



How Can MPOWER Financing Reach More Women and Underprivileged Students in Key Emerging Markets through Digital Marketing?

MPOWER Financing is the only American company that makes loans to international students studying at top U.S. and Canadian universities without requiring collateral, a co-signer, or a U.S. credit score. The company has always had social impact at its core. It was incorporated as a certified B (social enterprise) corporation, has obtained a “platinum” rating on the Global Impact Investing Rating System (GIIRS), and has a mission statement that puts social impact at the center of the business: “We enable high-promise global citizens to further their academic and financial aspirations because we believe that socio-economic mobility should be borderless.”

Company Background

In 2014, Manu Smadja, who had originally come to the U.S. as an international student from France, was working on a financial inclusion project for McKinsey Consulting in Africa. Then he received an email from a fellow member of a University of Virginia (UVA) Latino alumni association requesting a small personal loan for a tuition payment to complete his degree. “I thought it was so unfortunate that this talented young guy, who is now a successful engineer, could not graduate on time — or at all — because of financial issues,” said Smadja. “It also occurred to me that he was not the only one who had to compromise education and a bright future for just a few hundred dollars. I sent him the money — and then decided to start MPOWER.”

But Manu quickly realized that he needed a partner, so he enlisted his old INSEAD classmate, Mike Davis, as Co-Founder. Mike had already found success as a serial entrepreneur, was skilled at raising venture funding, and—perhaps most importantly—shared Manu’s passion for the mission. Mike’s family had emigrated to the United States as political refugees from Iran, and he knew firsthand the financial obstacles international students faced when seeking funding for higher education in the U.S. as he pursued his education at Purdue University.

By the end of 2019, the company had 50 employees (roughly half in Bengaluru, India), had made over 3,000 loans, had closed two \$100 million lending facilities (one with Goldman Sachs) to fund its loans, and was poised for 2X year-on-year growth. MPOWER was named best student lender by U.S. News and World and was named one of the best fintechs to work for by American Banker for the third straight year in a row. The company was also in the process of raising a B equity round.

Product and Business Model



MPOWER was founded to serve those who were not being served by the student loan industry: high-potential international (and DACA recipient) students who were accepted or enrolled at top U.S. colleges or universities but who either could not enroll—or would have to drop out—because they faced a financial shortfall and did not have the necessary collateral, co-signer, or U.S. credit score to qualify for a loan from a private lender. (Only U.S. citizens and permanent residents qualify for federal loans).

MPOWER expanded to serve more than a dozen universities in Canada in late 2018. Borrowers at Canadian schools typically were Canadian permanent residents or Canadian study permit holders.

Unique Model

In lieu of the traditional backward-looking credit model, which focuses on the borrower's family's income and assets, MPOWER employs a forward-looking model based on a proprietary algorithm that estimates the borrowers' future earning potential. While the company looks at U.S. credit scores—and even international credit scores—if they are available, a credit history is not a requirement for a loan from MPOWER. The company also factors in the borrower's past education and work experience and the borrower's university and degree—as well as dozens of other in-house and third-party data sources—to estimate the borrower's earnings and repayment ability.

Eligibility

Because MPOWER's model demonstrates that the quality of the degree-granting institution is a significant factor in determining future earning potential, MPOWER only lends to students enrolled at one of the 350+ U.S. and Canadian colleges or universities it supports. A list of these institutions can be found [here](#).

In order to limit the risk of lending to students who subsequently drop out, MPOWER limits its loans to students with less than two years to graduation. Approximately 80% of MPOWER borrowers are in graduate school, and the remaining 20% are undergraduates in their junior or senior year of college. The approval rate of loan applicants studying for graduate degrees is significantly higher than for those pursuing undergraduate degrees; therefore, MPOWER focuses its marketing efforts on students accepted to or enrolled in graduate degree programs. Moreover, while MPOWER does not limit its loans to particular majors or degree programs, many of its borrowers are pursuing STEM degrees and MBAs.

Loan Terms and Features

MPOWER currently has a maximum loan amount of \$25,000, with a cap of \$50,000 total per borrower. (For example, a student could borrow \$25,000 in one semester, and \$25,000 in a



subsequent semester.) The loan term is typically 12 ½ years—two years of interest-only payments while in school, a six-month grace period with interest-only payments after graduation, and then a ten-year period during which interest and principal are repaid. There is no penalty for prepayment. See **Exhibit A** for more product information.

MPOWER offer the following fixed interest rates to international students:

- 11.99% for “international” students pursuing a graduate degree
- 13.99% for international students pursuing an undergraduate degree

These rates, however, are only the introductory rates. Borrowers can qualify for the following discounts:

- 0.5% for enrollment in ACH (automated payments);
- 0.5% for making six consecutive on-time payments through ACH; and
- 0.5% for providing proof of graduation and full-time, salaried employment. (This last discount only applies to borrowers who have completed their MPOWER-financed degree.)

Therefore, a student’s actual rate may be as low as 1.5 percentage points below the published rate. Many international students pursuing a graduate degree, for example, pay a rate of only 10.49% after all three discounts have been applied, which compares favorably to many in-country loan options. (More details are available on MPOWER’s [product page](#) and [loan calculator](#).)

Application Process

The application process for MPOWER’s loan product—as well as its scholarships—is entirely online. The student fills out a brief questionnaire to determine eligibility. If the student is eligible, he or she is asked to fill out a brief online application. Later in the process, the applicant is asked to upload supporting documentation.

Although the process is all online, MPOWER maintains customer service representatives in the U.S. and in India. These representatives are able to answer questions over the phone or via email. MPOWER regularly received high customer satisfaction ratings (>90%) that compare favorably to industry benchmarks.

Once the loan is approved, MPOWER certifies the loan amount with the student’s college or university to ensure that the necessary expenses are covered and then disburses the amount directly to the university to eliminate potential fraud.

MPOWER Scholarships and Social Impact



MPOWER's mission statement is "We enable high-promise global citizens to further their academic and financial aspirations because we believe that socio-economic mobility should be borderless." It recently issued a [social impact report](#) highlighting its progress in removing financial barriers for diverse high-potential students: borrowers are from over 120 countries; 53 % have family incomes less than \$15,000, and 17 % have family incomes less than \$2,500.

As part of its focus on removing financial barriers, MPOWER awarded over \$80,000 in scholarships in 2019. Its [Global Citizen Scholarship Program](#) is open to all international students at the 350+ schools it supports. Its [Women in STEM Scholarship Program](#) focuses on female international students who will leverage their STEM degree to benefit society and the planet.

MPOWER also occasionally offers joint scholarships with other organizations. For example, it recently partnered with InternationalStudent.com to offer a scholarship for students from Central America; previously, it partnered with La Unidad Latina Foundation to offer scholarships for students from Latin America.

Marketing

MPOWER's key marketing channels currently include:

- Universities – MPOWER is listed on many university websites as a lending resource for students, and university staff often recommend MPOWER to students. To ensure that university administrators are aware of MPOWER's benefits, MPOWER representatives visit campuses, attend conferences, and reach out via email and phone.
- Email marketing – MPOWER sends targeted email campaigns, in addition to its monthly student newsletter, to customer leads generated through its website, its affiliated website eduPASS.org, and its various marketing partners.
- Scholarships – Although MPOWER conducts blind scholarship reviews that do not consider whether a student is a current or potential customer, MPOWER has found that many scholarship applicants later apply for a loan. As such, MPOWER's scholarship programs are powerful tools for brand awareness.
- Marketing partnerships – MPOWER pays a referral fee to a wide range of partners that are service providers to international students, including test prep agencies and admissions consultants.
- Referrals/word-of-mouth – Many customers report first hearing of MPOWER "through a friend." While MPOWER has a formal rewards program for students who refer other



students, many of these referrals occur outside of the rewards program (i.e. the student does not specify who should receive the referral bonus).

- Content – MPOWER provides a wide range of content on its own website, as well as on edPASS.org and through other partners. (Here, for example, is an [interview with World Education Services](#).) MPOWER also conducts webinars for international students. Some of these have been recorded and are available on [MPOWER's YouTube channel](#).
- Paid media – MPOWER uses pay-per-click advertising on Facebook and Google to reach students around the world. At the moment, all ads are in English.

Market Competition

In a recent survey of MPOWER borrowers, 85% indicated that MPOWER was their sole financing option for their degree. Of the 15% who indicated that they had at least one other option, 50% indicated that they could have received the funds from a family member or friend (as either a loan or a gift); 10% indicated that they could have received a loan from Prodigy, a UK-based company that offers a loan product similar to MPOWER's but denominated in UK pounds, with a variable interest rate, and underwriting criteria that limits their loans to a smaller pool of schools and majors/degree programs; 10% indicated that they would have needed to work and save longer; 5% indicated they would have relied on a credit card; and the remaining 25% indicated that they could have received a loan from a private or governmental lender in their home country.

Anecdotal evidence points to concerns about the financial burden on their family members or the “strings that came attached to the loan.”

Of those who indicated that they could have secured funding from another lender, 67% said the lender would have required collateral and a co-signer.

Target Customer and Current Customer Mix

MPOWER's target customer is an individual in his or her 20s or early 30s with an undergraduate education; the drive and the qualifications to apply for and receive a spot at one of the universities MPOWER supports, preferably in a graduate STEM or MBA program; and sufficient financial need to require a loan but sufficient savings, scholarships, or family support to fill any financing needs above MPOWER's \$50,000 loan cap.

As part of its social impact goals, MPOWER is particularly interested in helping more women to pursue a higher education, by providing financial assistance through loans and scholarships. The proportion of female borrowers varies significantly by country, however. In Mexico, for example, female borrowers outnumber male borrowers. But in India, which is MPOWER's



biggest market, only 34% of the borrowers were female, and in Nigeria, MPOWER's second largest market, only 35% of borrowers were female.

MPOWER conducted surveys, focus groups, and stakeholder interviews to better understand the barriers to achieving gender equity in these and other emerging markets. Key barriers identified for both Indian and Nigerian women include:

- Limited opportunities for women to obtain the education and (for graduate school) professional qualifications necessary to be competitive for admission to U.S. and Canadian universities.
- The large share of women in the primary customer age group (25-30) who are married—or being pressured to marry.
- Lack of family support—financial and otherwise. Ninety-three percent of female borrowers surveyed said they had no other financing option besides MPOWER, versus 79% of male borrowers. Some women interviewed said their families could have supported them financially but refused to do so.

From a geographic standpoint, MPOWER has one of the most diverse borrower bases in the world. Borrowers come from over 120 countries. Twenty-four percent are from India, 23% from sub-Saharan Africa, 20% from the Latin America/Caribbean region, 13% from the East Asia/Pacific region, with the remainder from the U.S., Canada, Europe, and the Middle East.



Digital Marketing Challenge

The incredible diversity of MPOWER's borrower base represents both an opportunity and a challenge. Cultural attitudes towards borrowing and studying abroad vary; in some cultures, people do not like to talk about money. The role of parents as decision-makers also varies tremendously. There are also big differences in the usage and sophistication of social media users, the relative penetration of different social media platforms, and the types of marketing messages that resonate. On top of that, there is the challenge of adapting the imagery and even the language (in those markets where consumers prefer ads in a language other than English) to local contexts!

Beyond the challenges of creating ads that resonate with different cultures, MPOWER also faces challenges in appropriately targeting these ads in a cost-efficient manner to avoid displaying ads to individuals who are unlikely to seek a loan to study abroad.

MPOWER would like to create culturally-appropriate, well-targeted digital ads that appeal to MPOWER's target customers (see above for description) who are seeking a loan for study in Fall 2020 in the US/Canada and are currently living in the following countries:

- India
- Nigeria
- Ghana
- Brazil
- Mexico
- Vietnam
- Taiwan
- China
- Bangladesh
- Pakistan

MPOWER is particularly interested in ads that appeal to women. Ads may build on MPOWER's existing #dare2dream campaign or be based on another social media campaign.



Exhibit A- Product Benefits

- ✓ Can be used at any one of the 350+ schools MPOWER supports in the U.S. and Canada
- ✓ Funds are disbursed directly to school
- ✓ Free visa support letter provided upon request
- ✓ Can be used to fund graduate school or junior or senior year of undergraduate studies
- ✓ Can be used to fund tuition, fees, insurance, housing, and other living expenses
- ✓ No co-signer required
- ✓ No collateral required
- ✓ No FICO (U.S. credit) score required
- ✓ Fixed interest rates
- ✓ Flexible loan amounts from \$2,001 to \$50,000
- ✓ Interest-only payments in school and six months after graduation
- ✓ Assists in building customer credit
- ✓ No prepayment penalties
- ✓ In-house servicing team to assist with all payment issues
- ✓ Can make payments from anywhere in the world with a mobile phone (partnership with Flywire)