**WAR ON POVERTY**

**The Status Quo**

Student loans have become a major problem to the future of millennial generation and the U.S. economy. Students owe approximately 1.2 trillion dollars to the government, major lender, and private lenders. Recent research from the New York Federal Bank has shown approximately 40 million people in the United States has defaulted in their student debt. An average of $25,000 is loaned by undergraduate students and more than $25,000 is loaned by graduate students. The positive side of this debt is that more people in the United States have been able to go to College like never before. However, the employment and low income rise to recent College students have set them back to be able to save for their student loan payments. The New York Federal Bank has also discovered that the millennial generation is less likely be able to afford a home mortgage, car loan and insurance, vacation trips and health insurance (without government support) than previous generations. This debt has severely damaged millennials’ ability to consume in America after their graduation. In fact, the NY Fed points out those students who have taken loans and not finished their college education will struggle more to pay their student loans than students who have finished their college. There are a number of propositions out there that believe they have the answer for solving student debt. None of them have worked. War on Poverty is a clever and meaningful solution for millennials to pay their student loans without affecting much their daily lives spending routine.

**The Insight**

War on Poverty is an app and is unique in a way that student loan borrowers can pay off their debts with every purchase made. War on poverty aims to help borrowers to payback their debts or at least maintain their monthly payments. The ultimate goal is to show and help borrowers the benefit of paying loans quicker than making 10, 20 or 30 year plan payments. One of the most frustrating issues with paying off student debt is that, for some, making monthly payments isn’t enough. They are mostly paying their annual interest and not the actual principal on the loan. Most students find themselves in even more debt despite monthly payments. Moreover, most students don’t realize that the longer they take to make payments the more they would be paying. For example, the average amount of loans by undergraduate students is $25,000.00 at a 4.8% annual interest under the Federal Stafford Loan. That is a loan annual payment of $1,200. If this student has not set aside at least $1,200.00 annually to pay loans their debt would only increase.

The issue right now is that college is far too expensive, just like renting in New York. However, colleges have actually increased prices and aren’t looking to reduce their prices any time soon. The solution to this problem is to have students aggressively attack their student loans while they have jobs. The goal is to also have students get their families and friends involved to help to contribute. Being aggressive is the only way students will be able to pay these loans back. Not only that, they need help in order to pay back their debts and War On Poverty has found a way to do so with ease.

We believe that no one has been extremely successful in finding a solution in the past, because businesses are either asking people to donate to these students when there is nothing in it for these people. Businesses are asking the government to just simply remove student debt, or businesses are just asking students for too much financially. Cancelling the debt would only help millenials at a short period of term because new College students would still have to take loans. Moreover, the government has 18 trillion dollars debt which has not been reduced despite government spending cuts since 2009. It is less likely for the government to give away $1.3 trillion dollars in revenue to help students. This decision would put the government at risk of not being able to make its debt payments or look revenue somewhere else such as higher taxes.

**The Solution**

**Value Proposition**

We are targeting anyone with student debt. It doesn’t matter if you are currently in school, graduated 10 years ago or graduated last month. If you have student loans we are here to help. We understand that we will not be able to completely eradicate student debt, for it were that easy, it wouldn’t be a 1.2 trillion dollar market. However, we will significantly impact compounding interest and look to keep students paying off their loans even if they are not working.

The challenge for a recent graduate is that they may have to take a job that is paying much less than they need in order to pay back their loans. The challenge for recent graduates is that no one will hire them and their loans are constantly rising. The challenge for recent graduates is that they did not have to pay off their loans while they are still in school, but they have a large amount of interest to pay off when they graduate. At WOP we have found a way to help students pay off their debts every time they make a payment electronically.

For instance, let’s pretend that you are a student with $30,000 in loans. You recently downloaded the WOP app; your next step would be to give us access to your bank account and student loan information (from the borrowers and not the schools, we are aware that universities will not share information). This is all we need access to, in order to make this work. We have had numerous conversations with lawyers and they have reassured me that this is doable. Once we have access to that information you will notice that every time you go out to make a purchase, that purchase is automatically rounded up (at your discretion, will explain in more detail later). For example, a soda for $1.50 will cost you $2. The 50-cent margin, which was added to your purchase, will be saved to your account until the end of the month.

So, lets say you decide that 50-cent margin isn’t enough. For that reason you decide to round up by one dollar (students can round up to 5 or more dollars), like in the example above, we estimate (based on experiments) that at the end of the month you would have about $25 added to your account. We would take that amount and automatically make that monthly payment to the loan of your choice. This may not seem like much depending on the student, but lets keep in mind that you can add your family and friends to your account at the end of the month. $25 multiplied by 4 is $100. In other words, the student in this example can expect to make a payment of $1,200 a year. Most students are given a 10-year period to pay off their loans, so this student would have made a $12,000 payment using our app, over the course of 10 years. This would benefit the student in many ways, because over that 10-year period that student may or may not have a job. However, with the help of their family and friends, payments will be consistent. When they are working they can look to use our app and make extra payments on the side. WOP will give students the opportunity to take their lives and futures back.

We make money by taking a very small fee at the end of the month. This will allow students to pay back their loans without having to worry about adding another inconvenient expense, essentially getting more students on board. We will also have a forum for students who are successfully using the app, giving students with similar loans the blueprint to success. Finally, we noticed that most students don’t understand finance or budgeting too well, this app will also look to make it easier for students to separate their loans and actual spending money automatically. We’re doing for a student what Tesla is doing to the automobile industry and that’s changing the future.

**Customer Segment**

The U.S. government, private lenders, students, parents and schools will care about our project, because we will help the Government get its money back. We will help private institutions get their money back. We will help students get out of debt and make payments, even if they aren’t able to find work, while not causing a strain on their parents, families and friends.

Our customers are students, the students’ parents, family and friends. We are essentially targeting any student with student debt. There are no exceptions, however ideally we would look to have the student and someone else (family or friend on board) to help out. The ideal champion user would be a student who has family and friends that really want to help this student get out of debt, but they don’t want to hurt their pockets in the process. This strategy allows for people to contribute what they can. When times are hard people spend less and if they are spending less then they will automatically give less. The motive for the family and friends to join is that they are helping someone they care about.

**Opportunity/Solution Fit**

Students will be extremely enthusiastic about this opportunity, because it gives them one less thing to worry about. Everywhere we turn, we see students struggling and we here how it is getting much worse. I am highly concerned, because I too have student loans. I worry about not being able to make consistent payments. I don’t expect anyone to come in and completely remove student loans, but I do believe that WOP will help students pay down their loans in the long run. Students will be excited mostly by the ability to pay off their loans even if they are struggling to find work for the moment. Families will find comfort in the fact that they are helping their child pay off their loans, without emptying their bank accounts.

Currently we lack competition, but we do have seen a few investment companies with a similar concept. In that every purchase made allows one to invest their margins into a portfolio. However, they do not have the option to have one’s family and friends join and come together to make group payments. Currently, there is no affordable way for students and families to attack these loans together. It is always all on the student or parent. This is not simply a direct deposit; it is more than that, for it provides a reasonable and affordable way to knock off student loans.

Our product is not based on individuals’ desire but necessity instead. The student debt loan has become a serious issue in the United States. Based on the Federal Reserve Statistical data and student loan clock, modeled on the National Debt Clock, the current student loan in October 27, 2015 stands at $1,315,397,840,000.00 dollars.

In order to put the student loan debt levels in perspective, student loans will be compared to household loans (Auto loan, credit card and others). In the fourth quarter of 2014 student loan debt was at $1.16 trillion, auto loan debt was at $950 billion, credit card was at $700 billion and other types of debt were at $340 billion. The shocking fact is that in the first quarter of 2004 student loan debt was at $260 billion while auto loan debt was at $720 billion, credit card debt was at $690 billion, and other types of debt were at $450 billion. Student loan debt had increased by 383% while other types of loans had remained under control.

Students who take loans to pay for education desire to pay them on time but around 40 million of them will default at their payments. Our customers need our product as a way to keep up on their payments in order to fully pay their student debt or reduce the impact of compounded interest rates on their student loans.

Student loan debt is increasing monstrously and students who have taken loans see its payments as a necessity, our product will help reduce defaults and keep compounding interest from swelling. It will also allow students to make payments while they are still in school.

What we are sure to know is that approximately 40 million people in America who took student loans will need our service to be able to move out from defaulting again on their next payments. Nobody wants their credit ratings degraded and by making sure at least 40 million maintain their student loan payments on time will guarantee of taking this fear away from poorer credit ratings. On the other, our product also helps to increase credit ratings to the 40 million and who have kept their payments on time by accelerating payments in order to reduce the impact of compounding interest rates.

Our company market potential is verified by data from the National Center of Education Statistics or the New York Federal Reserve statistical data on student loans. Research from those institutions has shown that the student loan has become the biggest debt problem in an American household. Moreover, we have used the data from our own accounts

**Operations Plan**

**Channels**

WOP will be available in Apples app store; we plan to sell our products via the iPhone and via android devices. Students will have access to the free application, however our services will not be free. The fees for developing the app has ranged from $2,000-$3,000. Maintaining the app will cost us $99 a year in the app store and a one-time fee of $25 for android devices. These channels are very affordable, especially if we win the competition. This is the best strategic fit, due to the incredible amount of users for apple and android.

**Key Partners**

In order for WOP to be successful we must partner with loaners and banks. Being that I have worked for J.P. Morgan Chase for more than five years, while working full time. I am confident in my ability to seal the deal with them. I have a solid relationship with the Managing Director, who is responsible for commercial banking, which is the area I need the access to. I think that relationship will help us reduce risk, for we will have access to someone who would be willing to share tips, based on experience. He would also give us advice on the best way to approach the business. He works for Commercial Banking and is more than willing to help.

**Key Resources**

All we need to make this work is a programmer/IOS developer (preferably two) and two MacBook pros. We will need IPhones (I already own one) to thoroughly investigate and test the application. I will mostly use family and friends for testing purposes. Without the smartphones and laptops we wont be able to build the application and thoroughly investigate the application. Yes, I will be able to acquire these resources. We already have one programmer working on the prototype and we have one of the macbooks. We will also need access to servers, but I was informed by one of my mentors that I could do that for a less than $600 a month via Amazon.

**Status & Traction**

We recently started working on the prototype. We found out about the competition October 1st and came up with the concept the same day, while brainstorming. Since then, we have put together a solid team. We have built out the fee structure and are working on the prototype as we speak. We are looking to have a prototype done before the end of the year. We are in the process of building both an IOS application and Android application.

**Critical Risk**

I am completely confident that I can get this project to work. I know what it takes to be a leader. I have built a solid network of people who are willing to help. My mentor Mihir Dange has actually founded a financial company in the past and sold it. He is currently working on a new startup and has answered any and all questions that I have had.

Felix Addison is the VP for the app Who’s Your Landlord and he has also guided me throughout this process. I also have my older brother who has been an entrepreneur for the last 15 years and he has also provided some feedback and guidance. Moreover, I have worked in Finance (Investment Banking) for 6 years, so I have 6 years of experience in this field. With that said, I understand that this application needs to be perfect. In order for this company to deliver the perfect product, I will have to master pitching, which is something that I have been working on. In order to save us some more money, I have been working on my accounting skills. I have also registered for a few events at the New York Business Solutions center, which provides free service. There I can learn how to be a better accountant, because they have classes focused on startups. I can learn how to be a better businessman. I have to master public speaking, which is something I have been working on. These are weaknesses that I have to master in order to save us money for the first year. These are things I can definitely handle because I have done them in the past successfully, even though it was for a larger firm. I have two friends that recently volunteered to help in areas that they can.

We will be able to deliver top of the line quality for the following reasons; Katherine is a graphic design student at NYU Tandon and she will be helping us put together any and all graphic design specs for free. I also have Aaron, who is an NYU Stern alum and he too will be helping me with some of the application development for the IOS platform. Aaron has built a calculator application in the past and would be of some great assistance to the team. We have also added Shetty Shweta who will be focusing on the development of the Android application.

I have my previous professor Pamela Warren, who earned her PhD at NYU and has an extensive career in the legal industry, helping me with the regulatory planning. Finally, we have Vinny and Stephanie. Vinny is an Economics major and is extremely passionate about anything related to finance or Economics. He has helped me build the fee structure and expand a bit on the concept. Stephanie has tons of experience in leadership and marketing. She has been the president of the nursing club for 2 years now and she knows how to reach out to students, put together surveys and build on feedback from students. Currently, we have everything we need in order to be successful. We will need better programmers, to expand on the prototype, we will need to have certain things documented for legal purposes.

I have not had to pay anyone or give away any equity at the moment. Stephanie, Vinny and myself (Roderick Enoch) are the founders of the company. I have merely had people help because I have asked and I am good with building lasting relationships.

One of the main regulatory issues we would face is the terms of usage agreement, a legal professional suggested that we have the documentation well written and that our programmers fully understand what information they have access to and what information we may not extract using our app, for that could make or break our application.

In regards to technical milestones, we have the talent to get the prototype done, but now we need to make sure we win this competition so that we are able to take this application beyond the prototype phase. We have the cellphone devices so that we are able to test the application though the beta phase. Our biggest challenge is essentially getting past the initial prototype.

**Financial Anaylsis**

**Sources and Uses of Start up Capital**

In order for our team to get from concept to launch day, we need $34,783. In regards to hardware, we only need servers. I asked one of my mentors and he suggested that we use Amazon, because it is affordable, it will protect the data of our customers and it can handle a large amount of users. The server we decided on will cost $2,159 for the year. We already have laptops and Internet connections so we wont need any other hardware expenses.

In regards to software, that will be free. I spoke with one of the experienced professionals at one of the Entrepreneur events at NYU and she\*\*\*\* provided me with free software for my team to code with for the first three years of our startup. Maria also suggested that we look to hire a full stack and front-end developer. Combined, we should expect to spend $25 an hour on both and for six months. We would hire these developers part-time and that would amount to about $13,500 each. I spoke with … and he suggested that the initial fee for going corporate as well as making sure our papers meet the regulatory standard should cost us about $5,000.

Finally, building a website so that people can find us on Google or Bing, will cost us approximately $500 (using SquareSpace). Moreover, apple charges an annual fee of $99 to app developers just to put their apps in the app store. Google play (androids app store) also charges a fee, but it is a one-time fee and it is $25.

**Unit Level Cost Analysis**

When evaluating our cost per unit, I had to note that our fee is going to be $2.90 a month per person. Starting with our variable cost, we decided that we would analyze our variable cost per purchase to show the amount earned per person. We found that both apple and Android charge a fee of 30%, for in app purchases and for purchasing the app itself. With this in mind, I came to the conclusion that we will lose 87cents per person, just off the 30% fee. Visa and other credit card services charge about .03% per transaction. That will cost us about 9 cents per person. We plan to pay market our product at .05% per person, which will cost us 15 cents per person. So that as we grow, so does our marketing plan and team. In a nutshell, our variable cost is $1.10 per person. That leaves us with $1.80 to deal with fixed cost.

Our Channel margin is going to be $2.03, because our channel is both apple and android. They charge 30% per in app purchase. Since we are charging $2.90 and 30% of that is 87 cents our channel margin is $2.03. When evaluating our CAC (customer acquisition cost) we found that it would cost us about 15 cents to acquire one person. We compared our marketing expenses to the amount of people we expect to bring in for that first year and came up with that number. Our marketing expense totaled approximately $11,600 and we expect to bring in approximately 80000 people our first year.

When evaluating our fixed cost, we found that our fixed cost totaled about $105,177 for the first year. This included our administration cost ($37,566), insurance ($8,000), marketing ($11,610), rent ($12,000) and wages ($36,000). Even with these expenses, we still estimate that we will be able to profit $57,000 our first year and over $1MM our second.

**Breakeven Analysis**

In order for us to cover our cost, we must bring aboard 58,597 people. This will not be a problem and I will explain why in our pricing and revenue model below.

**Pricing and Revenue Model**

This is what sets us apart from anything available in the market right now. We will charge each student who signs up with us $2.90 a month. I chose $2.90 because it will allow us to make close to a dollar per person that signs up with our application. However, each student that is able to add three or more family members (or friends) will only be charged $1 and we will only charge those family members $1. This works, because we view the student as someone marketing our product and can pay that student for bringing on three people. Moreover, we will look to have our student marketeers bring in family members through the website, essentially removing the 30% variable cost charged by apple. We understand that students have a greater incentive to pay more for this product because it is helping them keep their loans down. We also understand that parents and family members aren’t going to be lured in by fancy ads, but we expect their children to be able to talk to their parents. We expect that these young adults know how to convince their parents to join something that could potentially help them pay off their loans.

**Profit and Loss**

**Variable cost Year 1 and Year 2**

With the pricing and revenue strategy mentioned above, we expect to bring on a minimum of approximately 80,000 student loan borrowers at an average fee of $2.90 a month. This allows us to bring in about $232,000 in revenue for the first year. We came to the conclusion that we could bring in 80,000 people because we would be reaching out to both IOS and android devices. However, out of the 40MM people in loans, we will be able to get a bare minimum of less than 1% to join, especially since we aren’t targeting students alone, but we are also looking to bring aboard family and friends.

Based on the information provided above, I understand that it looks like we are understating our number of joiners for the first year. However we have three different “what if” scenarios and this is the worst case. We chose our worst-case scenario, because it is still financially sound. If we were to bring in 80,000 people the first year, at an average of $2.90, we would essentially be looking at about $88,000 in variable cost. The variable costs consist of and are the same one’s that we mentioned earlier, ranging from the 30% fee that apple charges, the 3% charge from Visa and other credit card companies. Finally the marketing expense, which we decided, would cost us about 5% of gross profit.

When we built out a quarterly P&L for year two, we believe that we would reach far more than 80,000 people, and that we could bring in over 600,000 people for year two. This is slightly more than 1% of the target market. We came to this conclusion, because as our gross profit increases so will our marketing efforts. However, this increase in revenue also increases our variable cost to about $681,000.

**Fixed Cost for Year 1 and Year 2**

For year one, we found that our fix cost will total about $86,000. The $86,000 consists of wages, renting, maintaining the application, telephone, etc. These numbers were provided by websites and actual prices charged by the providers, which you will see on the last page.

In year two, we found our fixed cost to pretty much remain the same, except for the increase in wages. This left our fixed cost at $366,000. We would be hiring more people to help us improve the app and customer service experience. We would also need a much larger living space to accommodate those people.

**Net Income**

We have talked about all of the cost and now it is time to recognize the amount of money we are expected to make. Please keep in mind that this is before taxes. With that said, I would like to note that even with a total of $174,000 in expenses (both variable and fixed combined), we are still expecting our net income to be over $50,000. This is the worst-case scenario for year 1, because we are attracting much less than 1% of the market for year 1. One percent of the target market in this industry is 400,000 people. We are using the Iphone and android devices as our distributers we know that these two devices are two of the largest in the world.

Year two we are expected to reach just over 1% of our target market. In other words, we would reach about 600,000 people. Despite our expenses totaling $1MM for the second year, we would still have a net income of over $745,000. This does not include taxes