# The SoFi Business Model

## Idea In Short

SoFi Technologies started in 2011 as a way for Stanford graduates to refinance student loans through alumni-funded lending, then expanded into a full digital bank offering loans, investing, insurance and deposit accounts. The company earns money through interest on loans it originates and sells, fees on its investing and banking products, and a separate technology platform business, built on its Galileo and Technisys acquisitions, that powers other fintech companies' infrastructure behind the scenes. SoFi obtained a national bank charter in 2022 by acquiring Golden Pacific Bancorp, letting it hold deposits directly instead of relying entirely on partner banks. Anthony Noto, a former Twitter and Goldman Sachs executive, has run the company since 2018 and pushed it toward becoming a one-stop financial app rather than a single-product lender. This article traces SoFi's founding, its national bank charter, how it makes money across lending, financial services and technology platform segments, and its full business model canvas.

## From a Stanford Dorm Idea to a Student Loan Startup

Mike Cagney, Dan Macklin, James Finnigan and Ian Brady founded SoFi, short for Social Finance, in 2011 while studying at the Stanford Graduate School of Business. The founders built the company around a peer-to-peer lending model that connected Stanford alumni investors with recent graduates seeking lower interest rates than the federal government or traditional banks offered on student loans. That alumni-funded structure gave SoFi an early identity distinct from other online lenders, though the company would later move away from peer-to-peer funding as it scaled.[1]

Cagney served as chief executive through the company's early growth years before departing in 2017 amid a series of misconduct allegations that also prompted an executive shakeup. The leadership change came at a pivotal moment for SoFi, which was trying to diversify beyond student loans into a broader consumer finance company.

## SoftBank's Billion-Dollar Bet and a Path to Nasdaq

SoftBank led a $1 billion funding round into SoFi in 2015, capital that let the company accelerate its expansion beyond student loan refinancing into personal loans, mortgages and, eventually, investing and deposit products. The round valued SoFi among the more richly funded fintech startups of its era and gave it the balance sheet to compete for borrowers against banks with far longer operating histories.2

SoFi went public on June 1, 2021, through a merger with Social Capital Hedosophia Holdings Corp. V, a blank-check company backed by venture investor Chamath Palihapitiya, in a deal that valued the combined company at roughly $8.65 billion. The listing gave SoFi permanent public capital to fund further acquisitions rather than relying on successive private funding rounds.

## Becoming a National Bank

SoFi completed its acquisition of Golden Pacific Bancorp, a small Sacramento-based community bank holding company, on February 2, 2022, after receiving approval from the Federal Reserve and the Office of the Comptroller of the Currency to operate as a national bank. The move let SoFi hold customer deposits directly and fund loans from its own balance sheet instead of paying partner banks to originate products on its behalf, a change that lowered its cost of funding.3

The charter also let SoFi offer FDIC-insured checking and savings accounts under its own name with competitive interest rates, a product it uses to deepen relationships with members who first arrived for a loan. Holding a bank charter distinguishes SoFi from many fintech competitors, such as Chime, that still rely on partner banks to hold deposits.

## Building a Technology Platform Alongside Consumer Banking

SoFi acquired Galileo Financial Technologies for $1.2 billion in 2020, a business-to-business platform that provides account management, card issuing and payment processing infrastructure to other fintech companies and banks. The company added Technisys, a cloud-native core banking platform, in a roughly $1.1 billion deal completed in March 2022, combining the two into a technology stack SoFi sells to third parties rather than keeping solely for its own products.4

This technology platform segment gives SoFi a revenue stream tied to other companies' transaction volume rather than its own loan origination, a diversification chief executive Anthony Noto has pointed to as evidence SoFi operates more like a financial technology company than a traditional lender. Under Noto, who joined as chief executive in 2018 after serving as Twitter's chief operating officer and a Goldman Sachs banker, SoFi has pushed to cross-sell loans, investing, insurance and banking products to the same member base.

## How SoFi Makes Money

SoFi generates revenue across three reporting segments: Lending, Financial Services and Technology Platform. The Lending segment earns interest on personal loans, student loans and mortgages, and also books gains from selling loans it originates to institutional investors rather than holding them all on its own balance sheet.

> SoFi's stated mission is "to help people reach financial independence to realize their ambitions."

The Financial Services segment includes SoFi Money, SoFi Invest and SoFi Credit Card, earning interchange fees on card transactions, interest on deposits, and rebates from routing securities trades to market makers. The Technology Platform segment, built on Galileo and Technisys, charges other financial companies fees based on the number of accounts and transactions running through SoFi's infrastructure. SoFi reported record full-year 2025 adjusted net revenue of $3.6 billion, up 38% from the prior year, with Financial Services revenue growing faster than the company's overall average.5

## Fintech Competition and Regulatory Exposure

SoFi competes against a wide range of companies rather than a single rival, including Chime for digital banking, Robinhood for investing, and traditional lenders for personal loans and mortgages. As a chartered bank, SoFi also carries regulatory obligations that many fintech-only competitors avoid, including capital requirements and routine examinations from federal banking regulators.6

That regulatory footing has become part of SoFi's pitch to investors, framing the bank charter as a durable advantage over app-based competitors that must maintain partnerships to hold deposits. Whether that advantage outweighs the compliance costs of operating as a bank remains a point of debate among analysts covering the stock.

## Key Partners

SoFi's key partners include institutional investors and asset managers that purchase the loans SoFi originates and sells rather than holds on its balance sheet. Broker-dealers and market makers provide execution and rebates for SoFi's investing platform, while insurance carriers underwrite the life, home and pet insurance policies sold through SoFi Protect. Fintech companies and banks that license Galileo and Technisys infrastructure also function as commercial partners rather than simple vendors, since SoFi's technology platform revenue depends on their transaction volume.

## Key Activities

Loan underwriting and origination sit at the center of SoFi's activities, requiring the company to assess borrower risk quickly enough to compete with both banks and other online lenders. Product development spans SoFi's consumer apps, including SoFi Money, SoFi Invest and SoFi Relay, as well as the Galileo and Technisys platforms sold to outside companies. Compliance and risk management form a continuous activity given SoFi's status as a chartered national bank, requiring ongoing regulatory reporting alongside its product and marketing work.

## Key Resources

SoFi's bank charter is a foundational resource, letting it hold deposits and fund loans without relying entirely on partner banks. Its Galileo and Technisys technology stack functions as both an internal resource and a product sold to other companies, giving SoFi engineering assets that generate direct revenue. Member data and behavioral history across SoFi's multiple products support the cross-selling strategy Noto has emphasized since taking over as chief executive.

## Value Propositions

For borrowers, SoFi offers competitive rates on student loan refinancing, personal loans and mortgages alongside a mobile-first application process, letting customers avoid branch visits typical of traditional lenders. For everyday banking and investing customers, SoFi bundles checking, savings, stock and cryptocurrency trading and insurance shopping into a single app, reducing the number of separate providers a member needs. For fintech and banking partners, Galileo and Technisys offer account infrastructure and card issuing without the cost of building those systems internally.

## Customer Relationships

SoFi maintains most member relationships through its mobile app and website, supported by in-app financial planning tools and access to human financial advisors for members with qualifying accounts. Email and push notifications promote new products to existing members, an approach the company uses to increase the number of products each member holds. Customer service channels handle loan servicing, account questions and dispute resolution, while community events and educational content support SoFi's broader brand positioning around financial independence.

## Channels

SoFi's mobile app and website serve as the primary channels through which members open accounts, apply for loans and manage investments. Referral programs and partnerships, including a Google Pay backend relationship built on Galileo's infrastructure, extend SoFi's reach beyond direct marketing. Sponsorships, such as the naming rights to SoFi Stadium in Los Angeles, and social media advertising build brand awareness among prospective members who have not yet used any SoFi product.

## Customer Segments

Students and recent graduates seeking student loan refinancing represent SoFi's founding customer segment and remain a meaningful source of new members. Professionals and higher-income consumers use SoFi for personal loans, mortgages and investment products, drawn by competitive rates and a single app covering multiple financial needs. Other fintech companies and banks form a distinct business-to-business segment, licensing Galileo and Technisys infrastructure rather than using SoFi's consumer-facing products directly.

## Cost Structure

Interest expense on deposits and borrowings makes up a significant share of SoFi's costs, reflecting its role as a chartered bank funding loans from customer deposits and wholesale borrowing. Technology and product development costs support both SoFi's consumer applications and its Galileo and Technisys infrastructure business. Marketing and member acquisition costs remain substantial given competition from other digital banks and lenders, alongside compliance costs tied to operating under federal banking regulation.

## Revenue Streams

Interest income on loans and gains from selling originated loans to institutional buyers form SoFi's largest revenue stream within its Lending segment. Fees from SoFi Money, SoFi Invest, SoFi Credit Card and insurance referrals make up its Financial Services segment, a category the company has highlighted as its fastest-growing area of revenue. Technology Platform fees, charged to Galileo and Technisys clients based on account and transaction volume, provide a revenue stream independent of SoFi's own consumer lending cycle.

- 1SoFi's founding as a Stanford student loan project
- 2SoftBank's 2015 investment fuels SoFi's expansion
- 3SoFi completes its national bank charter through Golden Pacific
- 4SoFi rounds out its technology stack with Technisys
- 5SoFi posts record revenue and its first full year of profitability
- 6SoFi's path from fintech growth story to scrutinized public company

## Summary

SoFi's shift from a niche student loan refinancer to a chartered national bank with its own fintech infrastructure arm shows how a lending startup can widen its revenue base once it controls the banking rails underneath its own products. The Galileo and Technisys acquisitions gave SoFi a business that sells technology to other financial companies, a segment that now grows faster than its consumer lending arm and cushions the company against swings in loan demand. That diversification helped SoFi post its first full year of net income in 2025, a milestone that came after years of losses funded by SoftBank and public market investors. The company still depends heavily on loan origination volume, which means its results move with interest rates and consumer credit conditions more than a typical software business. Competition from Chime, Robinhood and traditional banks investing in their own digital products means SoFi's next phase of growth depends on keeping members engaged across multiple products rather than just acquiring new ones.