Your Finances → Your Future
Financial Literacy & Loan Repayment

Fall 2017
Graduation is closer than you think.

Don’t let questions about budgeting, loan repayments, or personal finance keep you from enjoying your time at NYU!
Prodigy Finance + NYU Stern: By the numbers

Prodigy Finance is the pioneer in community-based student finance.

NYU Stern

MBA, TRIUM, MS Global Finance, Risk Management, EMBA

7500+ students funded to date since inception (2008)

118 nationalities in the loan portfolio

$350M cumulative loan originations

98% performing loans since repayments started in 2009

190 students funded to date

30 distinct borrower nationalities

$7.7M total loans offered

$40K average loan size
Back to Reality: Own your Personal Budget

“For many people, making a budget is a chore, but not you—as an MBA, this is your bread and butter!”

2) https://www.mint.com/how-mint-works/budgets#toc

• Incorporate your loan repayments into your monthly budget
• Take advantage of money management tools, like Mint
The ABCs (& FAQs) of Loan Repayment

A few important things to remember about your Prodigy Finance Loan:

• There is a 6-month grace period from the last date of classes. One less thing to worry about in the post-MBA transition.

• Hoping to get an early start? There are NO prepayment penalties or fees.

• Many students prefer to make bulk payments. And that’s just fine.

• The total amount paid each month should match, or exceed, the amount due and be received in the same currency you took your loan in (USD).
Repayment Options

The following options are available right now:

1. **Flywire**
   - Make payments in any of 70 different currencies, from over 120 different countries
   - Pay via bank transfer, Mastercard, Visa, or local payment systems
   - Direct from you to us, via a dedicated intermediary, using the link that appears right on your statement

2. **Direct Bank Transfer**
   - Pay directly from your own bank to the Prodigy account listed on your statement
   - First convert your payment into the currency of the loan and then execute the transfer
   - Keep in mind that wiring and transfer costs may apply

3. **International Payment Platforms**
   - Worldpay, TransferWise, CurrencyFair and others will exchange your currency and execute your transfer
   - Be sure that the platform you choose allows transfers from your country and currency to the UK

It is your responsibility to ensure your payment reaches our bank accounts on time – **avoid late fees**

Every payment must be received on or before the **28th of the month**

International transfers can take up to **10 business days** to go through
Reviewing Your Monthly Statement

Hello again, old friend.

You will have received your first statement electronically the month after your first disbursement, and every month afterwards.

You will continue to receive a **monthly** statement in PDF format by the 15\textsuperscript{th} of each month as long as you have an outstanding balance on your loan.

You will also receive an **annual** statement summarizing the previous 12 months’ transactions.

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The first payment for this graduating class will be: **NOV 2018**

Monthly amounts will vary based on previous payments & changes in **3-month US Libor**

No reason to go it alone, if you need help contact: **Payments@prodigyfinance.com**
Monthly Statements

Page 2 gives details of repayment options.

Page 3 details your repayment history.

Summary of different loan balances from inception.

Total due this month & date expected.

Explanation of the most important statement contents.
2 repayment examples: $50k loan

1
Normal payment over 7 years:

Mary pays her $870 monthly payment:

• Starts payment 6 months after graduation in October 2016
• Pays monthly $870 that varies as the US Libor rate changes
• Last payment in October 2023 (7 years)

Mary ends up paying $74k on the $50k loan

• The $50k loan adds **$24k in interest** during the 7 years

2
Prepay in 3 years:

John starts making payments in January right after he gets his job:

• Initial $10k payment with signing bonus in January 2016
• Decides to increase his monthly payments to around $1400 per month starting in February 2016
• Ends payments in January 2019 (3 years)

John ends up paying $62k on the $50k loan

• The $50k loan adds **only $12k in interest** during the 3 years and with the extra repayment
Loan Terms

**Longer** loan term = lower monthly payments but **greater interest** over the duration of the loan

**Shorter** loan term = higher monthly payments but **lower interest** over the duration of the loan
How much is too much debt?

Personal debt ratio represents the total amount of debt as a portion of your after-tax income.

The appropriate level of debt depends on many factors. Calculate total debt by adding budget items like student loans, mortgage and credit card payments and dividing the sum into your after-tax income.

Here's a simple example:
If you earn $4,000 (after taxes) per month, and have student loan debt of $400 and credit card bills totaling $600- your debt-to-income ratio is 25%

3) https://www.debt.org/advice/do-i-have-too-much/
Debt trajectory evolves

Over the course of your life, spending and savings patterns will change. So will your level of debt.

**Here are some statistics on average debt:**

“An individual in her 30s who earns more than $100,000 per year has an average debt load of $247,000…someone in his 60s with an income below $50,000 typically has only $24,000 in debt, a tenth of the amount of the younger person.”

4) [https://www.debt.org/advice/do-i-have-too-much/](https://www.debt.org/advice/do-i-have-too-much/)
“Big goals can carry big price tags.”

The same budgeting principles you apply to paying off your loans for graduate school can be applied toward other major purchases you make now, or in the future.

Here are some of the other “pieces of the pie” to think about as you build your budget & plan for repayment.

5) https://blog.mint.com/planning/hey-big-spender-can-you-afford-it-122016/
Personal Savings & Investment

What to save, how to do it

1. Save for emergencies. Most financial experts recommend having 3-6 months worth of spending in liquid/cash savings.
2. Start saving for retirement early- there are several free tools, like the Betterment Retirement Savings Calculator, that you can use to determine how much you need to save each month to hit your goals.6
3. More freebies: tools like Qapital or SmartyPig can help you resist the temptation to spend rather than save.7

Don’t forget your credit score

4. Your score is impacted by your repayment behavior and is important for things like buying or renting a home, or qualifying for a car loan.
5. Use a credit card to establish and raise your score. Hitting 750 + can unlock lower interest rates for future debt.

Should you invest while repaying?

6. Depending on the loan interest rate, it may be best to pay off your student loan first and invest second.8
7. Paying your loan off is like getting a guaranteed rate of return equivalent to the rate on your loan.
8. Take advantage of long-term investment options your employer might offer, like a 401K.

6) https://www.betterment.com/retirement-calculator/
7) https://blog.mint.com/planning/hey-big-spender-can-you-afford-it-122016/
Some basic rules for Major Purchases

<table>
<thead>
<tr>
<th>Home</th>
<th>Car</th>
<th>Vacation</th>
<th>Splurge</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>15</td>
<td>5</td>
<td>$</td>
</tr>
</tbody>
</table>

Cap payments for major purchases at this % of after-tax income.\(^9\)

Buying or renting?

The choice between buying a home and renting one is among the biggest financial decisions that many adults make. There are many factors to take into account in making this decision.

Compare scenarios using a mortgage calculator or free tools, like those available on Trulia\(^{10}\) or the NYT\(^{11}\), to compare monthly rent vs purchase costs.

\(^9\) [https://blog.mint.com/planning/hey-big-spender-can-you-afford-it-122016/](https://blog.mint.com/planning/hey-big-spender-can-you-afford-it-122016/)
\(^{10}\) [https://www.trulia.com/rent_vs_buy/](https://www.trulia.com/rent_vs_buy/)
Fintech to the rescue

It’s never been easier to manage money than the current digital age….there are loads of apps out there!

Easy to split house costs (Splitwise), microinvesting (Acorns), challenger Banks that give monthly spend breakdowns (Revolut, Moven), AI personal finance advisory (Olivia, Penny).

You name it…there’s an app for that.

Golden Rule (s):
do your due diligence,
make sure data is secure
Thank You

Have questions? Ideas? Just want to say “hello”?

Contact the Prodigy Finance Payment Team
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