

INCOME SHARE AGREEMENTS TO FINANCE SHORT-TERM CAREER TRAINING

Preliminary Findings from the Career Impact Bond Study

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Postsecondary education and middle-skills occupational training are viewed as important paths to higher-paying jobs and careers.¹ Lifelong learning pathways geared toward working learners aged 25 and older also seem essential for career advancement and professional growth in the current job market. However, many learners face financial and other barriers to accessing and completing occupational training.² The cost of education has also increased across different types of institutions, while financial support for education has declined.³ Research also shows that learners of color have been excluded from higher education opportunities because of inequities that are often rooted in historical and systemic racial discrimination and biases.⁴

In 2019, Social Finance, Inc., a national nonprofit that creates impact-first investments, launched the UP Fund, a \$50 million fund that aims to improve economic mobility by expanding access to job training programs to underserved learners and learners from low-income backgrounds.⁵ The UP Fund enables learners to enroll in short-term, sector-based occupational training programs with access to career and supportive services without paying up-front tuition costs. Learners enter into “income share agreements” (ISAs) that are intended to repay tuition costs. This is achieved by learners committing to repay a fixed percentage or amount of their income over a set term and up to a capped amount. However, this repayment obligation is contingent upon the learner’s earnings meeting a minimum income threshold. (See the discussion below.) The UP Fund’s Career Impact Bond (CIB) model focuses on providing ISAs to learners from low-income backgrounds who might not otherwise have access to the training programs. The CIB model also emphasizes the importance of comprehensive support services to help learners achieve career success.

With support from [Strada Education Foundation](#), MDRC launched a multisite, multiyear study of the UP Fund's CIB model in 2022. The study includes four training providers that enroll learners financed by the UP Fund across multiple industries. The study has four main goals:

- Build knowledge on whether the CIB model can increase affordability and access to short-term training courses.
- Document the experiences of learners in these programs.
- Examine learners' short- and long-term outcomes.
- Assess whether the CIB model is a sustainable and scalable financial model.

This brief provides an overview of the study, details of the UP Fund's CIB model, and early implementation findings. Initial results suggest that individuals who enrolled in a training program supported by the UP Fund learned helpful skills to find jobs in their chosen careers. Many also reported that without access to ISAs, it would have been difficult to pay for the training programs. However, the findings show that some learners had difficulty understanding the terms of the ISA, and more than half of the learners required to make ISA repayments were not doing so after graduating from their training programs. The initial results also indicate that ISA repayment outcomes vary by learner subgroups defined by race, age, gender, and educational attainment. Finally, the study's early findings reveal challenges in implementing the model given the ISA market's evolving regulatory environment (at both the federal and state levels). A final report expected at the end of 2024 will present longer-term outcomes and address other research questions.

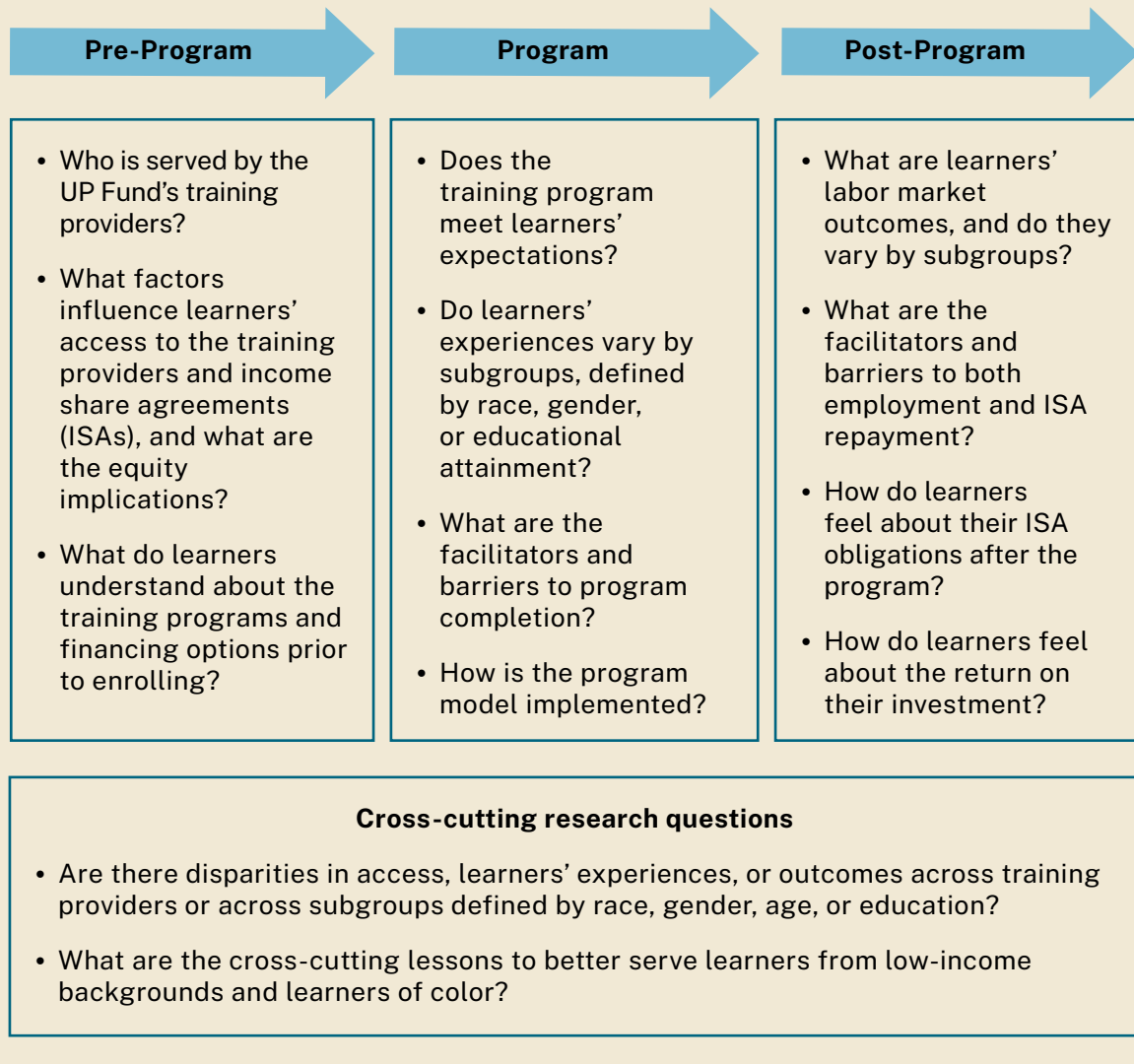
The CIB Study

The CIB study has two main components: an **implementation study**, which assesses the processes, challenges, and outcomes associated with the implementation of the program; and an **outcomes study**, which follows learners over time and collects data to measure their results.

The research team will examine the entire lifecycle of the CIB model, starting with the application and enrollment process through the learners' ISA repayments. Box 1 shows the core research questions — categorized as pre-program, program, and post-program — that are critical to understanding whether the CIB model achieves its goals.

To answer these questions, the study is using various data sources, including training provider enrollment information; learner baseline surveys; longitudinal learner interviews; staff member, servicer, and employer interviews; follow-up surveys administered 6 and 18 months after program enrollment; and administrative data from ISA servicers.⁶ Throughout the study, MDRC also convened a community-based learning collaborative, made up of current learners, graduates, and provider staff members, and an advisory group, made up of professional researchers and practitioners, to ensure the research reflects a diverse audience and is responsive to the community's

Box 1. Career Impact Bond Study Research Questions



needs. The learning collaborative and the advisory group helped to inform the research plan and interpret the study findings.

The CIB study adds to the body of evidence about the role that short-term occupational skills training plays in helping individuals to obtain the skills needed for middle-skill jobs. It will also provide evidence on how individuals who enter into ISAs experience them. Finally, the study's findings may suggest insights about "pay it forward" models and other outcome-based financing in postsecondary education.⁷

Characteristics of the UP Fund’s Training Providers and Participants in the CIB Study

The study focuses on all learners who enrolled in programs offered by four UP Fund training providers between 2019 and 2023 and signed an ISA to finance their tuition.⁸ Table 1 provides an overview of the training providers participating in the study.⁹ All training providers are for-profit organizations that serve learners across the United States. The cost of the training programs to learners ranged from \$8,750 at Clinical Research Fastrack (CRF) to \$35,000 at Acuitus. Programs are expected to last from 5 to 23 weeks. The providers offer different types of training in information technology, software engineering, clinical research management, and diesel technician skills. Most training sessions are conducted remotely, except for those provided by the American Diesel Training Centers (ADTC), which are in person.

Table 1. Overview of UP Fund Training Providers, CIB Study

Program Characteristics	Acuitus	Alchemy Code Lab	American Diesel Training Centers (ADTC)	Clinical Research Fastrack (CRF)
Program cost ^a (\$)	35,000	24,000	10,000-11,743	8,750
Program length ^b (weeks)	22	23	5-10	5-11
Location	Nationwide	Nationwide	Ohio, Iowa, South Carolina, Montana, Washington	Nationwide
Type of training	Information technology	Software engineering	Diesel technician	Clinical research management
Services	Career services	Living expenses financed by CIB; career services	Toolset financed by CIB; employer-backed income share agreement; career services	Career services

SOURCE: Study training providers.

NOTES: ^aThe ADTC cost of training is \$10,000 without a toolset and \$11,743 if a toolset is included.

^bProgram length can differ from the expected length for some participants. For instance, CRF’s training includes asynchronous portions and some Acuitus learners take longer to complete the program or can pause their training.

Among all providers, ADTC is the only program that offers employer-backed ISAs, in which prospective participants are guaranteed a job with an employer and the employer pays the ISA while the individual is employed with them. All training providers offer career services and some providers offer additional services such as tutoring and soft-skills training.¹⁰

As of April 2023, 1,701 individuals had signed an ISA with one of the UP Fund's training providers. These providers serve a diverse mix of learners, and learners' characteristics vary considerably by provider. Table 2 summarizes selected demographic characteristics of the learners at enrollment for each provider.¹¹ As expected, most learners are male (84 percent), although there were notable differences in the programs that may reflect the typical gender breakdown of the target sectors. For example, many of the learners at CRF, which offers training in the healthcare field, are female. About 44 percent of all learners are Hispanic or Black, and the average age is 29. The percentage of Black or Hispanic participants also varied by provider, from a low of about 28 percent at Alchemy Code Lab (Alchemy) to a high of 80 percent at CRF.¹² Most learners had at least some college education, except for those in ADTC. These differences in educational attainment may also be the result of the programs' target populations. For example, Alchemy helps individuals enter mid-level software development jobs, which may be one reason why so many Alchemy participants have a college degree.

Learners who completed a baseline survey reported significant barriers to entering and completing training (not shown in the exhibits). A total of 79 percent of the learners reported that paying for their training would have been difficult without the ISA. Low household incomes were common: 41 percent of learners had family incomes of less than \$30,000, and about one in four reported experiencing food insecurity during the six months before enrollment in their training program.¹³ One in three learners was worried about their financial future and the "overwhelming" nature of their total debt.

The UP Fund's CIB Model

The UP Fund's CIB model was designed to provide an alternative education financing option to reduce financial risks for learners, provide support services, and improve outcomes for populations traditionally underserved by postsecondary education. The UP Fund's CIB model combines short-term sector-based training and education financing through ISAs to cover tuition, with supportive services to help learners navigate challenges that may present obstacles to completion.

With an ISA, instead of taking out a loan or paying cash for tuition, individuals agree to pay a percentage or fixed amount of their future earnings to the tuition funder for a specified period of time after graduation. Individuals must make monthly payments if they meet the minimum income threshold, regardless of the industry or job in which that income is earned. Individuals whose income is below the minimum income threshold are not required to make payments. ISAs typically include a payment cap, which refers to the maximum amount learners can pay for the ISA, and a grace period, which is a set number of months after graduation during which learners do not have to pay their ISAs. These terms are intended to protect individuals who do not meet the minimum income threshold after graduation. (See Box 2 for common ISA terms and definitions.)

Table 2. Overview of UP Fund Participants, CIB Study

Characteristics	Acuitus	Alchemy Code Lab	American Diesel Training Centers (ADTC)	Clinical Research Fastrack (CRF)	All Sites
Gender (%)					
Woman	20.7	33.1	6.4	68.3	15.4
Man	78.6	59.0	93.3	31.7	83.6
Nonbinary	0.7	7.9	0.3	0.0	1.0
Race/ethnicity ^a (%)					
Asian	11.4	5.6	1.6	9.1	4.2
Black	20.4	11.3	24.0	71.7	25.2
Hispanic	21.8	16.9	19.3	8.1	18.9
White	33.2	56.3	48.3	10.1	43.8
More than one race	4.8	8.5	4.1	0.0	4.4
Other race ^b	8.3	1.4	2.8	1.0	3.6
Average age at enrollment	34	29	27	36	29
Highest level of education completed at enrollment ^c (%)					
High school, GED, or less	13.8	12.2	62.7	0.0	45.8
Some college	49.7	37.4	21.0	2.0	26.5
Vocational or trade program	4.7	6.5	9.5	2.0	7.9
Associate's degree	7.7	3.7	3.1	7.1	4.3
Bachelor's degree or higher	24.2	40.2	3.7	88.8	15.6
Employed at enrollment ^d (%)	-	15.7	59.4	47.3	55.8
Sample size	302	151	1,043	101	1,597

SOURCES: MDRC calculations using baseline information collected from training providers and via MDRC's baseline survey as of June 2023.

NOTES: Sample sizes may vary for some measures due to missing information.

^aRace and ethnicity categories are mutually exclusive.

^bOther reported races include Middle Eastern or North African, American Indian or Alaska Native, and Native Hawaiian or Pacific Islander.

^cEducational attainment information is missing for 29 percent of Alchemy learners. Among CRF learners that reported their education level, 38 percent have a master's degree or higher.

^dEmployment information is missing for all Acuitus learners and about 50 percent of Alchemy learners.

Box 2. Income Share Agreement (ISA) Common Terms

Minimum income threshold: The minimum earned income at which payments are required.

Income percentage: The fraction of earnings promised by individuals if earnings exceed the income threshold.

Repayment term: The length of the repayment period.

Payment cap: The maximum amount an individual can pay under the ISA terms.

Grace period: The period of time after graduation that an individual is not required to make payments.

Deferment: The process by which ISA payments are paused because of the individual's inability to pay.

Annual reconciliation: The process by which servicers verify that individuals are paying the proper ISA amounts.

Table 3 shows ISA terms across the UP Fund's training providers. The income share repayment percentages range from 9 percent to 9.5 percent of income over a specified threshold, with ADTC requiring repayment of a fixed amount depending on income level rather than a percentage of income. The minimum income threshold, which refers to the level of earned income below which payments are not required, ranges from \$30,000 to \$50,000. Each ISA specifies a payment cap, ensuring that learners are aware of what their maximum payment can be in relation to the program's costs. Several of these agreements specified a cap of 1.3 times the ISA amount; others had a cap of 1.5 times the ISA amount. Repayments stop after a predetermined number of months if the payment cap has not been reached. Among these programs, the duration ranges from a low of 36 months to a high of 72 months.

The ISA terms are negotiated between the training provider and the UP Fund. A third-party organization, known as an originator, typically assists the training provider with an online application platform and back-office support to generate the ISA contracts. A servicer – usually a different organization – collects payments from ISA recipients, keeps track of payments that have been made and remaining payments, and pays investors according to the financing arrangements. Once the terms are set, the originator, the servicer, or the training program markets the ISA to learners and helps them understand the process and terms, ultimately leading to a signed agreement. In practice, the training provider's staff members usually have these discussions with students because conversations about enrollment and financial options are intertwined.

The ADTC employer-backed ISA model differs because employers make ISA payments directly to the servicer on behalf of the learners. However, learners who decide to leave their initial employer must make any remaining ISA payments.

Table 3. UP Fund Income Share Agreement (ISA) Terms

ISA Terms	Acuitus	Alchemy Code Lab	American Diesel Training Centers (ADTC)	Clinical Research Fastrack (CRF)
Income share ^a	9%	9.5%	\$30,000 to <\$40,000: \$150 or \$187; \$40,000 and up: \$280 or \$317	9%
Payment cap (amount above program cost)	1.3x	1.5x	1.3x	1.5x
Minimum income threshold (\$)	45,000	50,000	30,000	40,000
Grace period (months) ^b	6	6	0-2	2
Payment duration (months) ^c	72	52-72	48	36

SOURCE: Study training providers.

NOTES: ^aIncome share is the percentage of earnings that learners pay towards their ISA if their earnings exceed the minimum income threshold. ADTC learners pay a fixed amount by income band. The amount is higher if learners opt for a toolset.

^bFor ADTC learners in the first investment round, the grace period is two months. For ADTC learners in the second investment round, the grace period is zero months if their ISA is employer-backed and one month if their ISA is not employer-backed.

^cFor Alchemy learners, the payment duration is 72 months if their ISA amount includes living expenses and 52 months if it does not include living expenses.

To ensure that payments reflect an ISA holder’s changing employment and earnings over time, individuals must provide documentation of their earnings during an annual reconciliation process that allows the ISA servicer to adjust monthly payments.¹⁴ Each agreement specifies the deadlines for the submission of verification documents. If individuals do not report their earnings to their ISA servicer, the servicers assume that they are working and earning the salary standard for the industry in which they trained that meets the minimum income threshold. The ISA monthly payments are based on these earnings estimates and can be either higher or lower than the actual amount owed by learners. Servicers will also assume that an individual’s earnings increase by 10 percent yearly and adjust monthly payments accordingly. During the annual reconciliation process, servicers determine if the individual overpaid or underpaid their ISA during the previous year. However, learners can contact the servicers at any time to update their income prior to the annual reconciliation if needed.

How Do the ISAs Work?

Unlike regular loans where the total amount to be repaid is known up front, individuals who use ISAs to pay for tuition will pay back an amount that depends on their actual earnings. Therefore, individuals who earn less may pay less under an ISA than a loan. Individuals with high earnings may pay more under an ISA than a traditional loan. The repayment caps mitigate some of the

risk of overpayment by limiting the total repayment amount. To determine what the monthly ISA payment will be, individuals must consider the various ISA terms and their potential earnings. It is important to note that some learners reported they would not have been eligible for a regular loan or other financing options.

Figure 1 shows how the ISA works for two learners who sign an ISA with the same training provider but have different employment outcomes. The ISAs have the same terms: the income share repayment percentage is 9 percent of income over a maximum repayment period of 72 months (or 6 years). The minimum income threshold (MIT) is \$45,000 (shown as the green dotted line), and the payment cap is 130 percent of tuition. The blue line shows the person's earnings, and the orange bars show the annual total of ISA payments. The figure demonstrates the relationship between earnings and the amount learners pay over time. Whenever earnings go above the MIT, ISA payments increase.

The figure also shows that learners do not have to pay unless their earnings reach the MIT. Learner A did not earn above the MIT until the second year after graduation when he began earning \$50,000. He also did not have to pay in Years 3 or 4, when his earnings fell below the MIT. Learner A's monthly ISA payment in Year 2 was \$375 per month, which adds up to \$4,500 for the year. Learner A was required to pay his ISA for the entire six-year term because he never reached the payment cap.

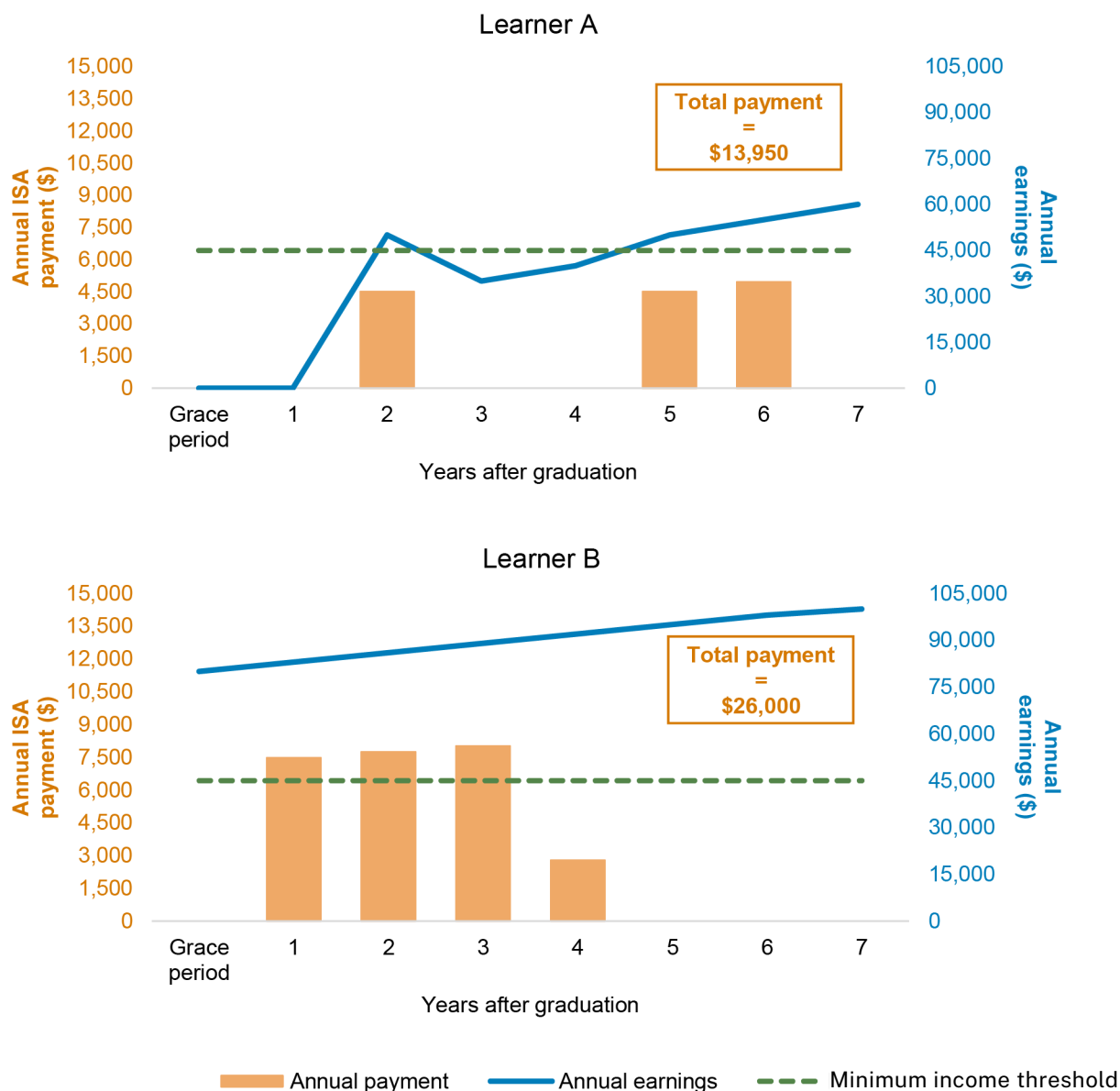
In contrast, Learner B earned above the MIT throughout the six-year ISA term. Therefore, he was required to make ISA payments until he reached the maximum payment cap. Learner B's ISA payments were higher than Learner A's because his earnings were higher. Learner A's total ISA payment was \$13,950 and Learner B's was \$26,000.

Early Implementation Lessons

The current analysis is based on 188 learner survey responses across the four UP Fund training providers in the CIB study.¹⁵ Results are also derived from focus groups and individual interviews with 43 learners. Interviews with program staff members, servicers, and originators were also conducted. Finally, servicer administrative records data were analyzed for a subset of learners (N=857) from three training providers.¹⁶

Learners' primary reasons for enrolling in a training program were to increase their skills and participate in a quality training program. Learners were asked about their primary and secondary reasons for enrolling in the training programs. The main reasons for enrolling in the training programs were the potential to increase skills and to obtain quality training (as shown in Figure 2). The provider's offer of job placement and the option for alternative financing to pay for the training were also important reasons to enroll in the training programs. About 28 percent of those surveyed reported that the availability of ISA financing was their primary or secondary reason for enrolling in their program.

Figure 1. Income Share Agreement (ISA) Payment Examples



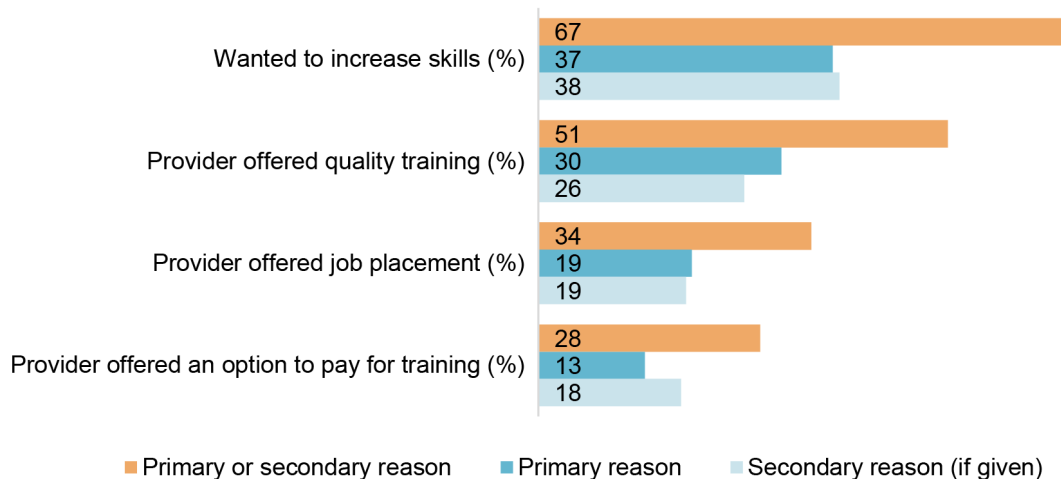
SOURCE: MDRC calculations using sample ISA terms and hypothetical earnings.

NOTES: Learners A and B sign an ISA for the amount of \$20,000. The ISA terms include a 9 percent income share, six-year payment term, \$45,000 minimum income threshold (MIT), and a maximum payment cap of 1.3 times the ISA amount.

Learner A only makes ISA payments (equal to 9 percent of his earnings) when earning above the MIT. Payments end at the end of the six-year payment term.

Learner B makes steady ISA payments because he is consistently earning above the MIT. Payments end once the maximum payment cap of \$26,000 (1.3 times the cost of the program) is reached, resulting in fewer payments in the fourth year and payments ending early.

Figure 2. Reasons for Enrolling in UP Fund Training Programs



SOURCE: MDRC calculations using 6- and 18-month follow-up surveys.

NOTES: Estimates are for a sample of 188 learners across all training providers and who completed a survey as of October 2023.

Rounding may cause slight discrepancies in calculating sums.

Learners interviewed for the study tended to see their decision to pursue the training program in which they enrolled as a significant decision. Before enrolling in training with the provider, most learners reported investigating multiple options for higher education or short-term training programs. Many discussed their options with friends and family before making their decision, primarily because of the financial commitment (to either pay the program’s tuition or enter into an ISA obligation), which they considered important.

Learners generally expressed satisfaction with their program’s training content and the overall learning experience. However, some noted that they would have benefited from additional job placement assistance. Most survey respondents completed the training program. They also reported receiving a range of job-related services while in training designed to help increase their likelihood of employment upon completion. Most of them received help preparing a resume or preparing for an interview. Over half of the survey sample reported receiving help to create a career plan, learning about workplace advancement strategies, or learning how to interact effectively with co-workers. Only about half of the survey respondents reported getting help with finding a specific job opportunity to which they could apply. Results from the qualitative interviews also indicate that learners wished they had received more assistance with job placement.

Although most learners reported receiving sufficient information about the ISA before enrollment, over a third of survey respondents reported that they did not fully understand some of the ISA terms. Most learners agreed or strongly agreed that they received sufficient information on financing options and how an ISA works before they signed up for it. However, over a third of follow-up survey respondents did not find the ISA terms easy to understand. Some respondents reported that some terms were easier to understand, such as when they were expected to start repayment, than others, such as the total amount they would need to repay.

Consistent with the survey findings, among the learners who were interviewed, many struggled to quantify the dollar amount of their obligation, most likely because the ISA amounts and maximum payment amounts varied. Interviews also revealed another common misconception as some interviewees initially thought that the ISA repayment would only be required if they found a job in the industry for which they trained.

The majority of learners who were interviewed for the study saw the ISA as low risk. Interviewees identified several aspects of the ISA as attractive. They tended to perceive ISAs as lower risk than traditional loans: interviewees saw ISAs as generating less pressure than traditional loans to quickly earn a high salary after training – since graduates who do not find a “good-paying job” right away do not need to begin ISA repayments. Also, as noted above, many learners indicated that it would have been difficult to pay for their chosen training program had it not been for the ISA. At the same time, many noted that if they secured “a good-paying job,” having an ISA could lead to their paying a larger total sum than they would have with a traditional loan. Two interviewees noted that they did not fully understand this until after they had begun the training.

Learners who enrolled in ADTC, where many of the ISAs were paid for by the employer who hired them upon their completion of the training program, felt very satisfied with this arrangement, seeing it as “a good deal.” They felt that it lowered the risk that graduates would otherwise face in the labor market since graduates went straight into a job in the industry for which they trained. Participants with employer-backed ISAs tended to be clearer about the potential financial consequences than learners from other training providers. At the same time, some learners described a potential downside of the employer-sponsored model: Graduates who want to leave their initial employers must take on the cost and management of their remaining ISA payments. Interviewees reflected that this might cause them to remain at their initial employer even if they could find better pay or working conditions elsewhere.

A large percentage of learners have not yet reported their income to their servicer. Using servicer data, Figure 3 shows a snapshot of the ISA reporting status for 857 learners across three training programs for whom there is at least one year of follow-up data after graduation.¹⁷ Since the employer-backed ISA arrangement is very different from the other ISAs, the results for the two models (employer-backed versus regular ISAs) are shown separately. As shown in the figure, after graduating, 40 percent of participants (not including those with employer-backed ISAs) were employed and were reporting their income to their ISA servicer; 8 percent were in deferment; and 51 percent were not reporting their income. The employment status of the learners not reporting is unknown, but among those learners, at least 36 percent had previously been in deferment because they were not employed or were not earning above the minimum income threshold. Some learners participating in the MDRC study described their confusion about how and when to report their income and make payments. Some indicated that they found communication with their ISA servicers to be frustrating at times.

The bottom panel of Figure 3 shows the reporting status for ADTC learners with an employer-backed ISA. As shown, 61 percent were employed and reporting, 37 percent were not reporting, and only 3 percent were in deferment. The data show that the majority of learners not reporting their earnings are no longer with the employer who hired them upon completion of the training program.

Figure 3. Income Share Agreement (ISA) Reporting Status At Least One Year After Graduation

Alchemy, Acuitus, and ADTC Learners with a Regular ISA



ADTC Learners with an Employer-Backed ISA



SOURCE: MDRC calculations using administrative records from servicers as of December 2022 for Alchemy and April 2023 for American Diesel Training Centers (ADTC) and Acuitus.

NOTES: Estimates are for a sample of 702 Alchemy, Acuitus, and ADTC learners with a regular ISA and a sample of 155 ADTC learners with an employer-backed ISA. Both samples are limited to learners with at least one year of follow up since their graduation or expected graduation date.

Participants in deferment include employed participants who are earning below the minimum income threshold and unemployed participants.

Rounding may cause slight discrepancies in calculating sums.

Payment compliance rates were generally low for learners (other than those with employer-backed ISAs), with variations by race, gender, age, and education. Using servicer data, Table 4 summarizes ISA repayment outcomes for all Acuitus, ADTC (other than employer-backed), and Alchemy learners, and subgroups based on race, gender, age, and educational attainment at the time of enrollment.¹⁸ The results only include learners with at least one year of follow-up data after graduation. The first column shows the percentage of learners who made an ISA payment during the follow-up period. The second column shows the percentage in compliance, defined as not having any payments over 30 days past due, at the end of the follow-up period.

About half of the learners made at least one ISA payment during the follow-up period, and only about 38 percent of learners were in compliance (that is, either making payments or in deferment) at the end of the follow-up period. Significant differences were found for several subgroups. White learners were more likely to have made an ISA payment (54 percent) than other learners. Only about 21 percent of Black learners were in compliance, compared with 43 percent of White learners and about 41 percent of Hispanic learners. Older learners were less likely than younger learners to have made an ISA payment and be in compliance with ISA terms, and men were also less likely than women to be in compliance with ISA terms (36 percent versus almost 54 percent). Those with a high school diploma, GED, or less also had lower compliance rates, with about 32 percent in compliance compared with 55 percent of those with an associate’s degree or higher. Note that these results do not reflect other ways in which subgroups might be different, such as in

Table 4. Income Share Agreement (ISA) Compliance and Payments, by Pooled Sample and Subgroups

Sample	Ever Paid (%)	In Compliance (%)
Pooled sample (Acuitus, ADTC, Alchemy)	47.9	37.8
Race/ethnicity ^a		
Black	36.7	20.7
Hispanic	48.2	40.7
White	53.7	42.9
Other race ^b	43.2	44.2
Gender		
Man	48.3	35.5
Woman	43.8	53.8
Age		
18-24	62.8	41.2
25-34	41.8	37.1
Over 35	35.9	35.4
Education		
High school diploma, GED, or less	53.0	31.8
Vocational/trade program or some college	43.2	35.0
Associate's degree or higher	43.3	55.0

Sample size = 702

SOURCES: MDRC calculations using administrative data from servicers and baseline survey data as of April 2023.

NOTES: The sample includes study participants who had at least one year of follow-up data after graduation or their expected graduation date and whose ISA was not sponsored by an employer.

Compliance is defined as not having payments over 30 days past due.

Some subgroups were excluded or combined due to small sample sizes.

^aRace and ethnicity categories are mutually exclusive.

^bOther reported races include Asian, Middle Eastern or North African, American Indian or Alaska Native, and Native Hawaiian or Pacific Islander.

income levels and employment status. The next phase of the study will explore factors associated with low compliance rates, such as unemployment, low earnings, and ISA servicer transitions (discussed further in the next section).

Among learners who took out an employer-backed ISA, 97 percent made at least one payment during the follow-up period, and 72 percent were up to date on payments at least one year after

graduation (not shown). This is not surprising given that learners are guaranteed a job after graduation and employers make payments directly to servicers. The results also show that most learners no longer making ISA payments had left their initial employer, thus the employer was no longer paying the ISA.

Changes in the ISA origination and servicer landscape have posed challenges for learners, training providers, and others involved in the UP Fund. After the beginning of the study, all training providers experienced changes in the servicers handling the ISAs and needed to transition their learners' ISAs to new servicers. The ensuing confusion and extra work re-entering and transitioning learner data may have played a role in higher-than-expected non-reporting and non-payment. One servicer decided to leave the market due to changes in the regulatory environment.¹⁹

What's Next?

ISAs and other outcome-based financing to fund education and training programs have grown in popularity. A recent study found that close to 300 organizations and institutions offer ISAs as a way to finance postsecondary learning programs.²⁰ However, very little is known about the effects of those programs on learners and training providers, or how variations in ISA terms and participant supports might affect learners' outcomes.

Although this study is descriptive, and it is impossible to draw causal conclusions from the findings, the results provide some early evidence about individuals' experiences in the UP Fund training programs and with their ISAs. The project's final report will present additional findings and analysis of the UP Fund's CIB model, including its ability to increase affordability and access to short-term training programs; graduates' post-program employment, earnings, and financial security; and the financial sustainability and scalability of the CIB model.

The findings reveal that, overall, interviewed learners were satisfied with their classroom instruction, and the majority of survey respondents completed the programs. Most reported receiving sufficient information about their ISA financing terms before enrolling in their training programs. Participants also reported feeling that the ISA was a relatively low-risk option for them since they would not have to begin payments until their earnings crossed the minimum income threshold. Most of those with employer-backed ISAs reported high satisfaction with the training programs, and most were making ISA payments after graduating.

At the same time, the study's early findings point to topics that require additional data collection and analysis. Many learners reported that they would have liked more assistance with job placement. About a third of the surveyed learners found some of the ISA terms difficult to understand. At least one year after graduation, only about half of the learners without an employer-backed ISA had made a payment, and only 38 percent were meeting the terms of their ISA agreements at the end of the follow-up period. The study also found variations in ISA compliance by race, age, gender, and educational attainment at enrollment that require more careful analysis.

Social Finance has already made changes in the program’s design and implementation to strengthen the UP Fund’s CIB model and similar outcomes-based financing models. Social Finance’s ongoing work, coupled with the next phase of MDRC’s study, will help Social Finance, training providers, and ISA originators and servicers to assess ways to strengthen program design and delivery.

In the coming months, MDRC’s research team will gather and analyze additional participant data to understand whether the CIB model increased affordability and access to short-term training — both for learners from low-income backgrounds and learners with different characteristics, based on measures such as race and gender. MDRC will continue to examine the benefits and risks of ISAs for learners and organizations involved in the initiative.

Future research by MDRC will report longer-term findings on ISA compliance and repayment information, which will provide a window into the model’s financial viability (for training providers, servicers, and other partners, in addition to learners) and how it might be strengthened. Using servicer data, learner survey data, and longitudinal interviews, future research will report on relevant economic outcomes for learners, including employment, earnings, and financial well-being. The final report is expected at the end of 2024.

Notes and References

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- 5 Impact-first investments are designed to generate positive outcomes for people and communities.
- 6 A servicer is a third-party organization that is responsible for administering and managing the terms of the ISAs.
- 7 The "Pay It Forward" model of financing college is an alternative approach to traditional student loans. In this model, students do not pay tuition or fees up front to attend college. Instead, they contribute a small percentage of their income after college for a predetermined period. This percentage is often based on a graduate's income, and the payments go toward funding future students' educations. Outcome-based financing is an approach that ties payments to achieving specific, measurable outcomes or results rather than simply paying for inputs or services. In other words, outcome-based financing links payment to the actual impact or success of the services or interventions provided instead of reimbursing organizations based on their activities.
- 8 Future reports will include additional learners enrolled in 2024.
- 9 Data completeness varies by training provider. Alchemy Code Lab closed its doors in 2023 while the study was taking place. The research team continues to follow learners to study their outcomes and experiences with their ISAs.
- 10 "Soft skills" are the general habits and competencies that make for an effective employee, including interpersonal skills and good work habits.
- 11 Learners without any demographic information are excluded from this table.
- 12 A baseline survey or enrollment forms included an ethnicity question that asked about whether the study participant is "Hispanic." The United States Census defines Hispanic or Latino (masculine) or Latina (feminine) as any person of "Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin." In recent years, some research publications and other sources have started using "Latinx" as a gender-neutral reference

to this population. See Andrew H. Nichols, *A Look at Latino Learner Success: Identifying Top- and Bottom-Performing Institutions* (Washington, DC: The Education Trust, 2017). For simplicity, this report uses “Hispanic” for all those groups.

- 13 Food insecurity refers to individuals who reported eating less during the six months before enrolling in their training course because they lacked sufficient money for food.
- 14 For some servicers, learners were required to update income information after three months if they had an unemployment deferment and after six months if they had a deferment for being employed but earning below the minimum income threshold.
- 15 The survey was fielded to all learners with at least a six-month follow-up period since enrolling in the training program. When this brief was written, the response rate was 26 percent. The survey respondent sample largely represents the broader study sample by race, gender, and household composition. However, there may be unobservable differences between the samples, therefore, results should be interpreted with caution. The survey effort is still ongoing, thus additional survey responses will be collected for more recent cohorts of learners in the next phase of the study.
- 16 Only learners who had at least one year of follow-up data after graduation or expected graduation were included in this analysis. Since CRF began enrollment later, they were excluded from this analysis.
- 17 The time between graduation and the data snapshot ranges from one to three years.
- 18 ADTC learners with employer-backed ISAs were excluded from this analysis because the model differs significantly from other ISAs offered to learners.
- 19 In March 2022, the U.S. Department of Education clarified that ISAs are private education loans and must be subject to traditional lending regulations, including describing the products as loans and providing borrowers with disclosures like those required for loans. This has financial implications for organizations offering ISAs since they will have to devote resources to remaining in compliance with regulations. As of mid-2023, the Consumer Financial Protection Bureau and several state Attorneys General were continuing to pursue enforcement of these guidelines. Office of Postsecondary Education, “Income Share Agreement and Private Education Loan Requirements,” (website: <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2022-03-02/income-share-agreements-and-private-education-loan-requirements>, 2022); J. Berman, “‘They’re just preying on people’s hopes’: Inside the battle over job-training agreements,” *MarketWatch* (website: <https://www.marketwatch.com/story/theyre-just-preying-on-peoples-hopes-inside-the-battle-over-job-training-agreements-46b938c6>, 2023).
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ACKNOWLEDGMENTS

The authors thank Strada Education Foundation for their generous support in funding this study.

This brief reflects the contributions of many people. We are especially thankful to the study participants and staff members from the training providers in the study for allowing us to learn from their experiences. We are thankful to the staff members of Strada Education Foundation for their valuable feedback on the study and for reviewing drafts of this brief. Specifically, we thank Andrew Hanson, Courtney McBeth, and Kimberly Sluis. We also thank Social Finance, Inc. for partnering with MDRC on the study and providing helpful comments on the brief. Specifically, we thank Thomas Coen, Andrew Chen, Jake Edwards, and Jacob Fahringer for their ongoing support. We would also like to thank our advisory group members, Alex Camardelle, Bridgette Gray, James Runcie, Jason Tyszko, and Kevin James, for providing ongoing advice throughout the study.

We would also like to thank the MDRC staff members who contributed to this brief: Alexander Mayer, Cynthia Miller, Frieda Molina, and Leigh Parise provided insightful comments on early drafts. Thanks to Erick Alonzo, Francesca Ciaramella, and Kenny Nguyen for their ongoing work on the study. Luisa LaFleur edited the brief and Ann Kottner prepared it for publication.

Dissemination of MDRC publications is supported by the following organizations and individuals that help finance MDRC's public policy outreach and expanding efforts to communicate the results and implications of our work to policymakers, practitioners, and others: The Annie E. Casey Foundation, Arnold Ventures, Charles and Lynn Schusterman Family Foundation, The Edna McConnell Clark Foundation, Ford Foundation, The George Gund Foundation, Daniel and Corinne Goldman, The Harry and Jeanette Weinberg Foundation, Inc., The JPB Foundation, The Joyce Foundation, The Kresge Foundation, and Sandler Foundation.

In addition, earnings from the MDRC Endowment help sustain our dissemination efforts. Contributors to the MDRC Endowment include Alcoa Foundation, The Ambrose Monell Foundation, Anheuser-Busch Foundation, Bristol-Myers Squibb Foundation, Charles Stewart Mott Foundation, Ford Foundation, The George Gund Foundation, The Grable Foundation, The Elizabeth and Frank Newman Charitable Foundation, The New York Times Company Foundation, Jan Nicholson, Paul H. O'Neill Charitable Foundation, John S. Reed, Sandler Foundation, and The Stupski Family Fund, as well as other individual contributors.

The findings and conclusions in this report do not necessarily represent the official positions or policies of the funders.

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