

Educational Finances

Letonia Johnson, Mya Eugene, Mateo Blanco

Bright Minds, Fresh Ideas Think Tank Summer Internship, Powered by FPP

June 30, 2021

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

Executive summary:

Student loan debt is one of the biggest issues in our educated system. Ending in 1.7 billion owed at the end of 2020 (Firstrepublic.com). My team, Problem Solvers, has come up with a way to stop student loan debt in its early stages. We would like to provide young adults with information and resources with our website, and allow them to understand more about student debt before entering college.

We will offer a website that includes a survey, scholarships matched for you, and a canvas like course with further information about student loans. Also, we will be partnering with Orange County to incorporate our course into classes such as economics. This is a startup operation that will need approximately \$50,000 in funding. Our goal is to give out as much information to lower the student loan debt crisis through education.

Business Case

Introduction:

Student Loan debt is when a person in college decides to take out a loan in order to pay for their expenses that they cannot pay for out of pocket. There are two types of Student Loans, Federal Loans and Private Loans. When a person takes out a loan, they have to make a series of payments throughout the years in order to pay it back. It takes the average person 21 years to fully pay back their student loans. The people that take out the most loans are people between the ages of 25-34. (Helhoski & Lane 2021) Considering this, people will be in debt even when they are trying to provide for their families and loved ones.

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

In America there is approximately 1.6 trillion dollars that people owe in student debt. (Helhoski & Lane 2021) This surpasses the total for the car loans and credit card loans. When the amount of debt for secondary education is more than the amount for things that are more definite in your life, then there is a serious problem. 1 in 8 Americans acquire student loan debt at some point in their life and carry it with them. Older generations tend to have more debt according to federal data. (Helhoski & Lane 2021)

When applying for student loans, people usually don't take into account the possibility of there being a career path shift causing you to not be able to pay off your loans. People also don't take into account the many opportunities for scholarships that you could apply for since they are not advertised how they should be. Students should be able to take advantage of every opportunity they can get when it comes to "free money"

1 in 8 Americans acquire student loan debt at some point in their life and carry it with them throughout. Older generations tend to have more debt according to federal data. There are more people taking loans from federal establishments rather than private ones.

What is the Crisis?

First we will go into what the problem really is. Student debt as a whole was only created because 21% of borrowers delay getting married, 26% delay having kids, and 36% put off buying a home, forcing an entire generation to question the opportunity cost of going to college. Advancements in technology are making it a lot harder for people to make a living for people with just a high school diploma vs people with college degrees. This combined with the skyrocketing prices of college tuition throughout the years is causing a decline in the economy. This could also lead to the continuation of the recession that we have been in since 2009.

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

The crisis with student loans is affecting our credit statements as well. When they accumulate so much debt that they cannot pay off, it affects their credit in large amounts. We need credit to buy apartments and houses and if our debt is slowly increasing (interest), then it will take longer for us to be able to build our credit. For example, if you miss a payment or a payment is late, then your score will go down since that shows that you are not responsible enough to gain more credibility A.K.A "credit."

There are things called student loan forgiveness, cancellation and discharge. They are all almost the same but are used in different ways. These can take money off or completely cancel the student loan. When it comes to you not having to pay your loans any more due to your job, this is called cancellation or forgiveness. (studentaid.gov) If you are no longer required to make payments due to another circumstance, then this is called a discharge. People can apply for student loan forgiveness but it is not likely yours will be approved if you apply. There is a 2.2% chance that you will be accepted. (Helhoski & Lane 2021) This would add to the problem because they do not have a good chance of getting this stress taken off of them. Usually if you work for a government nonprofit then you would be able to receive student loan forgiveness. There are many different types of student loan forgiveness that you may be eligible for that you should find out about. For example, There is teacher loan forgiveness, closed school discharge, Perkins loan cancellation and discharge, total and permanent disability discharge, etc. (studentaid.gov) Since all of these are not available to the masses, there is no way for the loans to be lowered at a faster rate than it is going at now.

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

When someone goes into college, they have to think about if their educational investment will cause them to have a crippling amount of debt early in their adult lives or if their investment will benefit them in the long run AKA financial stability. (CNBC Make It 2020)

Women and Student Loans:

Student loan debt is a huge problem. It takes away the opportunity to pay for a mortgage, a car, and better rates on car/homeowners insurance. Most people don't really realize it, but women are the main targets when it comes to student loan debt. An article states "women hold nearly two-thirds (\$890 billion) of the country's \$1.4-trillion student debt while men hold \$490 billion" (N/A 2018), some of this is due to the gender pay gap between men and women. Women were paid \$82.3 cents for every dollar men made. That mean's women were paid 17.7% less than men, earning \$10,157 less than men (Sheth, Hoff, Ward, and Tyson 2021). A couple reasons as to why women take longer to pay off their debt is due to child and family care, higher student debt, higher college costs, and lower pay. Now if we want to get into the nitty gritty, POC out more graduate school degrees," Black women have an even more difficult time repaying loans due to both gender and racial discrimination. The American Association of University Women estimated Black women leave school with \$37,558 in average debt, the highest of any group. "Women of color typically tend to pursue careers in education, social work, and psychology, which pay less and require masters or doctoral degrees.

Why do People take out student loans?

When someone goes to university unprepared financially, then they can get tricked into getting student loans. Having knowledge and accessibility to information is beneficial to youth especially in today's time because the price of college has increased significantly since the baby

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

boomer era or even generation X. When taking out a loan, it is always good to consider the amount you will have to pay back over time. This as well as how long it will take you to pay back how much you borrowed.

Why does college cost so much?

“Lindon B Johnson and John F Kennedy paved the way for the Higher Education Act to be passed, which offered grants based on a student's income. At the time, education costs were low, college enrollment numbers grew, and the economy grew with it. In 1981 (the Ronald Reagan era) there was a tax revolt among the states. This was when states passed tax and expenditure limitations that impact the cost of education. This meant the state's budget was threatened. So they attempted to solve this by having colleges raise their prices or expanding class sizes.” This trend continued and this has led to the incline of the amount of money people pay for college. (CNBC Make It, 2020)

POC and Students loans

People of color make up 50.8 percent of people who have to take out loans. (Malanie Hutson 2021). A majority of people of color grow up in a low minority neighborhood, most likely going to a low income school nearby. They do not get all the opportunities like how going to a white based private school would get. That being said, they are not as fully educated about student loans because of lack of resources. Which may lead to them taking out a student loan blindly with no information on how that would affect them in the future, with their credit score and buying a car. A large growing body of statistics and research have shown that the large population of student loans are from black student loans (Richard Pallardy 2019).

How do your student loans affect you after college?

Student loans can have many effects on your life after college. Many college students are prone to believe after they finish college that they will get the job that they hope for with the degree that they got but for most that won't happen. So many may have to go back to working a regular job that does not need a degree. Paying back student loans requires you to meet a certain requirement of monthly income to develop a plan or how much you can pay back per month. Having unpaid Students loans can result in having bad credit, which can turn into having trouble with buying big purchases like a car and a house.

Why are people not taking advantage of “free money?”

Low Income families take the hardest blow when it comes to applying to colleges. This is because they do not make enough money to receive as many benefits but they don't make enough to keep up with all of their payments causing them to have to take out loans.

(Scholarship America 2021) This would tell us that some people do not have the access to getting good scholarships directly from schools. Middle income families do not make enough money to qualify for student aid, but they make too little to actually provide for themselves or their children in college without taking out a loan. Higher income families can usually pay a lot more of the expenses that comes with attending a college.

FAFSA, Scholarships, Grants, and Sponsors are available for applications when applying for college so that you will have less student debt once you graduate. (Aretha Franklin). When most students come out of high school, they are illiterate when it comes to the future finances and opportunities so they just give money to student loan people without knowing the

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

consequences. Meaning, they do not know about all of the opportunities there are to gain a scholarship or grant.

References

Aid, Student *Federal Student Aid*, studentaid.gov/manage-loans/forgiveness-cancellation
<https://studentaid.gov/manage-loans/forgiveness-cancellation>

America, Scholarship “The Far-Reaching Impact of the Student Debt Crisis.” *Scholarship America*, 9 Apr. 2021, <https://scholarshipamerica.org/blog/the-far-reaching-impact-of-the-student-debt-crisis/>

Business, Harvard “What Will It Take to Solve the Student Loan Crisis?” *Harvard Business Review*, 23 Sept. 2019, <https://hbr.org/amp/2019/09/what-will-it-take-to-solve-the-student-loan-crisis>.

CNBC Make It “How U.S. Student Loans Became A \$1.6 Trillion Crisis.” *YouTube*, YouTube, 13 June 2020, <https://www.youtube.com/watch?v=Byarlf31lfl>

Equifax “How Can Student Loans Affect Credit Reports?” *How Can Student Loans Affect Credit? | Equifax®*
<https://www.equifax.com/personal/education/credit/report/how-can-student-loans-affect-credit/>

Helhoski, Anna “Student Loan Debt Statistics: 2021.” *Nerd Wallet*,
www.nerdwallet.com/article/loans/student-loans/student-loan-debt

Kirkham, Elyssa. “How Does Student Debt Affect the Economy?” *Student Loan Hero*, 28 June 2021, <https://studentloanhero.com/featured/effects-of-student-loan-debt-us-economy/>

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

W, AAU. "Analysis: Women Hold Two-Thirds of Country's \$1.4-Trillion Student Debt – AAUW : Empowering Women Since 1881." AAUW, 6 Mar. 2020, www.aauw.org/resources/news/media/press-releases/analysis-women-hold-two-

Company Description

Our company will be focused on education about student loans. We will be partnering with schools in order to provide them with a for-profit website that will give them guidance on the ins and outs of student loans. Our company will be a hybrid between a virtual location and a physical location with the physical location being schools where we will send our informative partners to talk to the students monthly.

If the students are more educated about student debt, they are less likely to either avoid it or have less of it. There will be a scholarship offered to high schoolers their senior year based on how long they have been in the program as well as the amount of effort put into the class. College freshmen and sophomores will be rewarded with a scholarship as well based on the grade that they earn in the class.

This will be the stepping stone to future generations having less student debt since they know how to avoid it. Our class will teach students on what to do if they receive debt and how to properly manage their money. They will be learning life skills as well such as credit scores and how those work since student loans can affect your credit score. We will be teaching students how these loans will affect their lives in the future and also that there are many scholarships out there to help them even more.

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

Marketing Analysis

Our target market will be students within low income communities in the Central Florida area. These demographics contain college freshmen and sophomore students since they usually do not have a steady form of income just yet. Our demographic that we would aim for would be all races from the ages of 14-22 since this is the age that more people have little to no understanding of debt but still want to go to college.

The primary pain points experienced by your target customers?

Something that our demographic seems to struggle a lot with are stress, exhaustion, anxiety, tiredness, and working low income jobs. All of these play a role in the lives of a college or high school student. "A report by the Anxiety and Depression Association of America found that 80 percent of college students frequently or sometimes experience daily stress." (Staff Writers, 2021) When a student is stressed this is likely due to exhaustion and tiredness from the lack of sleep and over studying that college students go through.

College students tend to stress once they leave college because of student loans. After college, a lot of people don't go into the field that they studied for. This can cause them to have an even harder time paying their student loans since they don't make as much as they intended.

What are the most prominent needs of your target market and how can your products or services meet these needs?

The most prominent needs of our target market are to have them learn more on how to avoid debt. Most students get into debt because they aren't prepared. They don't plan ahead or really think about their future. "Some don't take the initiative prior to high school graduation

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

to apply for scholarships, which they don't have to pay back. Most will wait until the last minute and then are forced to apply for student loans to cover their college expenses" (Frierson) I think if we are able to give High Schoolers the information and tools they need they will succeed and their debt amount will be very low. For example there is Bright futures scholarship that pays for 75% of a college tuition. And this is specific to the state of Florida. Now I'm sure a lot of other states have state exclusive scholarships. It's very important that High Schoolers are aware of these opportunities.

Another reason some students fall into debt is because they might not be aware about how student loans work. Some students probably pick the loan with the highest amount to help get them through college. What they don't realize is that these loans might have huge interest rates, which means after college they are going to owe a lot of money.

One more reason students might accumulate a lot of debt is that they aren't using the resources around them. "There are programs such as work study that will help you to pay for some of your college expenses. A part time job offers you an opportunity to pay for your college living expenses." (Frierson) It's really important to realize that there are so many opportunities to help pay for college tuition. As well as getting a part time job. A part time job can go a long way, it will help you pay for bills and car insurance while the Pell grants and scholarships you get pay for your college tuition. The needs of our target market is just being informed. We want to help provide this information to millions who currently attend high school. We want to have classes that educate students about loans, interest rates, how to budget, and scholarships so that they are prepared when they leave for college. That's how we're going to meet their needs.

Where your target market spends most of their time, such as particular social media platforms and physical locations?

Answer: Our target spend most of their time at work and school. Specifically they might be spending their time going out to clubs, shopping, playing video games, and sleeping. It is stated in this article that “American teenagers spend an "astounding" nine hours a day with digital technology, entertaining themselves with streaming video, listening to music and playing games” (Fox and Edwards) this is a huge amount of hours into digital technology. That means if we promote our services to them through social media then we’ll definitely garner a lot of attention. A LyfeMarketing article states “According to Statista, 70% of the U.S. population has at least one social media profile. And by 2021, the number of worldwide social media users is expected to reach about 3.1 billion people.” (Smith) this means about a million people would probably see our ad’s in maybe 2 months. Social media also has the ability to garner our business more recognition. If more customers see our business and they love our services then our business would not only rated high but our business could also be spread by word of mouth.

Competitive analysis

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

Millennialmoney.com has a big title (What we teach high schoolers about student loan debt). It's an article informing that high schools are saying it's okay to have student loans. This website also gets revenue by how many clicks they get.

Studentloanhero.com is an article showing and stating facts and statistics on student loans and their effects. At the end of the article they suggest 9 good student lenders. I'm assuming that's how they get their revenue by advertising and suggesting these companies.

Consumerfinance.gov is a Government company which is probably funded by the government. It's another article about student loans.

Investopedia.com informs people about student loans. They get their revenue by selling ad spots on their website.

Their mission is to attract students or people who already have student loans, to help them financially. Compared to our mission which is to educate them about student loans before taking them out. Also they are more towards the older age group as we're more towards younger.

In order to become on the same level or greater than these sites, we would have to really push and convince schools to partner with us. It's really important to us to come up with classes to help teach high schoolers and incoming college freshmen how to avoid student loans. We need to come up with creative classes and classes that will be interesting to these students. Also to come up with a user friendly website and hopefully get a good source of income.

Since we are trying to appeal to a younger audience with the website that is educational, there would be more "fun looking" navigation skills used. For example, more easy access buttons to know exactly where something is. We as a company would make our website

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

a place similar to canvas as to where there will be assignments located on the site for the class. Not to mention that most websites and articles are geared for an older audience who are already in debt. We want to stop debt before it even begins by making a class for high school students and incoming college freshmen. Our goal is to partner with schools to come up with student loan debt educational classes.

Management and operations

Well we'd have four people employed, one is going to be our tech person. He'd be working on the website and making sure that it's up and running at all times. He'd also be the person who creates the website. We'd also need approval from the county's (Seminole and Orange county) to incorporate our education of Student loans, the pros and cons of government and private loans, the difference between the two, and interest rates. We'd be incorporating this information into classes like Economics, Economics with financial literacy, and Personal family finance classes.

Marketing and sales

Our marketing strategy would be to offer a class that is available each semester to schools around central Florida about student loan debt. We can create a business profile that includes our class, website, and canvas course; on a social media platform to promote our business to our target audience. We will be using Instagram, for posts that can be related to them. Tiktok is going to be where we make videos about facts and statistics about student loans. Which are juniors, seniors in high school and freshman and sophomores in college. According to statistics.com, 90% of people who use social media are 18 - 29 which is the

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

approximate audience age we try to target. So they will most likely be the ones viewing our website and social media platforms.

Our sales will include charging the schools for the class we offer every semester, along with the canvas like course. Our website will include paid promotion ads from different companies like banks and loan debt agencies.

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

Financial Summary

Revenue	\$250,000
Computer Technician	-\$35,000
Owners salaries	-\$135,000
Promotional expenses	-\$1,000
Insurance	-\$1,020
Social security and Medicare	-\$14,535
Unemployment tax	-\$11,780
Interest on loans	-\$5,000
Legal and professional fees	-\$1,500
Accounting fees	-\$1,500
Business license and permitting fees	-\$100
Website Creator	-\$10,000
Total Profit	\$33,565

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

References

“Causes of Stress in College Students - Q&A With Dr. Traci Lowenthal and Dr. Steve Langerud.”

Affordable Colleges Online, 13 May 2021, www.affordablecollegesonline.org/balancing-student-stress/#:~:text=A%20report%20by%20the%20Anxiety,or%20sometimes%20experience%20daily%20stress.

Hui, Alden. “How Much Does an Accountant Cost for a Small Business?” *Health Spending Account for Small Business in Canada*,

www.olympiabenefits.com/blog/how-much-does-an-accountant-cost-for-a-small-business

Kriss, Randa, NerdWallet. Read more. “14 Business Startup Costs Business Owners Need to Know.” *NerdWallet*, <https://www.nerdwallet.com/article/small-business/business-startup-costs#:~:text=According%20to%20SCORE%2C%20all%20told,includin%20accounting%20and%20legal%20fees>

<https://www.nerdwallet.com/article/small-business/business-startup-costs#:~:text=According%20to%20SCORE%2C%20all%20told,includin%20accounting%20and%20legal%20fees>

Kurt, Daniel. “Student Loan Debt: 2020 Statistics and Outlook.” *Investopedia*, Investopedia, 19

June 2021, www.investopedia.com/student-loan-debt-2019-statistics-and-outlook-4772007

“NGPF Blog.” *QoD: What Percent of College Graduates End up Working in the Field of Their*

Major? - Blog, www.ngpf.org/blog/question-of-the-day/qod-what-percent-of-college-graduates-end-up-working-in-the-field-of-their-major/

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

Person. "Top Online Business Loan Options in 2021 and How to Apply." *Fundera*, Fundera, 16 Dec. 2020, <https://www.fundera.com/business-loans/guides/online-business-loan>

Progressive. "How Much Does Business Insurance Cost?" Progressive Commercial, Progressive, 2021, www.progressivecommercial.com/business-insurance/business-insurance-cost/

Recruiter, College. "5 Reasons College Students Are in Debt." *College Recruiter*, www.collegerecruiter.com/blog/2013/09/18/5-reasons-college-students-are-in-debt/

Sabatier, Grant, et al. "What We Teach High Schoolers About Student Loans: Student Loan Lies." *Millennial Money*, 23 June 2020, <https://millennialmoney.com/teach-high-schoolers-student-loans/>

Sarah Berry "How Much Does a Small Business Website Cost?" *WebFX Blog*, 15 May. 2020, <https://www.webfx.com/blog/web-design/how-much-does-it-cost-to-build-a-website-for-a-small-business/>

Salary.com, Site built by: "Computer Technician - Entry Salary in Florida." *Salary.com*, <https://www.salary.com/research/salary/alternate/computer-technician-entry-salary/fl>

BUSINESS PLAN, SOCIAL ENTREPRENEUR STUDENT LOAN DEBT

Smith, Keran. "15 Reasons Why Marketing Through Social Media Should Be Prioritized." Digital Marketing Blog, LYFE Marketing, 15 Apr. 2021]\ www.lyfemarketing.com/blog/marketing-through-social-media/

"Student Loans." *Consumer Financial Protection Bureau*, www.consumerfinance.gov/coronavirus/student-loans/

"U.S. Student Loan Debt Statistics for 2021." *Student Loan Hero*, 27 Jan. 2021, <https://studentloanhero.com/student-loan-debt-statistics/#:~:text=Among%20the%20Class%20of%202019,both%20private%20and%20federal%20debt.&text=You've%20probably%20heard%20another,among%20about%2044.7%20million%20borrowers.>