

INCOME SHARE AGREEMENTS: A NEW APPROACH TO PAY FOR COLLEGE?



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Income Share Agreements

A New Approach to Pay for College?

2019 Symposium on
Postsecondary Education
Trusteeship

Louisville, KY
September 17, 2019



Guiding questions

1. What does the current landscape for ISAs look like?
2. What questions are important for institutional leaders to consider when it comes to ISAs?
3. How has one early leader, the University of Utah, designed their ISA? What are they learning?
4. What would you like to discuss?



The current ISA landscape

Income Share Agreement Market Map 2019

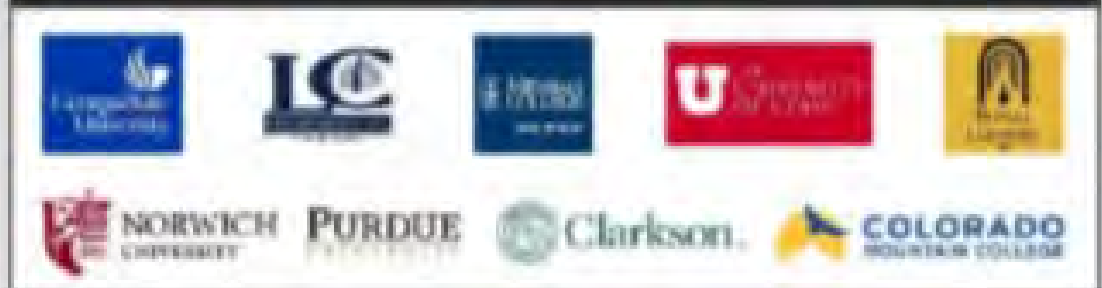
Job Training Programs



Philanthropists and Researchers



Colleges



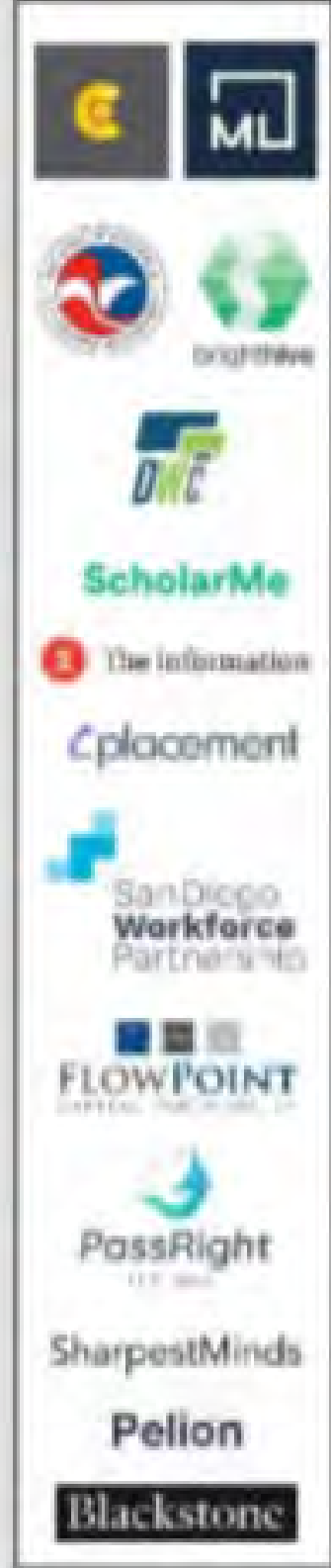
Financial Infrastructure



Investors



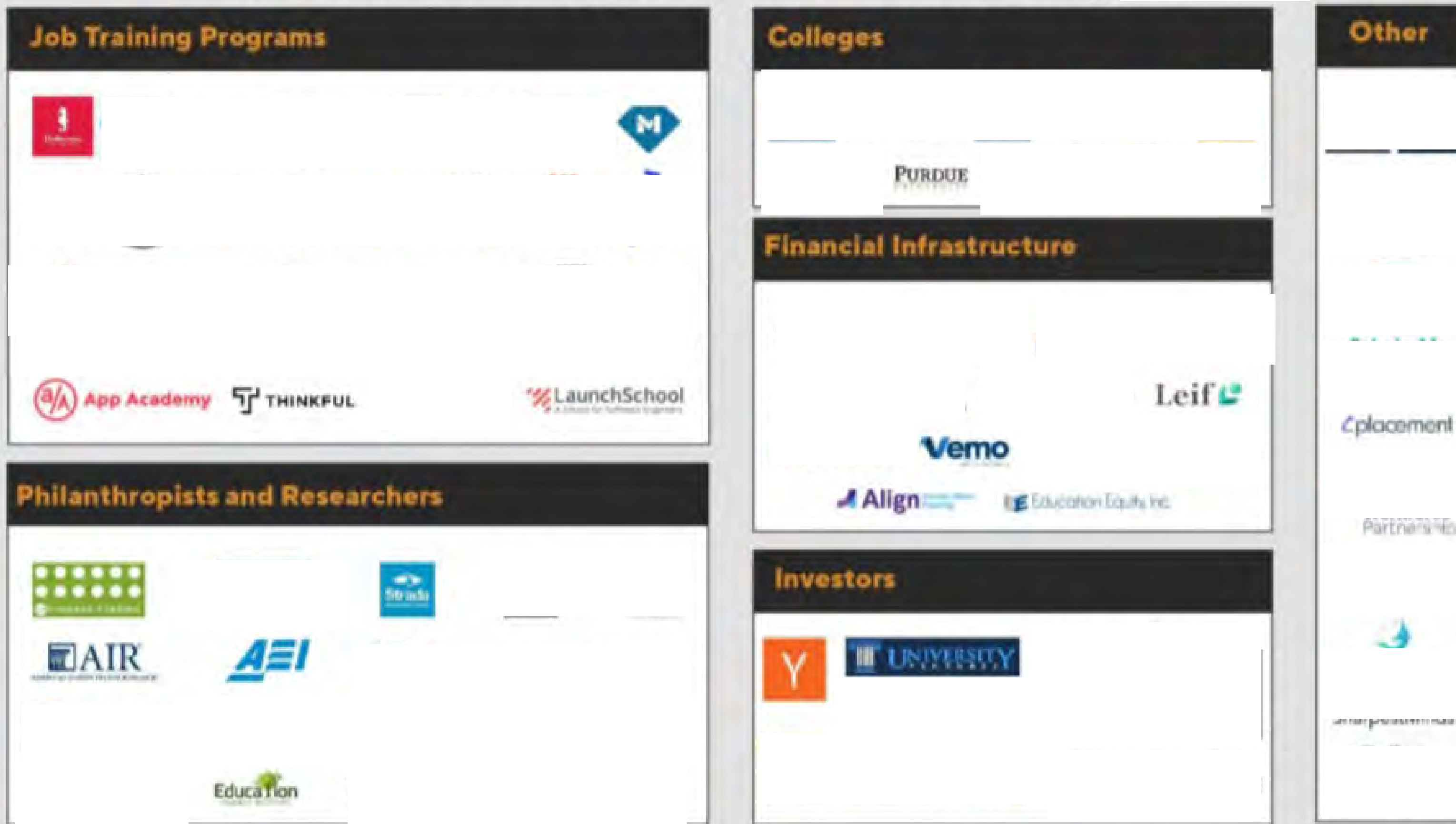
Other



CAREER KARMA. | Edly estimates **\$500m in ISAs** will be originated by the end of **2020** | **40 colleges and bootcamps** currently offering or developing **ISA programs**

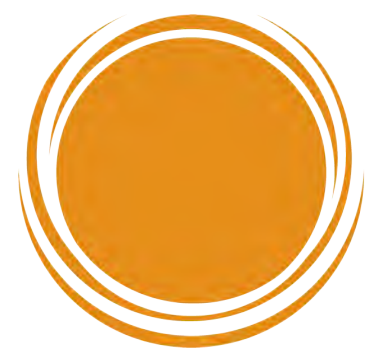
Source: Career Karma, [State of the Income-Share Agreement \(ISA\) Market 2019](#)

Income Share Agreement Market Map ~2016



CAREER KARMA | **\$500m in ISAs** will be originated by the end of **2020** | currently offering or developing **ISA programs**

Source: AIR, [The Income Share Agreement Landscape: 2017 and Beyond](#)



Lumina[™]
FOUNDATION

10 questions on ISAs

Foundational questions

- Why is the ISA being offered?
- Does the ISA fill a gap in our financial aid system?
- How does the provider know what students need and evolve as those needs change?



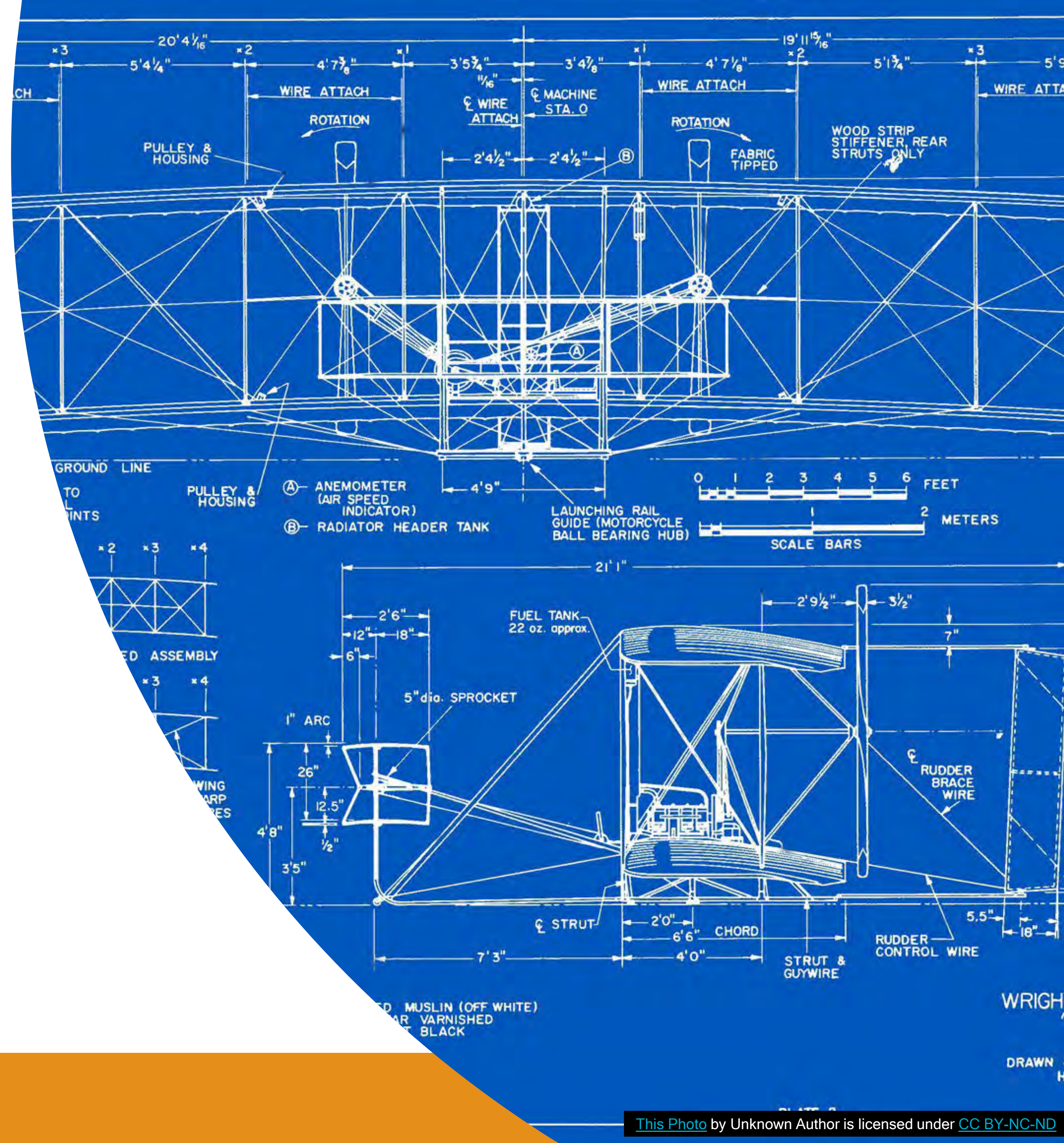
Money questions

- Who will benefit the most from the ISA?
- Who's funding the ISA and what are their expectations?
- What third-party partners does a provider need-and at what cost?



Other design questions

- Does the ISA fit into a broader suite of supports for access and completion?
- What role does location play?
- What legal framework should govern?





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The kicker

What does success look like?



INVEST IN



**Pay Today's Tuition
With Tomorrow's
Success**

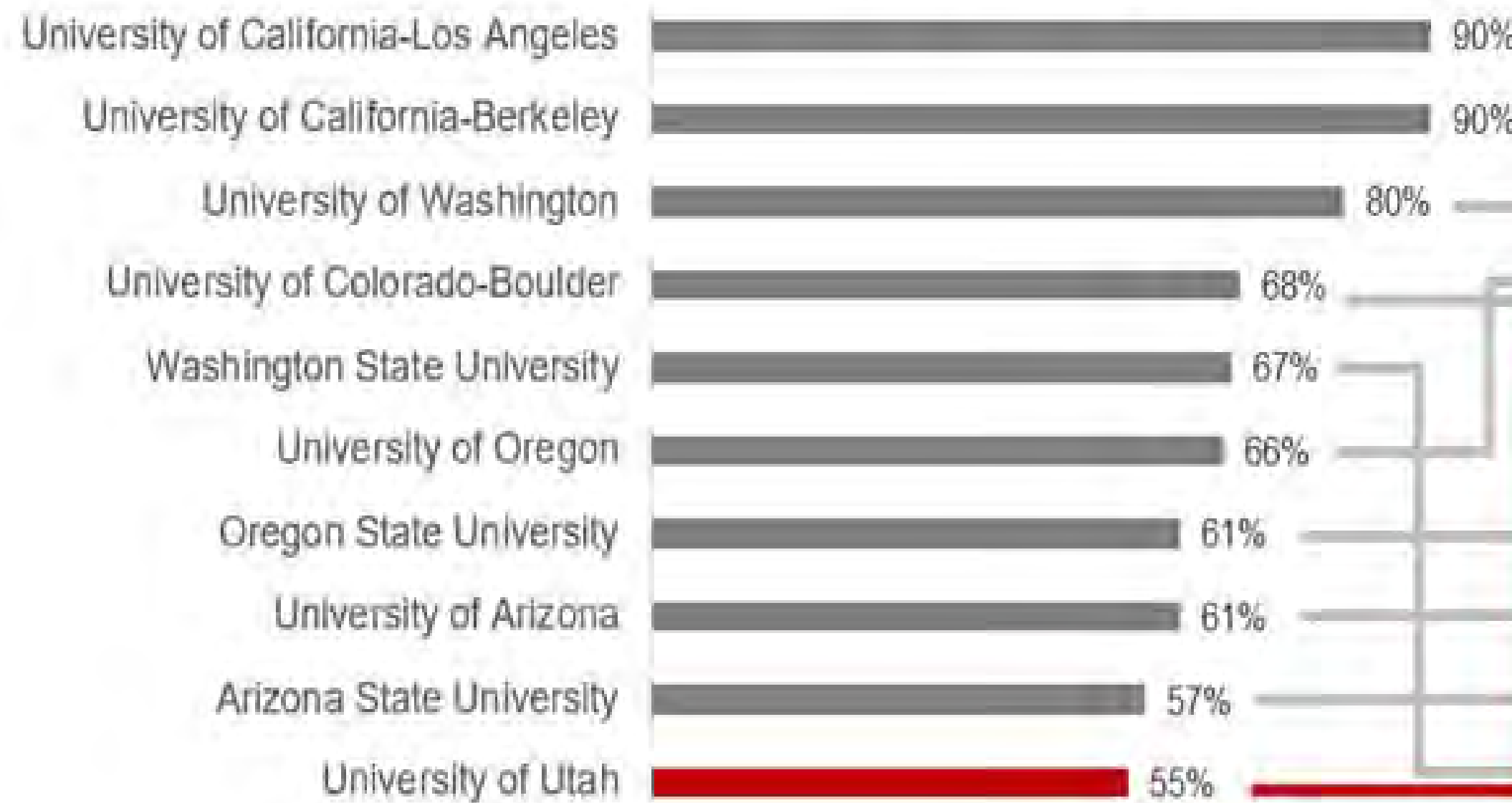


A Presidential Initiative

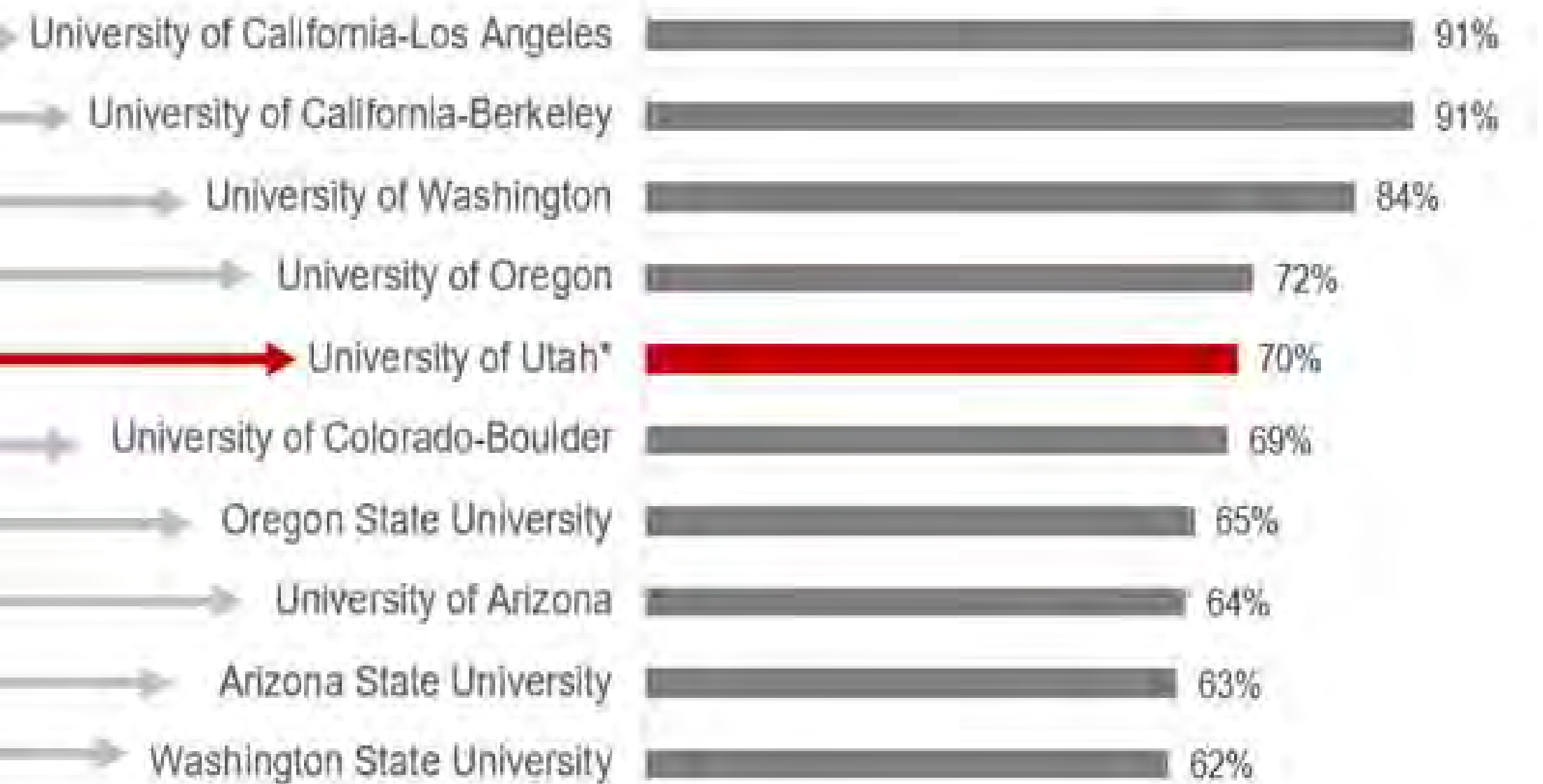


Timely Completion is a Priority

PAC 12 GRADUATION RATES [2011]



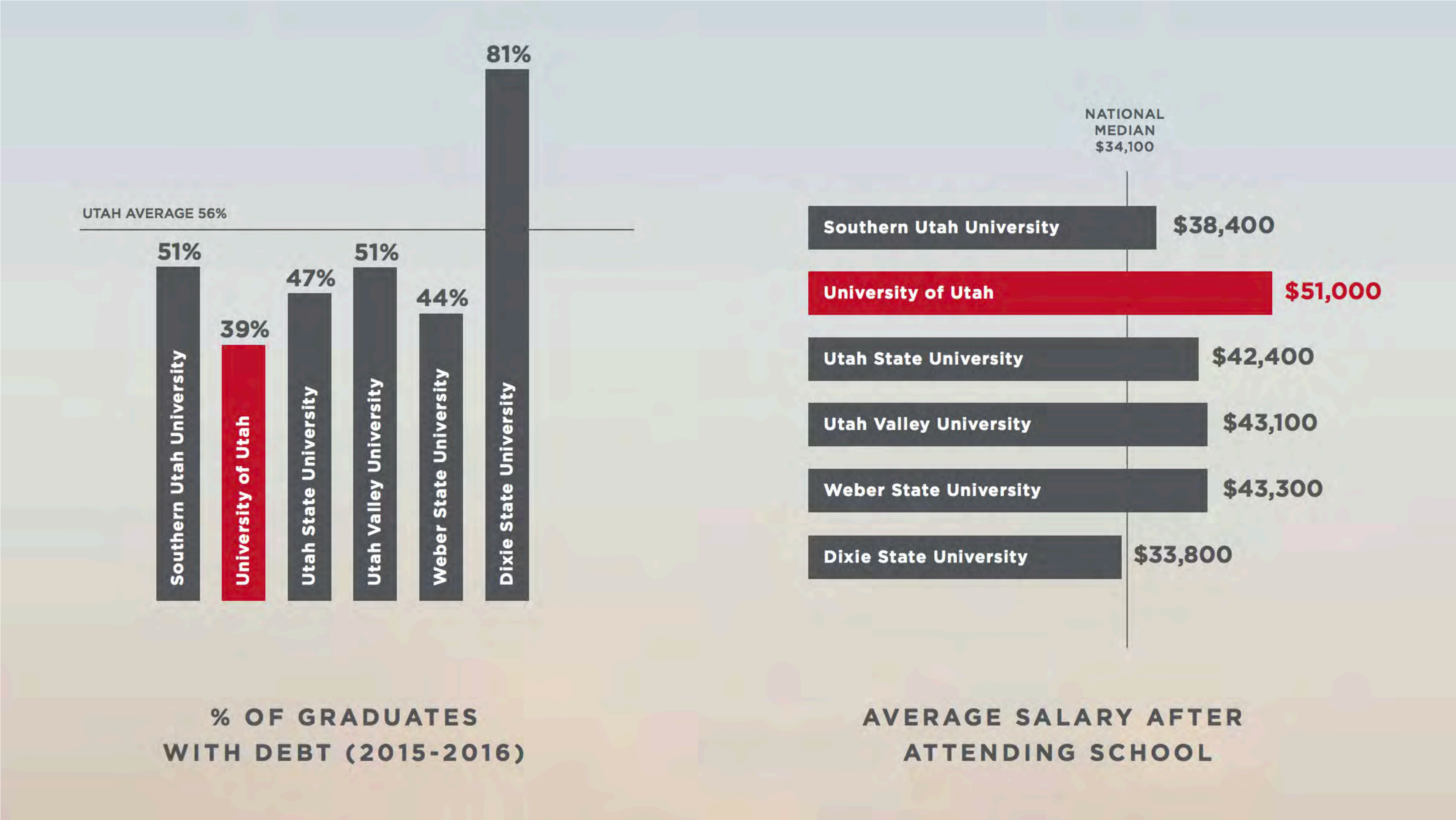
PAC 12 GRADUATION RATES [2017]



*2016-reported rate



Launching Successful Citizens



Commitment

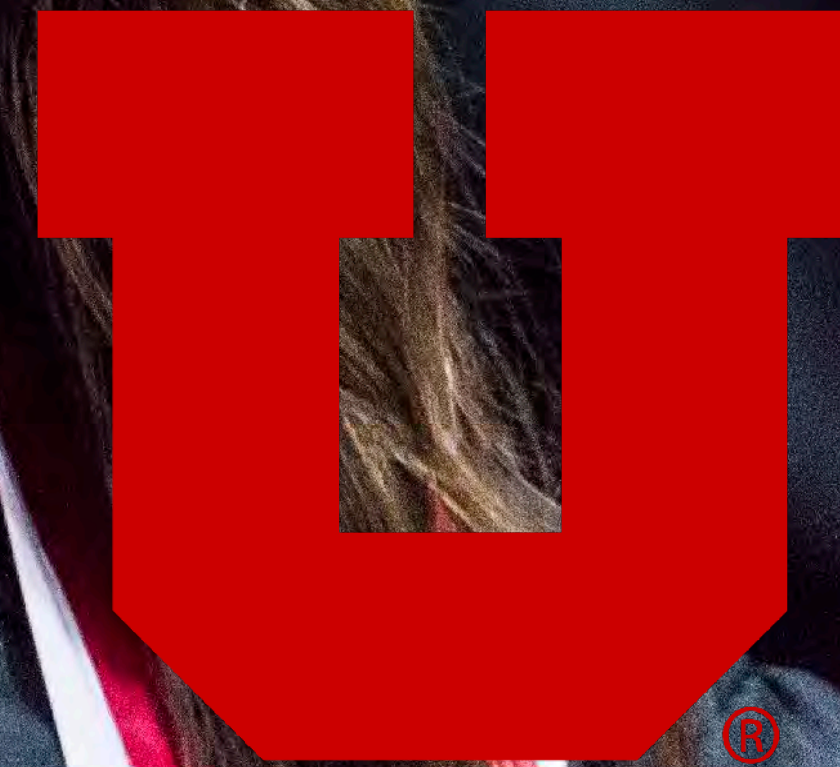
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INVEST IN



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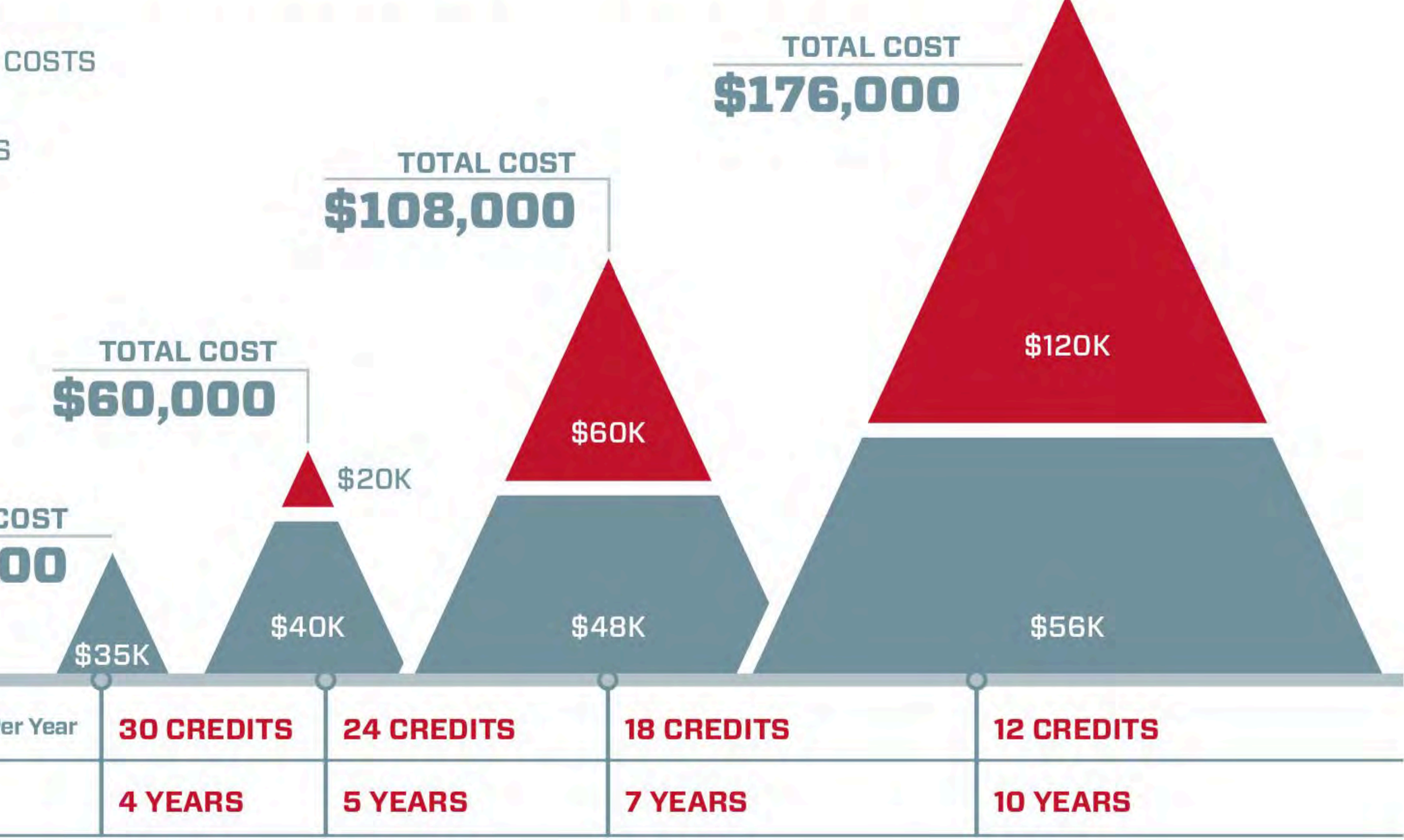
ments back to the Invest in U fund to

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s or stop out

student success





1,500

Students

Invest in U will fund a diversified pool of undergraduates students within a year or two from graduation, scaling over 5 years to serve up to 2,000 students.

18

Majors

Diversified student pool from 18 majors within 9 colleges:
Social Sciences;
Humanities;
Education; Business;
Nursing; Architecture
+ Planning; Health;
Medicine; and
Engineering.

5

Pilot Program

The 5-year pilot program will test the model and scale to build a sustainable evergreen fund to perpetuate success of future students.

...ity in its pilot phase. More majors may be added in future years.
...e selected based on salary data availability, salary range, and to reach
... a broad spectrum of students.

...hase must be within 32 hours of graduation in one of the following majors and be a U.S. citizen or

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- > Elementary Education
- > Finance
- > Information Systems
- > Management
- > Mechanical Engineering
- > Medical Laboratory Science
- > Multi-Disciplinary Design
- > Nursing
- > Operations and Supply Chain
- > Parks, Recreation and Tourism
- > Special Education
- > Urban Ecology

Can I SA work?

Share

Changes from 3 to 10.5 years,
Major and ISA amount

Income threshold

Graduate school, voluntary
periods of unemployment

\$3,000

to

\$10,000

Available for you



May 2020

GRADUATES

Olivia graduates and has interviews lined up. She does not need to start making payments for 6 months, when her grace period ends (December 2020).



BEGINS WORKING

Olivia starts her job as a financial analyst with a salary of \$45,000.

July 2020



January 2021

PAYMENTS BEGIN

Olivia's grace period ends and she begins making payments of 2.85% of her monthly income.

Monthly income:
 $\$45,000 / 12 = \$3,750$
Monthly ISA payment =
 $2.85\% \times \$3,750 = \107

INCOME CHANGES
Olivia's income may fluctuate with raises or job changes. Her monthly payments adjust with her income because her payments are always calculated as 2.85% of her earned monthly income.

Payment Term



September 2025

PAYMENTS COMPLETE

In 2025, Olivia will make her 57th and final payment, and this ends her ISA obligation.

income ₁	rate	payment ₃	term	obligation
\$20,000	2.85%	\$107	\$1,283 (12 months)	\$1,283
\$16,667	2.85%	\$107	\$1,283 (12 months)	\$2,565
\$13,333	2.85%	\$112	\$1,339 (12 months)	\$3,904
\$10,000	2.85%	\$112	\$1,339 (12 months)	\$5,244
\$6,667	2.85%	\$114	\$1,368 (9 months)	\$6,612

Olivia's payments would likely remain constant each month, regardless of income.

Her obligation would be to pay a specific principal value (\$5,000) plus interest as specified in her loan.

There is likely no cap on her payments or the length of the obligation.

Total payments would depend on the specific terms of the loan.

monthly income/12

monthly changes

monthly share x monthly income

monthly payments x

Olivia's payments fluctuate with her earnings.

If Olivia's income drops below the minimum income threshold of \$20,000 (\$1,667 monthly income), her payments will pause and there is no interest accrued or fee imposed.

INVEST IN



THE UNIVERSITY OF UTAH

2

Earn
Earlier

3

Reinvest
Success

INVEST IN U

PAY TODAY'S TUITION WITH TOMORROW'S SUCCESS

PARTICIPATE IN THE PILOT PROGRAM >

WE ARE INVESTING IN OUR STUDENTS

Your college degree is in reach, but money is an obstacle. That's where Invest in U comes in. This innovative **income share agreement** pilot program is designed to help you finish your degree faster so you can launch your professional career. If you are in one of our selected majors and are within one year of graduating, Invest in U can fill funding gaps so you can finish your degree. Once employed, you'll fulfill your contract by paying a small percentage of your earnings. Your payments will go back into the Invest in U fund, allowing you to help perpetuate and **fund the success of future students**.

\$3,000
to
\$10,000
Available for you

Contact Financial Aid
Melanie Evans
Mevans@sa.utah.edu
isa.utah.edu
801.581.6211



**Accelerating Timely
Completion**

Q&A

APPROACH TO PAY FOR COLLEGE?



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