

Bobby Matson:

People are going to be looking at that payment resumption and saying like, "How am I going to make that work," and have to be very diligent about it. There's less of that cash flow available.

James Robert Lay:

Greetings and hello. I am James Robert Lay and welcome to the 201st episode of the Banking on Digital Growth Podcast. Today's episode is part of the Exponential Insight Series, and I'm excited to welcome Bobby Matson to the show. Bobby is the CEO and founder of Payitoff, a venture-backed team automating every aspect of student loan repayment for financial brands, FinTechs, and workplace providers. You see, Bobby built the Payitoff algorithm originally to avoid paying \$78,743 in personal student debt.

James Robert Lay:

He's now expanded access to allow borrowers to harness the power of the platform through financial brands, through FinTech, and through workplace partnerships to save an average of over \$60,000 throughout the life of a student loan. This is something that I sure wish that I had back in the day, which is why I'm glad to chat with you, Bobby. Welcome to the show. It is so good to share time with you today.

Bobby Matson:

Hey, thanks for having me on.

James Robert Lay:

Absolutely. Before we talk student loans and the challenges and the problems and the anxiety that it creates for so many of us, you've been there, I've been there, I know so many of our dear listeners have been there as well, let's start off on a positive note. What's good for you right now personally, professionally? It's your pick to get started.

Bobby Matson:

Yeah, I think it's just an exciting time in student loan land. There's a lot of different changes happening, potential cancellations being announced, lots of different forgiveness program opportunities for borrowers. What we're really excited about is just the opportunity for impact in this space and our unique positioning to help financial apps get there and capitalize on that reach.

James Robert Lay:

I think back when I was a student and I was coming out of college. I had that anxiety. I had that stress of student loans. I want to get your take on this. What's the number one obstacle facing student loan borrowers today, because it's a big problem? In fact, it's a \$1.8 trillion problem confronting so many people.

Bobby Matson:

It's a great question. I mean, the number one problem facing borrowers is clarity. It's clarity and what's my payment going to be, who's my servicer, should I refi, what opportunities are available to me in federal programs. Six or seven years ago, when my wife and I had six figure student loans keeping us from starting a family, I was used to answering those types of hard questions in my career. I worked on engineering gigs at Groupon, Stitchfix, Fandango, and Prosper.

Bobby Matson:

I was dealing with millions of users and scaling infrastructure to them and answering the tough questions that they needed answered quickly. Software tends to be good at that, and that's when I noticed that it's easy to buy insurance on Lemonade, but it's so hard to figure out your student loans. I got frustrated and built an engine for us that codified a lot of the regs. Stayed up nights doing that, moonlighting it until we figured out how to get clarity, how to basically understand our student loan situation and how to best act on it.

Bobby Matson:

And that led to friends and friends of friends adopting that same clarity, wanting to run their numbers. Me committing to a full-time... Quit my job and go full-time into that problem space because I just understood the anxiety. It's a very emotional debt. With all the uncertainty involved with this type of debt, which can be very commonly in the six figures, if you don't have clarity, it's very hard to take on a mortgage or take on another loan or even open a credit card, start a family, even a lot of your life goals are impacted by this step.

James Robert Lay:

It really is. I think that idea, that one word right there, clarity, what is the antithesis of that? It is confusion. It is complexity, and that complexity then leads to what? That leads to conflict. That conflict repeated in a time and time again manner, well, it's just a constant state of just chaos. I've been there. My wife and I, we were six figures, pretty much half a million, if we're just going to throw the number out on the table. That's after we started a family. I know what it feels like to be in that sea of chaos, almost drowning in debt.

James Robert Lay:

If someone would just provide some guidance, point us in the right direction, I think we would all feel much more confident in taking care of this. I want to dive a little bit deeper into your background, because you and your wife, you paid off a significant chunk of change. You stayed up late night codifying this, building the methodology, friends of friends network effect. What were you hearing from others? Not just your own experience, but the experience of others of gaining that clarity, building that level of confidence, and ultimately moving down a new path with courage.

Bobby Matson:

A lot of what we would hear and sort of the early feedback was, "Wow! I didn't realize that I had that opportunity," or sort of like this, "Wow! That actually kind of changes the way I think about this. I thought I was like in a hole, but actually I'm not." You'll hear that a lot from doctors in a residency, right? You have six figure student loans, like you mentioned, the half million cases, where you're making 50K a year in a residency, you have to opt for a federal program. If you don't know about it or you suddenly refi, you're in a really tough situation.

Bobby Matson:

All sorts of people... Or if you're somebody who only has 50K in loans, but you're making sort of minimum wage and it's the same problem for you. You need to leverage federal programs. Access to that type of information that's contextual and based on your situation ends up being a very powerful motivator. That's what we kept hearing. Wow! This leads to action if you do it in a few clicks. I think that was the insight that drove the business use case in the early days.

James Robert Lay:

I think it's the contextual of providing guidance around someone's unique situation that I am right encouraged and excited about, because this gets into something that I teach, help first, sell second, and if we can provide that guidance. I want to dive deeper into this, because as I mentioned before, the antithesis of clarity is confusion. It is complexity. There are a lot of different moving pieces in the student loan industry. Let's break down some of that complexity for the dear listener so that we can start journeying towards simplicity together. Where is the complexity here, because it is a big industry?

Bobby Matson:

I mean, most of student loans are federal. The complexity is largely around federal programs. There's hundreds of loan assistance programs. There's over a dozen repayment options a borrower can opt into. The default plan you're shown is the highest monthly payment plan. It's the standard tenure when you graduate. I remember that complexity when I first graduated in Michigan. I was starting my first business at that time. My income's basically zero. I get this email, and I'm sure you've gotten the email, and you're like wow, that's a huge payment.

Bobby Matson:

I call my servicer and they say, "You can pause your payments." I said, "That sounds great. Super cool," but they didn't really have any sort of mechanical way to get me into a program, like an income driven plan or something that was a little better for me. I ended up in forbearance. It was an expensive phone call. I did the math later. It was like 20K that I could have saved by entering an income driven plan at that moment. There's a lot of factors leading to that complexity. Now, servicers typically get a lot of the brunt here in this, but the system itself is the complex part.

Bobby Matson:

It's all of the various regulatory nuances that servicers have a lot of difficulty in their original contracts with ED where there wasn't a lot of factoring in these unknowns. It's very difficult to provide guidance for a servicer who maybe doesn't know about your loans at Nelnet. They just know about the loans at Mohela. They can actually give you full guidance. I think the position servicers have been in is they've been painted very much as the villain, when really they've been trying. Obviously there are edge cases and lawsuits and evidence of other things.

Bobby Matson:

But in general, in that industry, we actually find that they've typically wanted what's best for the borrower. They've just been really hamstrung by the regulatory nuances. One of the things we've noticed is just the system is really the issue. The complexity of the system is what's driving the confusion, and it's what drove it for us. It's what drives it for many borrowers is the hard questions, not, "Oh, go refi and read about it and build a bunch of spreadsheets tailored to you. Maybe you'll get the right answer and do it over months of period of time. And then you have to check again next year." It's like, no one has time for that. It's impossible.

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James Robert Lay:

This is where I start tying financial services into healthcare. Because you can go out and you can Google symptoms and self diagnose, but that almost... You're not a physician. You don't have, once again, the contextual into what's going on behind the scenes here. I greatly appreciate the positioning on the homepage of the Payitoff website. Because in big, bold letters, it reads, "Give your customers the student debt guidance they need."

James Robert Lay:

And in Banking on Digital Growth, I wrote and shared what I call the story selling methodology, where a financial brand or a FinTech takes on the role of the helpful and empathetic guide in the stories that they tell, stories they tell internally, stories they tell externally through their positioning. Thinking about the complexity of the student loan industry and now with student loan payments resuming in May of 2022, what is Payitoff doing to help guide people beyond that complexity by providing a sense of clarity?

Bobby Matson:

Our position is mainly around... Our position in the market is automating every aspect of debt management for financial apps. We are a B2B business. We're more similar to a plaid than anything else, where you plug us in, we'll allow a borrower link their loans. But what's key is that not only do we do that and we provide much better fidelity data than any other provider out there, but we will automate the guidance part. There's a lot more than refi or prepayment for student loans.

Bobby Matson:

There's all the things I mentioned that you need to automate like the federal programs that half of borrowers benefit from. You can't ignore those. A lot of companies that we interact with have a fiduciary duty to show those options before offering a refi. Otherwise, you may be hurting the borrower. In many cases, you are, because you're you lose those benefits when you refi. We have that holistic picture for the borrower. We're introducing all sorts of other debts on top of that to look at an even more holistic picture.

Bobby Matson:

And then we automate the actions. Performing the refi, enrolling in the federal program, all of the actions based on the guidance are also something we can either... Our partners leverage in a pre-built UI in their brand or through our API or a mix of the two. We're sort of like Legos. You could build your own kit, or you can get the Star Wars Lego kit and have it all pre-built. That's kind of the way we interact with financial applications.

James Robert Lay:

I really like that analogy of Legos because it makes a ton of sense. I mean, this is the whole banking as a service, open banking model that is just... It's growing louder and louder and louder and such a tremendous amount of opportunity. Let's dive deeper into the opportunity for maybe financial brands or even for FinTech to empower student loan borrowers to overcome their overwhelming loan situations.

James Robert Lay:

What might be one or two opportunities that you see from the work that you've been doing that they could either... I call it the three C's. They could create something new. They could capture some opportunity that is there, but they're not fully realizing, or they could collaborate and really tie something together through partnership. Where's the opportunity?

Bobby Matson:

A lot of the opportunity is... We see a variety of use cases, but the biggest opportunities we see are in the workplace and in any direct to consumer financial services app. Right now we're automating guidance where borrowers are saving 240 a month on average. That's 240 a month, that is life-changing. It's also freed up cash flow.

Bobby Matson:

Because we're Legos, we can help any of our financial partners navigate a value creation event that better the borrower's financial outcome alongside the 240 a month, whether it's saving for a particular goal they have or 529 or you're directing the funds in a place that has economic impact for the org, but also a huge financial impact for the borrower. We do see a lot of those types of use cases. We see a lot of use cases for recent grads, what we just talked about when you recently graduate.

Bobby Matson:

This is more in the capture category where you have a borrower that you want to say pay through the checking account that you offer when they graduate. You don't want to lose them when they leave campus. We'll help them set up their payment, and then they are able to enroll in it by setting up auto pay. They're paying their loans through the servicer. That works a lot for folks that are focused on centrality. But workplace is huge. I mean, the reality is you have tax free benefits in student loan land now.

Bobby Matson:

I mean, you're talking about a large portion of student loan contributions from employers that are tax deductible up to 5,250 a year. That's something that's a huge tailwind in that industry and employers are getting much more active. We see workplace and the direct to consumer opportunities as really big important use cases in student loans. But there's a lot more even beyond that that folks leverage our tech for.

James Robert Lay:

I'm curious, what roadblocks might stand in the way? We're going to come back to the workplace. Because as you're talking through this, I'm seeing opportunity being created in real time, particularly for community financial brands. I want to table that. We'll come back to that. What are the roadblocks that could prevent a bank, a credit union, a FinTech from capturing some of the opportunities that you're talking here. What stands in their way?

James Robert Lay:

What could hold them back that they probably need to be aware of that could trip them up as they move forward to try to ease some of this financial stress around student loans?

Bobby Matson:

Well, before we were around, it was really on the regulatory uncertainty. Now when you don't know when payments are going to resume, it's hard to time a marketing message, for instance. That's the main challenge we see. We know that when payments resume, it's a once in a lifetime financial services event, right? You have only 10% of payments flowing right now. It's 10X the volume and everyone asking, "What do I do about my student loans?" Timing that is a typical challenge. But at the same time, it's still an opportunity to get engaged now, so that you're ready for that event.

Bobby Matson:

It's going to happen. I think there's a little bit of that that we see. And that the regulatory environment is at this point, in this moment, in this month probably the most complex it's been. Thankfully, there are companies like us out there that can guide through actually going into this. We started as pure technology provider and we find ourselves offering lots of regulatory guidance. One of our advisors is the

head of the Student Loan Servicing Alliance, Scott Buchanan. They're the liaison between ED and the servicing community and student loans.

Bobby Matson:

We're often able to at least make sure our system is very much in tune with what's happening in the servicing environment in a way that other providers can't. We know about changes well ahead of them happening, so that our system is able to at least give the clarity and adapt to the environment that's changing very often. I think that's a big, big part of the value add.

James Robert Lay:

Yeah, it's a proactive measure. I see there's a lot of... You either react to something or you respond. And when you respond, you're getting ahead of the situation as much as possible. I want to come back to this idea of the workplace. Because if you're a bank, if you're a credit union, particularly at a community level, you probably have some type of a commercial business there. I could almost see you're servicing both sides of that commercial relationship now. What I mean by that is those commercial accounts, particularly SMBs, have employees.

James Robert Lay:

How many of those employees have student loans? Not only are you helping the business grow on the commercial or the SMB front, you're now helping the students or the employees who have student loans at those businesses elevate their lives. There was a study that was done by the Federal Reserve that found employee financial stress cost employers an average of \$5,000 per employee per year in lost productivity. Now, consider this, an organization with a hundred people, let's say 20 of them have student loans, well, that's \$100,000 a year issue right there.

James Robert Lay:

You're B2B. I almost kind of see this now being a B2B2C play for those financial brands, community banks, credit unions, commercial banks working with the commercial side, SMB side, but then also providing a solution to consumer maybe in a not so clear manner as what we've had before. What's your take on this here?

Bobby Matson:

Yeah. I mean, I think it's a huge opportunity. I think you just nailed it with the fact that any of these SMBs could be offering benefits. What we are offering though in terms of our value in the market is that we can work and we commonly will work with say a vendor that works with the credit unions that can offer this through that existing vendor. Because we're a technology layer, we're sort of the connective tissue between the app and the servicing layer. We're able to provide the lowest cost benefit too.

Bobby Matson:

I think that's also a position that as we see student loan benefits being more like a 401(k) becoming a core benefit. That's I think really... Yes, there's just going to be an eventuality based on the regulatory changes that have happened in the past year. That's something that we're just very well positioned for right now, and that's just a very common use case for us. We're seeing a lot of opportunities with vendor consolidation. You're a 529 provider and you want to bolt on student loan benefits. We can do that in no time.

Bobby Matson:

We've done it over and over again. I think that there's just any sort of vendor who has the opportunity to offer this can.

James Robert Lay:

Yeah, I like the benefits perspective. That's a tremendous opportunity for sure. I want to look ahead. I want to look ahead towards the future of student loans. What are you feeling most hopeful and excited about for the industry at large?

Bobby Matson:

Well, I'm definitely excited about the resumption, because it's just like... It's such a massive event. A lot of the things I've talked about, the tax deductible stat is massive. I mean, it's been eight years in the making and lots of players involved in making that happen. I think we're just seeing visibility with student loans that we've never seen before. I remember pre-pandemic us talking about federal programs and that being like I thought there was only refi. And now when we have conversations, federal programs are the number one thing.

Bobby Matson:

They're one of the most important things right now, given the economic instability. Obviously we have lots of uncertainty economically, and people are going to be looking at their wallets. Inflation is very much in front of us. We have a war. We have all these other things going on. People are going to be looking at that payment resumption and saying like, "How am I going to make that work," and have to be very diligent about it. There's less of that cash flow available. I think that that makes services focused on that type of guidance particularly important.

Bobby Matson:

For any financial app, whether you're a consumer bank in the top 10, or you're a FinTech who's trying to get your idea off the grounds, these are incredible opportunities in the space

James Robert Lay:

Very much so. It really plays nice into the financial well-being aspect of it. Because go back to those numbers, what was it, saving an average of \$240 a month, more or less. Or you reframe that through the lens of behavioral economics and say, "We're going to help you stop losing \$240 a month," because people are more likely to... It's loss aversion theory. People are more likely to take action to avoid a loss than they are to achieve a gain. And then you take that 240 and then you flip it around and then you put that into some type of deposit investment account.

James Robert Lay:

And then now it's almost like you're looking at this from a two pronged approach. I want to get real practical as we wrap up here, Bobby. It's been a great conversation. All future growth, all transformative future growth begins with a very small and a simple step forward. What is one small recommendation that you would make for the dear listener from a bank, a credit union, a FinTech to either continue or really maybe even begin, I think for a lot it's probably to begin, guiding people beyond the stress of student loans? What's one small thing that they can commit to do next?

Bobby Matson:

I would say the small step that we see starts many of the journeys for folks that work with us or are planning to work with us, it's survey your customers. Survey what they want.

James Robert Lay:

Yes.

Bobby Matson:

Get the insight you need to make the right decision. Use data to drive it. Because a lot of people come to us and say, "We ran a survey and we thought we were going to work in say auto loan land, but it turns out everybody cares about their student loan payment, because they want to know what it will be and they want to lock it in now." I would say just listen to what your customers... Have a way and a mechanism to gather the feedback to make those types of data driven decisions. And then be picky with the vendor would be my next suggestion.

James Robert Lay:

On two sides, I think going all in on people, asking first, listening second, and then third, learning through observation, because not everyone always tells you what they're really thinking or what they're really feeling. It's their actions that speak louder than words. And then number two, on vendor selection, I'm really making a lot of recommendations to align around organizations that are purpose driven. You share a similar perspective of why you do what you do.

James Robert Lay:

I think it's that alignment around purpose that creates an exponential growth path going forward. Bobby, this has been a great conversation. What is the best way for someone to connect with you to continue the conversation that we've started here today?

Bobby Matson:

Best way is just reach out on Twitter or email. I'm bobby@payitoff.io, and then just @BoMatson on Twitter. That's the quickest way, or check out our site. Reach out to our team and we can have a conversation about the opportunities and use cases that can help drive new business

James Robert Lay:

Connect with Bobby. Learn from Bobby. Grow with Bobby. Bobby, thanks again for joining me for another episode of Banking on Digital Growth.

Bobby Matson:

Thank you, James. Appreciate it.

James Robert Lay:

As always. And until next time, be well, do good, and make your bed.