

In Person

## Cutting Edge Partnership

By Laura Schreier

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Silver Sword Capital Partners sounds like an outfit that would majestically hack its way through a crowded battlefield – but in the student lending game, the field isn't all that crowded these days. Principals Mike Mullooney and Perry O'Grady were formerly at Boston's much-diminished student loan securitizer, First Marblehead. In 2007, as the securities markets dried up and lending giants such as Bank of America fled the student loan business, the two left First Marblehead to set up their own shop.

Now Silver Sword, based in Newton, works to connect loan providers' products with the banks and credit unions that can bring these loans directly to customers. Essentially, they're a pipeline between the bank and the actual lender: the lenders – such as Sallie Mae, Discover or Chase – take the risks, while the bank or credit union gets a fee for their services. And thus far, the two say, business is booming.

### How did you guys decide to launch Silver Sword?

*Mullooney:* Once the securitization market shut down, credit markets froze, (and) most of the ... big student lenders had gotten out of the business. So Perry and I saw a real opportunity because we knew demand for the product was still very strong ... tuition rates continue to skyrocket, families need an alternative, they need help. So we have spent a lot of our time going out to these community banks, these regional banks and these credit unions saying, 'Look, you guys haven't been in this business, but here's why you should be in this business, and here's a product for you to get started.'



**Mike Mullooney & Perry O'Grady**

**Title: Principals**

**Company: Silver Sword Capital Partners, Newton**

**Ages: 43 and 44, respectively**

**Experience: 19 and 17 years**

### Top Five arguments for local banks to get into student lending:

1. It's an easy way to bring in younger customers.
2. Large competitors are now out of business.
3. Tuition increases have boosted demand.
4. There is no risk for the bank, as the program is fee-based.
5. It doesn't require startup costs or new hires.

**And how do you make this pitch to them? What are the benefits?**

*O’Grady:* It’s an expansion of their product line; it’s an opportunity to bring in young consumers to come into the franchise early; it is an opportunity to do both of those things without taking on any capital risk or headcount; and it does provide solutions for families. Ultimately the reason that these families are coming through the door is that they have a problem. They can’t figure out a way to get their kid to the school of their dreams, and this is an opportunity for the bank to provide a solution for that family.

*Mullowney:* We have found that with most of these large banks on student lending, that more and more families are turning to their community banks and credit unions for this product. This is a new product for them, so we have to spend a fair amount of time educating them on the product, but we had signed up a number of corporate credit unions as clients [such as Illinois-based Members United Corporate Federal Credit Union].

**Have other people had the same idea as you, and set up shop in this field? Do you have more competition springing up?**

*O’Grady:* We get a lot of calls for people looking for jobs, frankly. ... There are a lot of good people from the business who are out of work, and they’ve seen that we’ve been able to thrive in this environment. We’ve gotten a lot of calls, hoping that we might be expanding. ... We’re five now, we would expect that to double very quickly.

**Do these smaller banks have any previous experience dealing with student loans?**

*O’Grady:* Those big banks drove those little guys out of the business. There’s no way, as we say, that Brookline bank could compete with Chase dropping all the mail they did, [along with] BofA and Wells [Fargo Bank]. The way that we’re seeing the industry getting rebuilt is through the community banks and credit unions. People are going back to where they live to find solutions to this, and those banks and credit unions are what’s building that industry back up. It’s a lot more fragmented, which is great for us, because there’s a lot more people looking for product.

What it all comes down to is, [banks and credit unions] don’t want to send someone out the door ... [The customer is asking], ‘Can you help me? My kids want to go to these schools.’ A big bank could probably care less – there’s probably another person behind them as they send them back out – but if you’re a local institution or even a regional institution, you want those people to count on you.