FEB 04
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Mos could make neobanking inroads with Gen Z

Article

The news: Edtech **Mos** wants to be the neobank for college students that it first serves via scholarship links—and founder **Amira Yahyaoui** sees a clear path forward, per a TechCrunch feature.

More on this: Founded in 2017, the company **has given more than 400,000 students access to a financial-aid pool with a combined value above $160 billion**, the publication reported, adding that declared scholarship funds topped $1.5 billion as of 2021.

- Mos recently bagged $40 million from a Series B round with a $400 million valuation.
- Its steps into neobanking within the past year include a debit-card rollout. Mos's revenue mix now includes fees for scholarship access and interchange.
- The debit card has **no charges for overdrafts or ATM-network status**; it also lacks late fees and balance minimums.
- **More than 100,000 students have opened accounts** during the initial quarter for the card's rollout, Yahyaoui told TechCrunch, and estimated that Mos has become the 10th largest US neobank.

How Mos differentiates itself: It's taking a **"community-first approach,"** per TechCrunch, which entails acquiring customers, gaining their trust, and then selling them new products.

- Yahyaoui sees Mos's model as a way to maintain post-college relationships with young adults: "We cater to you in those first years of adulthood, and in the future we'll grow up with you because you will be getting out of college, having apartments, renting and paying for rent."

The neobank faces competition for its target demographic, the publication points out.

- This includes **Frank**, which **JPMorgan Chase** recently acquired, and **Thrive**, which gives people cash tied to their college offer letters.
- Yahyaoui is skeptical of established players succeeding in the student space, telling TechCrunch that "banks are trying to become relevant, but students don't buy the BS that incumbents are doing."

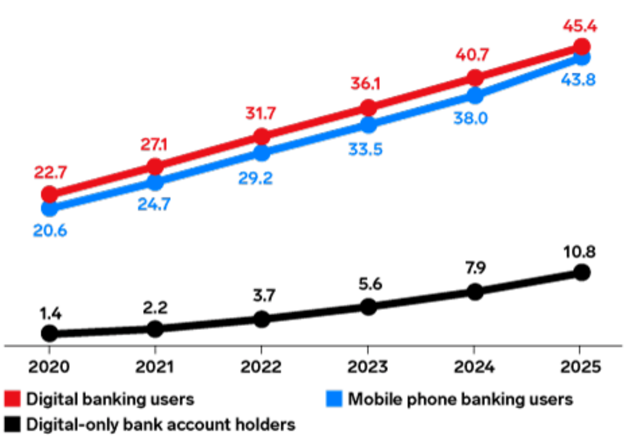
Why it could succeed: Mos is well-positioned to become its new customers' primary bank because its relationship to them is connected with one of their most important life events. By using scholarships as a starting point—instead of promoting banking products first and foremost—the company has differentiated its approach from other US challengers.

This tactic **fits well with the preferences of Gen Z consumers for multiple reasons,** per our recent report on their financial behaviors:

- **They are relatively debt-averse** and grew up seeing millennials struggling with their own student-loan obligations. Mos's promotion of scholarships as a substitute for debt is consistent with their concerns.

- **They highly value financial literacy**, which gives Mos an opening both with its scholarships service and in offering advice-based products. “More hands-on advisor consultations” could be added, TechCrunch reported.
- **They often distrust incumbent financial institutions.** For example, data from the Center for Generational Kinetics found that a mere 11% of women and only 19% of men surveyed said they sought out advice from associates at banks or credit unions.
- **They are a growing base of digital users.** Our forecast shows that the number of Gen Z digital-banking users in the US will reach 45.4 million in 2025, up from just 22.7 million in 2020.

US Gen Z Digital* and Mobile* Banking Users, 2020-2025
millions



*Note: digital banking users are internet users who access their bank, credit union, credit card, or brokerage account digitally via any device at least once per month; mobile banking users are mobile phone users who access their bank, credit union, credit card, or brokerage account via mobile browser, app, or SMS using a mobile phone at least once per month; excludes virtual wallet services (e.g., PayPal, Google Wallet); digital-only bank account holders are individuals who have at least one account at an FDIC-backed digital-only full-service bank open to all consumers that includes transactional and savings options but does not operate physical branches, and where all account management is carried out via web browsers, mobile apps, or over the phone; Gen Z are individuals born between 1997 and 2012; *forecast from March 2021*
Source: eMarketer, May 2021

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