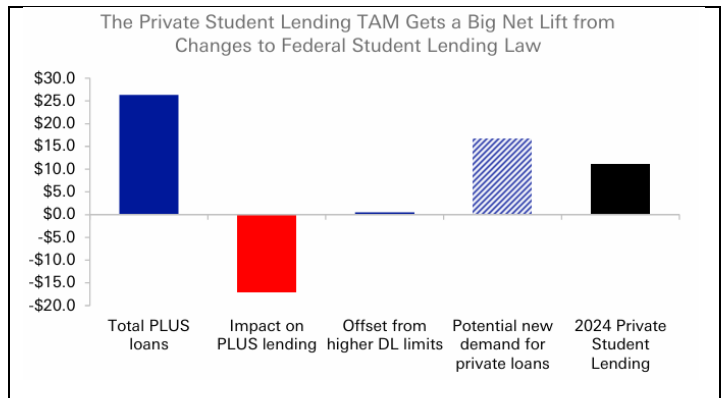


# How OBBBA Reshapes the Student Loan Landscape

## Key Regulatory Shifts

- Eliminates the Grad PLUS program, shifting nearly \$14 billion in annual graduate student loan demand from federal to private lenders starting in July 2026. Student sentiment echoes this transition (see Primary Research).
- Creates a massive opportunity for SoFi and SLM Corp.



## Negative Impact on Borrowers

- Students will now face higher costs and stricter credit requirements from private lenders.
- Borrowers with low credit or no co-signer may struggle with gaining access to these loans.

## Major Opportunity for Private Lenders

### SoFi

- Potential to add \$1.4 billion in student loans lent out per 10% of the new privatized market they capture.
- Translates into up to \$70 million in origination fees and \$200 million in interest income annually per 10% added.
- A 10% capture would result in 7% increase in annual revenue compared to TTM, with a 72% increase if 100% were to be taken on.

### SLM Corp.

- Currently owns ~ 60% of the private student loan market.
- Anticipating 27-53% upside in loan originations.
- Equates to \$2.3-\$4.5 billion in annual incremental loan origination volume - estimated to boost EPS by 22-38%.

Policy Changes	Lower Bound	Upper Bound
Grad PLUS Market Under Old Law (\$B)	\$14.2	\$19.0
Inc. in Unsubsidized Grad Program Due to Grad Plus and Grad Limit Legislation (\$B)	(\$7.8)	(\$7.8)
Potential Inc. in PSL Market from Grad PLUS and Grad Limit Legislation (\$B)	\$6.4	\$11.2
Underwritability %	75%	75%
<b>Net Impact to PSL Market from Legislation (\$B)</b>	<b>\$4.8</b>	<b>\$8.4</b>

SLM	Lower Bound	Upper Bound
SLM Market Share	60%	60%
Upside to SLM Originations (\$B)	\$2.9	\$5.0
GOS Margin %	7.5%	7.5%
GOS Revenue (\$MM)	\$216.0	\$378.0
Incremental EPS	\$0.83	\$1.45
2027E EPS	\$3.79	\$3.79
EPS Upside	22%	38%
Implied 2027E Valuation	7.4x	6.5x

CORE EARNINGS (\$MM)	2Q25E	1Q25	Q/Q	2Q24	Y/Y
Net Interest Income	375	375	(0%)	372	1%
Non-Interest Income	30	206	(85%)	142	(79%)
<b>Total Revenue</b>	<b>405</b>	<b>581</b>	<b>(30%)</b>	<b>514</b>	<b>(21%)</b>
Provision Expense	101	23	333%	17	500%
Operating Expenses	165	154	8%	157	5%
Pre-tax Income	138	403	(66%)	339	(59%)
<b>Core Earnings</b>	<b>99</b>	<b>301</b>	<b>(67%)</b>	<b>247</b>	<b>(60%)</b>
<b>Core EPS</b>	<b>\$0.48</b>	<b>\$1.40</b>	<b>(66%)</b>	<b>\$1.11</b>	<b>(57%)</b>

PROFITABILITY					
Total NIM (on AEA)	5.27%	5.27%	bp	5.36%	-10 bp
Yield on Private Student Loans	10.59%	10.59%	bp	10.91%	-32 bp
ROAA	1.34%	4.20%	(3%)	3.60%	(2%)
ROAE	18.7%	60.1%	(41%)	50.6%	(32%)
ROTCE	19.2%	61.1%	(42%)	52.6%	(33%)
Efficiency Ratio	40.9%	39.1%	2%	39.1%	2%
Private Loan Originations	754	2,783	(73%)	698	8%

CREDIT QUALITY - PRIVATE LENDING					
Delinquencies / Loans in Repay	3.56%	3.58%	-2 bp	3.30%	26 bp
NCOs / Avg Mgd in Repay	2.29%	1.88%	42 bp	2.19%	10 bp
Provision \$	101	95	6%	17	484%
NCOs \$	92	76	21%	80	15%

## **Risks and Limitations**

- Not all borrowers who used federal funds in the past will qualify for private loans, limiting total market expansion.
- OBBBA's modest federal loan limit increase in certain professional programs may temper the demand surge for private lending.
- Primary research suggests that some borrowers may now forgo graduate school and explore cheaper alternatives, potentially reducing the anticipated total market growth.

## **Overall Takeaways**

- The elimination of low-cost federal loans will enhance the profitability and market presence of private lenders.
- SoFi and SLM are positioned for massive growth in originations, earnings, and market advantage.
- Both firms are in a prime position to capture significant value from this \$16 billion market expansion.

## **Primary Research (Reddit):**

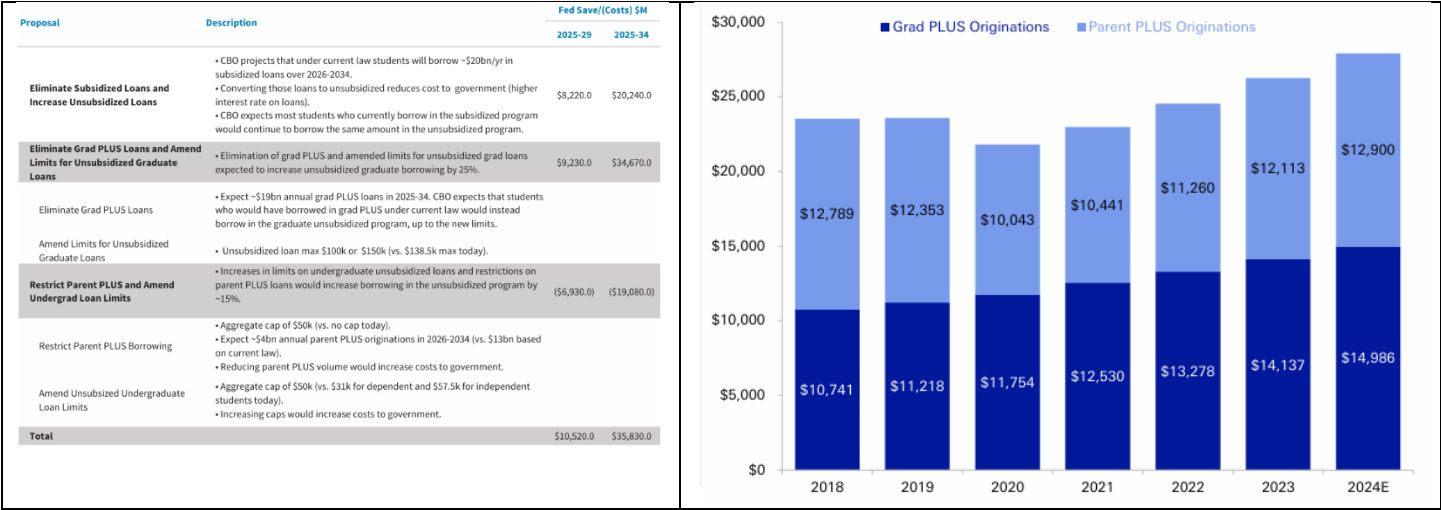
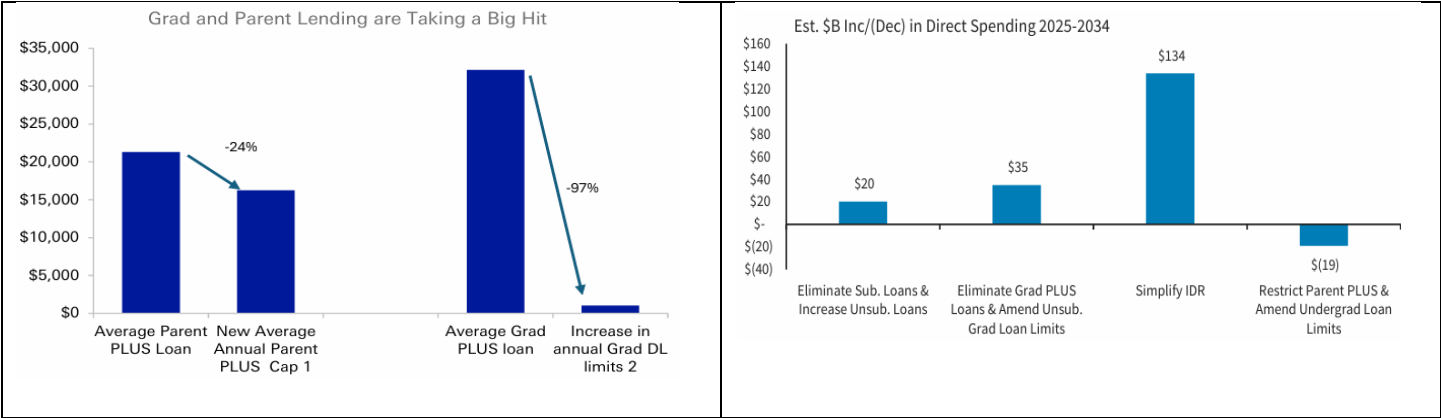
Question Asked - With the new bill eliminating Grad PLUS starting in 2026, private lenders like SoFi and Sallie Mae Corp are expected to pick up the slack. I'm curious what everyone thinks about this, especially those in or heading to grad school. Will this change your plans? Has anyone already looked into private loans? Curious what effect this will have on everyone.

## **Meaningful Responses:**

- "... I got into a top program, but I'm thinking about deferring. I don't want to lock myself into expensive private loans with the current job market."
- "Grad PLUS was how my daughter planned to pay for dental school. Her undergrad is covered with an athletic scholarship, but now she's being forced to look at private lenders to cover the rest. It's frustrating; she's wanted to be a dentist since eighth grade, and this adds a whole new layer of stress to the equation."
- "Without federal loans, grad school just isn't financially possible for me. Private lenders want co-signers or high credit, I've got neither."
- "I can tell you with 100% certainty that the lack of grad + loans is not going to cause a tuition decrease. There are plenty of people who compete for those spots who have money and don't need grad + loans. So as long as there's a constant supply of students, the schools will be just fine. They won't have to cut back on anything."
- "It's going to have no impact on current students, and is going to push future students needing to borrow more than \$50K per year into the private loan market. Exactly as intended."

Appendix:

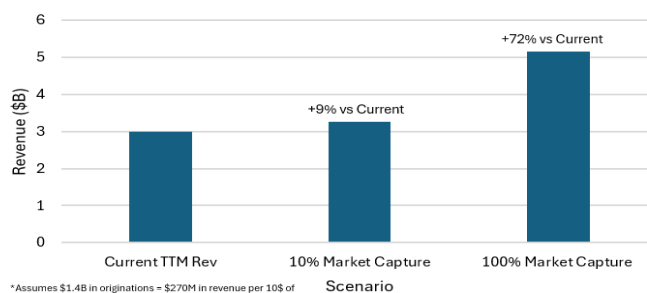
Key Industry Level Charts



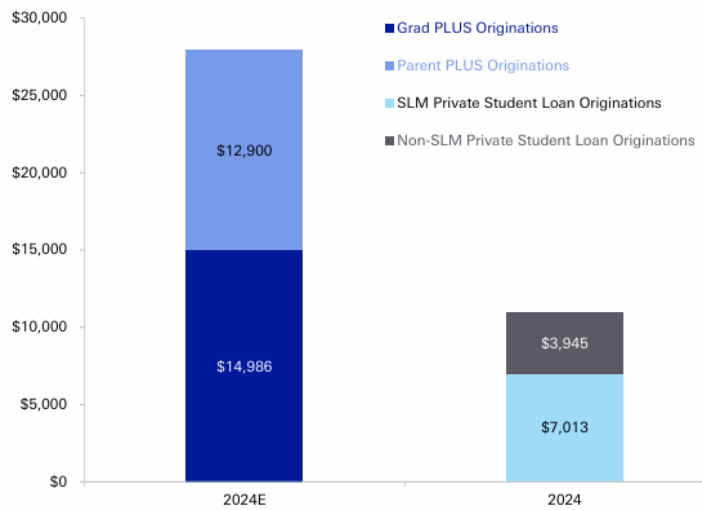
## Impact on SoFi:

SOFI - Consolidated (\$mm)	2Q25E	1Q25A	Q/Q	2Q24A	Y/Y
Net Interest Income	485	499	(3%)	413	18%
Non-Interest Income	312	273	14%	186	68%
<b>Total Revenue</b>	<b>797</b>	<b>772</b>	<b>3%</b>	<b>599</b>	<b>33%</b>
Adj.for Servicing and Residuals	2	1	89%	2	19%
<b>Adjusted Net Revenue</b>	<b>795</b>	<b>771</b>	<b>3%</b>	<b>597</b>	<b>33%</b>
Technology and product development	152	156	(3%)	132	15%
Sales and marketing	240	238	1%	185	30%
Cost of operations	132	136	(3%)	110	20%
General and administrative	167	156	7%	145	15%
Provisions for credit losses	14	6	155%	12	25%
<b>Total Non-interest expense</b>	<b>705</b>	<b>692</b>	<b>2%</b>	<b>583</b>	<b>21%</b>
<b>Income before Taxes</b>	<b>92</b>	<b>80</b>	<b>16%</b>	<b>15</b>	<b>502%</b>
Income Tax Expense/(Benefit)	24	9	NM	(2)	NM
<b>Net Income</b>	<b>68</b>	<b>71</b>	<b>(4%)</b>	<b>17</b>	<b>293%</b>
Less: preferred dividends	0	0	NA	9	)
Plus: Other	0	0	NM	0	NM
<b>Net Income to C/S (diluted)</b>	<b>68</b>	<b>71</b>	<b>(4%)</b>	<b>8</b>	<b>759%</b>
Total Adjustments	136	139	(2%)	120	13%
<b>Adjusted EBITDA</b>	<b>204</b>	<b>210</b>	<b>(3%)</b>	<b>138</b>	<b>48%</b>
Weighted avg c/s o/s - diluted	1,192	1,185	1%	1,065	12%
<b>EPS (adjusted)</b>	<b>\$0.06</b>	<b>\$0.06</b>	<b>(5%)</b>	<b>\$0.01</b>	<b>668%</b>
<b>Key Metrics</b>	<b>2Q25E</b>	<b>1Q25A</b>	<b>Q/Q</b>	<b>2Q24A</b>	<b>Y/Y</b>
NIM % avg int earning assets	5.71%	6.01%	-30bps	5.83%	-11bps
Adj. EBITDA Margin	25.69%	27.29%	ps	23.10%	s
Members	11,462	10,916	5%	8,774	31%
Products	17,082	15,915	7%	12,777	34%
<b>Balance Sheet</b>	<b>2Q25E</b>	<b>1Q25A</b>	<b>Q/Q</b>	<b>2Q24A</b>	<b>Y/Y</b>
Student Loans	1,068	1,191	(10%)	737	45%
Personal Loans	4,402	3,978	11%	4,192	5%
Home Loans	459	518	(11%)	417	10%
<b>Total Loan Originations</b>	<b>5,928</b>	<b>5,687</b>	<b>4%</b>	<b>5,346</b>	<b>11%</b>
BVPS	\$6.11	\$6.05	1%	\$5.54	10%
TBVPS	\$4.26	\$4.58	(7%)	\$3.92	9%
<b>SOFI - Segmented Results (\$mm)</b>	<b>2Q25E</b>	<b>1Q25A</b>	<b>Q/Q</b>	<b>2Q24A</b>	<b>Y/Y</b>
<b>Lending</b>					
Total Revenue	410	413	(1%)	341	20%
Adjusted Net Revenue	408	412	(1%)	339	20%
Contribution Profit	232	239	(3%)	198	17%
Contribution Margin %	56.8%	57.9%	ps	58.4%	ps
<b>Financial Services</b>					
Total Revenue	333	303	10%	176	89%
Contribution Profit	136	148	(9%)	55	146%
Contribution Margin %	40.7%	48.9%	ps	31.4%	s
<b>Technology Platform</b>					
Total Revenue	105	103	1%	95	10%
Contribution Profit	27	31	(13%)	31	(13%)
Contribution Margin %	25.8%	29.9%	(14%)	32.6%	ps
<b>Other</b>					
Total Revenue	(50)	(48)	4%	(14)	266%

SoFi's Revenue Opportunity Post-OBBBA



Impact on SLM Corp:



Income Statement - Annual						Income Statement - Quarterly			
	FY24A	FY25E	FY26E	FY27E	FY28E		1Q25A	2Q25E	3Q25E
Revenue	2,806	3,303	3,975	4,524	-	Revenue	771A	798	847
COGS	(462)	(572)	(644)	(705)	-	COGS	(136A)	(141)	(146)
Gross profit	2,145	2,730	3,332	3,819	-	Gross profit	635A	657	701
SG&A	(1,396)	(1,667)	(1,874)	(2,054)	-	SG&A	(395A)	(411)	(424)
Adj. EBITDA	666	886	1,160	1,379	-	Adj. EBITDA	210A	206	227
D&A	(203)	(201)	(188)	(184)	-	D&A	(55A)	(50)	(48)
Adj. EBIT	463	684	972	1,195	-	Adj. EBIT	155A	156	179
Net Interest	2,675	0	0	0	-	Net Interest	772A	0	0
Adj. PBT	265	419	736	972	-	Adj. PBT	85A	89	114
Tax	265	(96)	(191)	(253)	-	Tax	(9A)	(23)	(30)
Minority Interest	-	-	-	-	-	Minority Interest	-	-	-
Adj. Net Income	530	324	545	719	-	Adj. Net Income	77A	66	84
Reported EPS	0.37	0.27	0.46	0.60	-	Reported EPS	0.06A	0.06	0.07
Adj. EPS	0.37	0.27	0.46	0.60	-	Adj. EPS	0.06A	0.06	0.07
DPS	-	-	-	-	-	DPS	-	-	-
Payout ratio	-	-	-	-	-	Payout ratio	-	-	-
Shares outstanding	1,438	1,210	1,193	1,196	-	Shares outstanding	1,280A	1,187	1,189
Balance Sheet & Cash Flow Statement						Ratio Analysis			
	FY24A	FY25E	FY26E	FY27E	FY28E		FY24A	FY25E	FY26E
Cash and cash equivalents	2,709	3,334	4,918	6,526	-	Gross margin	82.3%	82.7%	83.9%
Accounts receivable	-	-	-	-	-	EBITDA margin	25.6%	26.8%	29.2%
Inventories	-	-	-	-	-	EBIT margin	17.8%	20.7%	24.5%
Other current assets	1,896	2,153	2,153	2,153	-	Net profit margin	20.4%	9.8%	13.7%
Current assets	4,605	5,488	7,071	8,679	-	ROE	8.8%	4.8%	7.6%
PP&E	288	317	317	317	-	ROA	1.6%	0.8%	1.2%
LT investments	-	-	-	-	-	ROCE	(0.0%)	5.4%	7.3%
Other non current assets	31,358	35,895	39,672	41,525	-	SG&A/Sales	53.6%	50.5%	47.1%
Total assets	36,251	41,699	47,060	50,521	-	Net debt/equity	0.1	NM	NM
Short term borrowings	-	-	-	-	-	P/E (x)	54.8	75.5	44.3
Payables	567	674	674	674	-	P/BV (x)	3.6	3.5	3.2
Other short term liabilities	25,978	30,990	36,499	40,113	-	EVEBITDA (x)	21.8	15.6	9.9
Current liabilities	26,535	31,664	37,174	40,788	-	Dividend Yield	-	-	-
Long-term debt	3,093	3,016	2,322	1,451	-	Sales/Assets (x)	0.1	0.1	0.1
Other long term liabilities	98	93	93	93	-	Interest cover (x)	NM	-	-
Total liabilities	29,726	34,773	39,589	42,332	-	Operating leverage	393.6%	178.9%	206.7%
Shareholders' equity	6,525	6,926	7,470	8,189	-	Revenue y/y Growth	25.7%	26.7%	20.4%
Minority interests	-	-	-	-	-	EBITDA y/y Growth	54.4%	32.9%	31.0%
Total liabilities & equity	36,251	41,699	47,060	50,521	-	Tax rate	100.1%	22.8%	26.0%
BVPS	5.67	5.81	6.26	6.84	-	Adj. Net Income y/y Growth	(315.8%)	(38.9%)	68.1%
y/y Growth	5.0%	2.5%	7.7%	9.3%	-	EPS y/y Growth	(239.5%)	(27.4%)	70.5%
Net debt/(cash)	383	(318)	(2,596)	(5,075)	-	DPS y/y Growth	-	-	-
Cash flow from operating activities	(1,120)	(4,134)	(2,830)	(747)	-				
o/w Depreciation & amortization	203	201	188	184	-				
o/w Changes in working capital	-	-	-	-	-				
Cash flow from investing activities	(4,821)	(116)	(116)	(116)	-				
o/w Capital expenditure	(154)	(116)	(116)	(116)	-				
as % of sales	5.9%	3.5%	2.9%	2.6%	-				
Cash flow from financing activities	5,035	4,244	4,530	2,471	-				
o/w Dividends paid	-	-	-	-	-				
o/w Net debt issued/(repaid)	-	-	-	-	-				
Net change in cash	(906)	(6)	1,584	1,608	-				
Adj. Free cash flow to firm	626	647	831	990	-				
y/y Growth	615.4%	(21.6%)	28.4%	19.2%	-				

