



Funding UK Postgraduate Students

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January 2013

Four key challenges in filling the funding gap

1. How to assess post-graduation affordability? How to ensure repayment?

- How to avoid past errors in sizing/pricing loans?
- How to avoid unreasonable student debt burdens? (esp. for students with undergrad debt)

2. How to lend internationally?

- How to price international risk?
- How to track, trace, and enforce loans across borders? Student Loans Company is owed £50m from EU students who aren't repaying.

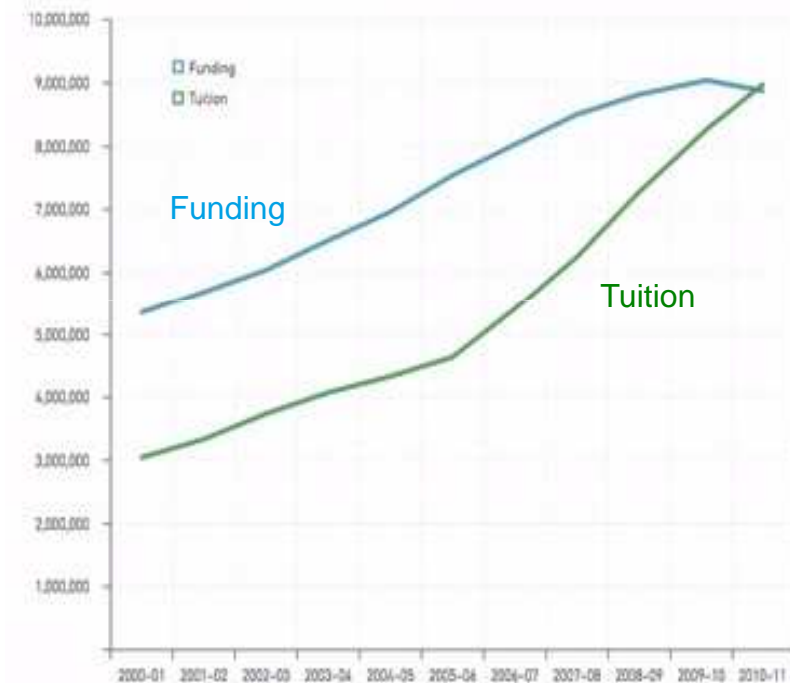
3. Which postgrad programs to include?

- What are the eligibility requirements? Should all programmes be treated the same?

4. Who should pay for it?

- Are risk-sharing agreements possible?

UK tuition fees vs. public funding
(2000-2011)



Source: Universities UK, Patterns and Trends 2012

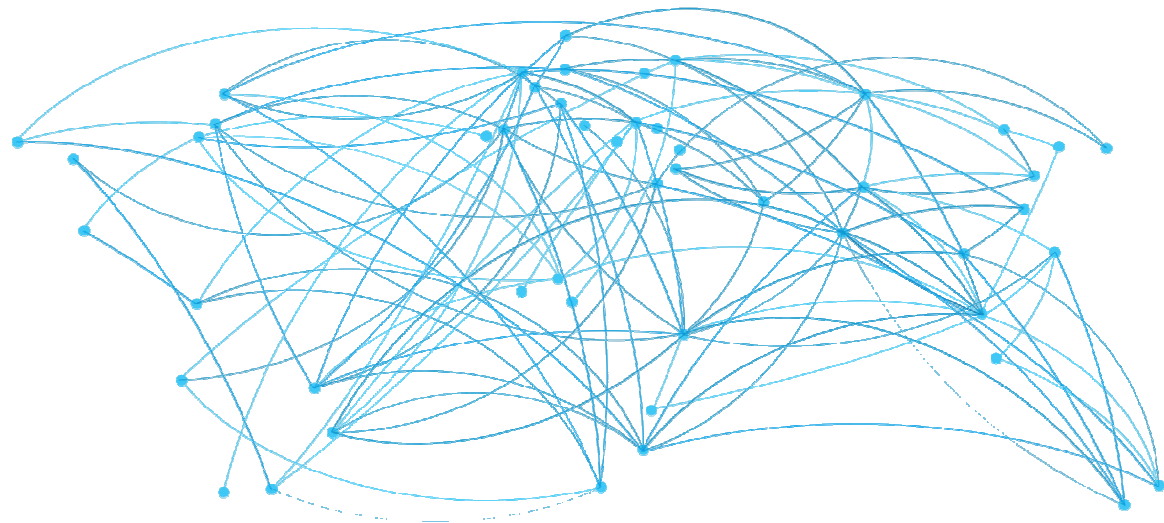


Affordable student loans are a plausible, sustainable solution.

Prodigy Finance provides postgraduate loans to students at top universities. The loans are funded by a community of alumni, endowments, and other institutional investors, who receive c. 5% p.a.

SINCE 2007:

- **1200 STUDENTS**
- **90 NATIONALITIES**
- **£26,700 AVERAGE LOAN**
- **9 TOP UNIVERSITIES**



99.4%
REPAYMENT



Cass Business School
CITY UNIVERSITY LONDON



How did we do it?

We've learned how to address each of these challenges by combining innovation with industry best practice.

1. How to assess post-graduation affordability? / How to ensure repayment and avoid default?

- Use data to individually assess each applicant's **future earning potential** and risk profile.
- **Social pressure** from school community encourages repayment.
- Don't overburden with debt – e.g., cap loans at cost of tuition.

2. How to lend internationally?

- We have worked with legal experts to create agreements **legally enforceable in 150 countries**.
- We use innovative methods to track and trace, including social media.

3. Which postgrad programs to include?

- Which are finally viable? Which create ROI? **Let data speak** for itself.
- Private lending can help with some programmes, particularly where there is demand in the labor market -- e.g., in STEM or international business
- Grants/scholarships should support other programmes or supplement loans for low-income students.

4. How to pay for it?

- With constant reinvestment of investor coupons, our programs can become self-sustaining in c. 7 years.
- Can leverage government, university endowments, alumni, banks, and industry.



Potential risk-sharing arrangements

We are rolling out a pilot lending programme for STEM degrees at the Cranfield School of Management, funded in part by UK HEFCE. The pilot illustrates an opportunity for a broader postgraduate solution involving multiple stakeholders.



Prodigy Finance:

Loan servicing, loan management, investor relations. Can offer loans at e.g., 7.5%.



UK government

Provides seed funding for programs and a partial credit guarantee (e.g., 5-20%) to assist in fundraising from investors.



Universities:

Leverage school connections for investments from alumni. Invest from endowment.



Industry partners:

Invest in programme for marketing/recruiting opportunities. Provide post-graduation interest/loan forgiveness for as long as borrower is an employee.



Banks:

Invest wholesale in student loans via Prodigy Finance platform— benefits include low management, reduced risk, and potential for cross-sell.

