

# DRB | Regulatory Compliance

DRB has developed a culture of compliance and maintains a robust compliance management system

## Licensing & Regulatory Oversight

- DRB is a CT state chartered bank, regulated by the Connecticut Department of Banking and the FDIC. NBA allows the Bank to operate in all 50 states without licenses.
- DRB maintains a strong relationship with its regulators and has their support on its business strategy
- Bi-annual safety and soundness “check-ins”
- Separate “Safety and Soundness” and “Banking and Lending” Compliance regulatory exams every 12 to 18 months

## CFPB

- DRB technically under the supervision of CFPB
- Since DRB is regulated by FDIC, its core product is not predatory, and it’s a relatively small lender, the CFPB has always deferred to the FDIC

## Madden v Midland

- Due to low rate nature of the product, all loans under every state’s usury cap

## Consumer Lending Compliance

- DRB compliant with all consumer lending laws and regulations including Reg B, Reg Z, TILA, UDAP, Fair Lending, GLB, KYC, and BSA-AML
- A DRB closing coordinator verifies file completion before a loan is funded and an outside audit firm verifies file completion and compliance on a monthly basis

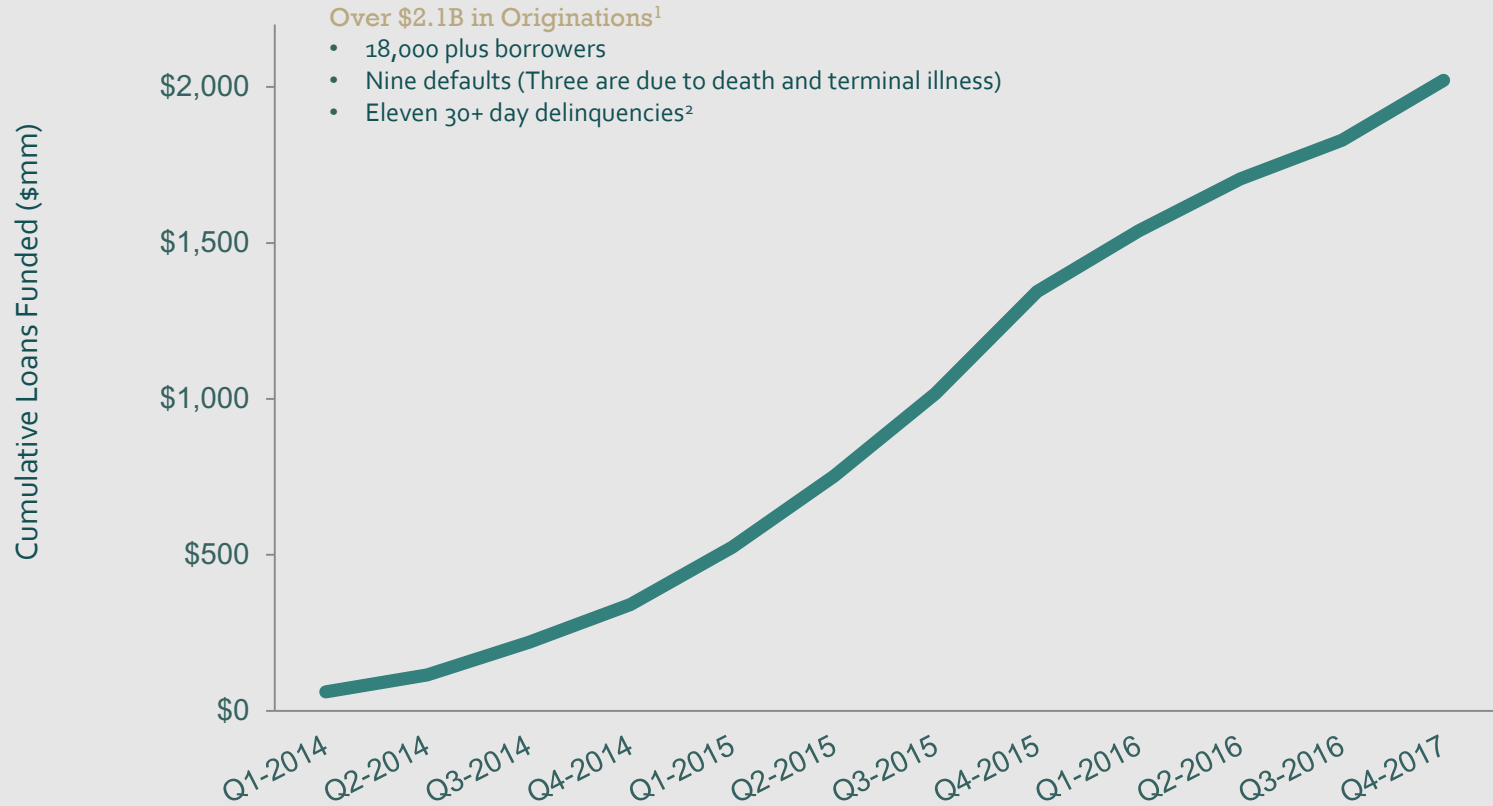
## Cybersecurity, Disaster Recovery & BCP

- Company’s Cybersecurity, Disaster Recovery, & BCP Programs, meet all regulatory requirements and are reviewed by the FDIC as part of periodic regulatory exams
- Conduct periodic tests for all systems and utilize an outsourced provider to conduct internal and external penetration testing

# Student Loan Asset Overview



## Cumulative Loans Funded

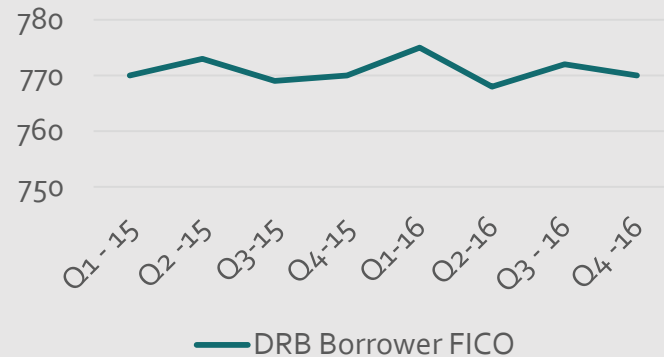


1 As of Jan 31 2017

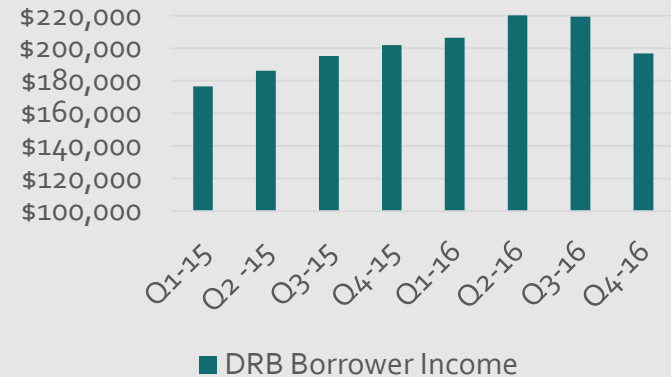
2 As of Dec 31, 2016

# DRB | Origination Quality

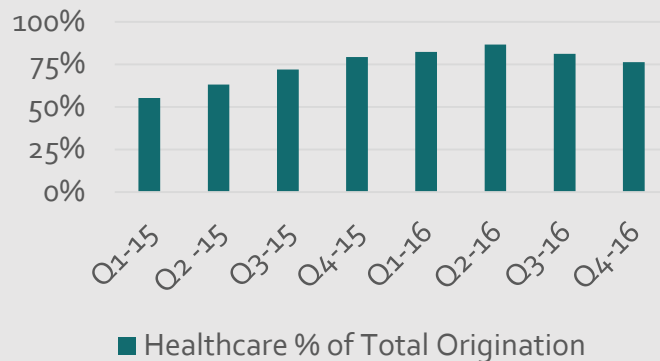
## DRB Borrower Credit Scores



## DRB Borrower Income



## Healthcare Focused Career Makeup



## Highlights

- DRB credit quality improving over time
  - Average FICO flat to trending slightly upward
  - Average Income trending upward
- Credit quality stronger than competition
  - Declining FICO trends among competition
  - Higher Income among DRB pools
- Higher Concentration in healthcare reduces impact of recession for the pool
  - Healthcare industries have smallest peak to trough amplitude

1. Source: DRB Prime Student Loan Trust 2015-A, 2015-B, 2016-C, 2015-D, 2016-A and 2016-B Offering Memorandums, DBRS and Moody's Presale reports