

 **GENERAL ASSEMBLY**

Untapped Potential

Building opportunity and access in education and careers through pay-for-success tuition plans.



Table of Contents

03	Introduction
05	How Income Share Agreements Work
05	What Is an ISA?
05	Framing Questions: ISAs and Workforce Development
08	Income Share Agreements in Context
10	Designing General Assembly's Income Share Agreement
13	Balancing Risk and Opportunity
13	Risks
16	Opportunities
18	What's Next
19	About GA



Introduction

Over the past seven years, more than 12,000 students have transformed their lives and careers by participating in General Assembly’s Immersive programs, full-time courses in [coding](#), [data science](#), and [user experience \(UX\) design](#), with a focus on career outcomes from day one. We know GA’s Immersives foster economic mobility, and over 700 of these students have participated in them through [a full scholarship](#), creating greater access for talent from underserved and overlooked communities. Over 3,000 of these students have secured other financing through [lending options](#) designed for accelerated learning programs, providing access to educational paths even when paying out of pocket was too great an obstacle.

But while impact programs and traditional financing options enable a growing number of learners to acquire new skills, half of the applicants who successfully completed our screening process and were admitted to GA Immersives were unable to secure financing due to FICO credit score cutoffs often associated with private loans. Unlike traditional graduate school programs, General Assembly students are not eligible for loan deferment as they work to build new, career-relevant skills. As a result, students with limited credit history, a handful of penalties due to late payments, or other debt obligations are unable to secure financing — perpetuating a cycle that keeps them underskilled and underemployed.

We believe that past credit history is not a predictor of future career success and earning potential, as demonstrated by students in our scholarship and [social impact programs](#). We’ve assessed thousands of students and accepted them into our courses based on their readiness for full-time training and whether we believe they will have successful outcomes post-graduation. Given this, we know that individuals accepted to our Immersive programs but denied financing would be likely to graduate and secure a job. This led us to wonder how many high-potential students declined to apply altogether due to financial challenges.

Last year, General Assembly began to explore financing alternatives with the goal of expanding access to our programs. We were intrigued by the potential of income-based and “pay-for-success” models, but also aware of their risks given an uncertain regulatory environment and lack of established consumer protections. We drew on thousands of data points — including General Assembly’s historical outcomes, loan eligibility and default rates, and success rates for social impact students — to design an income share agreement (ISA) program with the goal of serving 5,000 students over the next three years.



**We believe that
past credit history
is not a predictor
of future career
success and
earning potential.**

This August, we rolled out our [Catalyst program](#) across the majority of our U.S. markets. We designed our pay-for-success model with the same approach we use to design our educational programs: Use data to make decisions, understand the broader ecosystem, and put students first. As part of this process, we've worked to address the potential risks that come with income share agreements and we are optimistic about their impact.

The concept of pay-for-success has fueled a rich discourse and debate in education policy circles. This paper shares our key learnings about ISAs, with the goal of encouraging further discussion as we implement and refine our program. While we touch on ISA history and debates that have informed our thinking, this is by no means a comprehensive overview. Others — including Bob Shireman, former U.S. deputy undersecretary of education, and Audrey Peek at the American Institutes for Research — have studied the issues and implications in far more detail.

At GA, transparency with students has always been core to our values. We are committed to maintaining this clarity with our Catalyst program so students are armed with the right data and context to make thoughtful choices about their careers.

We hope our learnings inform both practitioners and policymakers as they build guideposts and applications for performance-based approaches to education finance.

A handwritten signature in black ink, appearing to read 'H. Scott Kirkpatrick'.

Scott Kirkpatrick
COO & President, General Assembly



How Income Share Agreements Work

What Is an ISA?

Income share agreements (ISAs) are a form of income-based payment used by a growing number of higher education institutions and education providers. Under the terms of a typical ISA, students pay reduced or no tuition up front in exchange for a set percentage of their income after graduation, over a set period of time.

The specific structure of each ISA differs by institution, but ISAs generally include all of the following:

- A cap on the total amount that can be paid (e.g., 1.5 times the amount of tuition deferred).
- A minimum salary threshold to ensure that students only make payments if they receive the economic benefit of the education or training program.
- A set number of payments (e.g., 48) that graduates are expected to make when they are collecting a salary above the minimum salary threshold.
- A fixed term (e.g., five years) during which a student will ever be expected to pay. The ISA obligation ends either when the number of payments has been completed or when the fixed term ends — whichever comes first.

Because payment depends on a percentage of income, ISAs resemble income-driven loan repayment plans such as [those used](#) by the U.S. Department of Education. But an ISA is not a loan. Unlike student loans, ISAs do not require or involve:

- A cosigner or parental obligation.
- A fixed, principal balance (e.g., the original funding amount) that must be paid down.
- Perpetual debt that lasts until the balance has been paid off.
- Interest rates.
- The use of student or family credit scores.
- “Negative amortization,” a term that describes when the principal balance of a loan rises because the student’s payments are less than the interest due.

Framing Questions: ISAs and Workforce Development

The concept of income share agreements dates back to the mid-20th century, but they’ve recently garnered renewed interest. This is due to several shifts in the education landscape:



- Higher education institutions offering ISAs as an alternative to private loans.
- The emergence of accelerated, career-focused training programs like General Assembly aligned with workforce demand.
- Engagement from policymakers and think tanks interested in creating greater transparency and accountability between individuals and education and training providers.

Although increased attention on ISAs at a national level stems, in part, from concerns about the rising cost of college and growing student debt loads, our interest in them is much more narrowly focused. Much of the debate around ISAs has focused on how they fit into broader discussions around funding for higher education. In that context, we would be concerned about any efforts to pare back grants or critical public investments in higher education financing, or replace them with private or income-based alternatives.

The use case of ISAs for accelerated learning providers is different from that of colleges because there's a closer link — and shorter time frame — between education and employment. Wil Del Pilar, vice president of higher education policy at The Education Trust, explains, “Though income share agreement programs are still nascent, the model is particularly promising in the context of accelerated training providers. As these providers work to align links between education and employment, ISAs can help to remove barriers to entry for the students who benefit the most from skills training.”

Along with a tightening labor market, employers face increased pressure as they seek to close both skill and equity gaps, especially in fast-growing fields like data science and web development, which are core to GA curricula. Data scientist job openings, for example, have grown by more than 650% since 2012, but just 35,000 people in the U.S. [have data science skills](#). As the shelf life of skills shrinks, individuals are also under growing pressure to invest in training that can help them keep their skills relevant — and remain employed.

Our interest in pay-for-performance tuition models, including ISAs, is focused on this context and the following framing questions:

- How many students accepted to our Immersive programs were unable to enroll due to financial need?
- How likely were students who did not enroll because of inability to pay achieve their career goals without General Assembly training?
- How could we maximize transparency to ensure that students could understand the personal — and financial — implications of a financing model that they were likely unfamiliar with?



- Could partners with more experience play a role in helping us to design and implement a performance-based funding program that not only worked, but scaled?
- What protections should we put in place to mitigate risk to both students and our school?
- Who were the individuals and organizations shaping the public discourse on ISAs? What could we learn from divergent perspectives and stakeholders?
- What regulatory and policy guidelines were in place to protect consumers or establish guideposts for implementation of ISA programs? How might such policies evolve in years to come?



Income Share Agreements in Context

Weighing the opportunities and potential risks of ISAs required an examination of their historical context. Though ISAs have gained traction in recent years, the ideas underpinning the model date back to the middle of the 20th century.

Early discussions of ISAs cropped up as an idea in the 1950s and appeared in the proposed [“Educational Opportunity Bank”](#) policy, which addressed rising costs in higher education during the Johnson administration. In the 1970s, Yale University embarked on an ISA experiment in an effort to create more affordable options for its rapidly changing student population.

The university’s “Tuition Postponement Option” used a cohort model in which every student who entered into an ISA was required to pay until the full cohort had completed its payment. It was a structure that, according to an [overview](#) in *The Atlantic*, meant that “high earners prepaid early, low earners skated, and middle earners were saddled with the burden of paying back investors.” While the program has been deemed a [“miserable failure,”](#) it did lead to some hallmarks of subsequent ISA programs — including enabling some students to [pursue passion projects or mission-driven jobs](#) that might have lower salaries.

Most recently, ISAs have garnered renewed attention following the 2016 launch of Purdue University’s “Back a Boiler” program, which, to date, [has served](#) 500 students and distributed funding totaling nearly \$6 million. Following in Purdue’s footsteps, a growing number of colleges and universities are now developing ISAs of their own, being mindful to avoid the early challenges of Yale’s cohort model. In recent months, Clarkson University in New York, Norwich University in Vermont, and Lackawanna College in Pennsylvania have announced ISA programs, largely as a replacement for private loans.

Accelerated training providers, which typically have relatively low costs and a vocational orientation, are also stepping into the fray. “The changing nature of work demands new approaches to education and training that are more closely aligned with the needs of employers,” says Jason Tyszko of the U.S. Chamber of Commerce Foundation’s Center for Education and Workforce. “Income share agreements can help employers create a ‘renewable learning’ ecosystem that de-risks their employees’ investment in learning new skills.”



“The changing nature of work demands new approaches to education and training that are more closely aligned with the needs of employers. Income share agreements can help employers create a ‘renewable learning’ ecosystem that de-risks their employees’ investment in learning new skills.”

Jason Tyszko
U.S. Chamber of Commerce
Foundation’s Center for
Education and Workforce

To date, approximately 30 education and training providers now utilize ISAs as a financing approach for students. Social impact organizations, including Opportunity@Work and College Possible, have also begun to experiment with ISAs as a way to expand access to in-demand training programs for low-income individuals and job-seekers from historically underrepresented groups in fast-growing fields like coding and data science.

Enthusiasm for ISAs among institutions and students alike has also led to discussions about regulation of what is, for the most part, a nascent sector. According to a [recent survey](#) from the millennial advocacy group Young Invincibles, 66% of millennials supported an income-based plan that allows borrowers to pay 10% of their income per month. But the appeal of ISAs creates risk of confusion with other financing options such as loans, installment plans, or federal income-based plans, like [PAYE or Income-Based Repayment](#), that repay federal student loans through monthly installments based on income and family size.

The need for guideposts has fueled bipartisan interest and support for policy efforts that would clarify the legal status of ISAs and ensure strong consumer protections for students. In 2015, Rep. Jared Polis (D-Colorado) joined now-Sen. Todd Young of Indiana (then a Republican representative in the state) to co-sponsor [House legislation](#) that would create a legal framework for ISAs. Young adapted this framework into a more recent Senate bill, co-sponsored by Sen. Marco Rubio (R-Florida), to create an official definition for ISAs and set regulatory boundaries including a maximum payment amount and caps on the percentage of income a student would be asked to pay. The [Investing in Student Achievement \(ISA\) Act of 2017](#), introduced by Polis and Rep. Luke Messer (R-Indiana), is sponsored by a bipartisan group comprised of eight Democrats and nine Republicans.



Designing General Assembly's Income Share Agreement

General Assembly's approach to the income share agreement is rooted in the structure of our programs. We offer a range of full- and part-time programs, as well as classes and workshops, at [more than 15 global campuses](#) and online. ISAs are a financing option for our full-time Immersive training programs in three disciplines: [web development](#), [user experience design](#), and [data science](#). These courses are designed to prepare students with the skills and competencies needed to succeed in a new field. They involve 420 to 480 hours of in-class time over 10 to 13 weeks, coupled with one-on-one [career coaching](#) and access to our expansive partnership network.

GA's Immersive programs are focused on helping graduates get jobs. Our curriculum is created by an instructional design team that works with employers to understand market demand and how applied learning can prepare individuals to pursue careers in-field. Programs are taught by practitioners — professionals with industry experience — who are supported by an instructor management team that provides hands-on training and coaching to instructors before and during the program.

The majority of students who participate in GA's Immersive programs are college-educated career-changers. Seventy percent of General Assembly's full-time graduates have a bachelor's degree or higher¹ and most major employers continue to value a college degree. The average age of our students is 30, which means that they are more likely to have experience with education and consumer finance than a college student, and may be better equipped to compare alternatives and make informed decisions.

We design our programs to have a high return on investment. However, the cost of GA Immersive programs (between \$13,950 and \$15,950 in the U.S. today) is burdensome for many prospective students. To date, we've tackled this in two ways:

- We've developed [financial products](#) in partnership with Climb, Meritize, and other providers that offer loans for tuition and cost of living, typically with interest rates between 5–15%. An applicant or co-borrower must have a minimum credit score of 620 to qualify for most of these options. [According to data from CreditKarma](#), the average credit score for our core student base — adults

¹ Ten percent of our students did not provide data on educational attainment.



between the ages of 25 and 34 — is 628. Since we launched our loan program in 2014, 3,300 students have used loans, with a default rate of 3.5%. But more than 2,000 applicants reported unaffordability as their reason for not taking a GA course after expressing interest, and over half of those who have been admitted to GA programs never enroll because they cannot get a loan.

- We [teamed up](#) with government partners, nonprofits, companies, and public workforce organizations (e.g., the New York City Tech Talent Pipeline) to train adults from underserved and overlooked communities, offering tuition at no cost and layering in additional services. To date, more than 700 adults have received full scholarships to GA courses through our social impact programs, indicating that our accelerated model is a powerful tool for career transformation for nontraditional talent. However, the demand for scholarships far outstrips supply — fewer than 10% of applicants received scholarships.

The diversity and number of General Assembly's students gave our team a rich supply of data to inform the structure and design of an ISA program. Our compressed training period and job outcome support is well aligned with the structure and potential for ISAs. We believe that such an option could appeal to students who might pay out of pocket or take out a loan, and expand access to those who face financial barriers. Graduates who make less are not penalized, and those who make more contribute a larger share of their income. Unlike loans, which are constant regardless of income, students can opt to pursue personally meaningful — but potentially lower-paying — work.

For our [Catalyst program](#), we chose to work with [Vemo Education](#), the largest provider of ISAs in the United States, to develop a model based on historical data on General Assembly's student outcomes, starting salaries, loan repayments, and default rates.

At launch, our Catalyst program incorporates the following terms:

- ISA holders make 48 monthly payments of 10% of their income when employed. We chose this amount because it is comparable to what students might pay for a loan, based on our typical starting salaries.
- ISA holders are expected to make these 48 payments in a time horizon of 96 months post-GA, after which point ISA repayment obligations end.
- When not employed for any reason, ISA holders do not make payments.
 - This applies not just to individuals who are unemployed, but those who have personal, family, or health-related reasons for being out of the workforce.



- ISA holders making less than \$40,000 per year do not make payments.
 - According to PayScale, [average starting salaries](#) for web developers are \$54,237 nationally.
 - Data from Climb Credit shows that GA graduates report median starting salaries of \$60,000 after taking a GA Immersive course.
 - The threshold is designed to protect students who pursue freelance work, start businesses, or seek roles outside of their industry if they are making salaries below industry averages.
- The total ISA is capped at 1.5 times our tuition.
 - In practice, this means that ISA holders who command high salaries may end up paying \$22,500 total, as opposed to the consumer price of about \$15,000 or the average loan repayment of \$18,500.

In conjunction with the launch of our ISA program, we updated our existing [Student Finance Handbook](#) to incorporate the ISA option, with the goal of providing students with a tool that could be used to compare alternatives and make an informed decision.



Balancing Risk and Opportunity

Since limited regulatory structures and consumer protection policies govern ISAs, some institutions have rolled out programs with aggressive profit-driven structures, prompting analysts and policymakers to express concern about ISAs with predatory terms. Unlike loans, the regulatory contours are more limited at a state and federal level. That regulatory backdrop creates heightened responsibility for institutions themselves to establish terms that are fair and transparent, leading us to consider the risks and opportunities that may come with offering an ISA program.

Risks

To ensure a positive experience for students, we thought through risks that might discourage a student from opting into an ISA program, and developed a model with terms that addressed those concerns.

Program readiness: Eligibility for an ISA should be tied to expectations of how well a given training provider can prepare a given student for success in a job.

GA's [Catalyst program](#) requires students to complete our three-stage admissions process to receive conditional admission to one of GA's Immersive programs. Once admitted to the course, any student using an ISA to pay for their Immersive must complete 100% of 40–60 hours of pre-course work. Upon completion, students must take an automated readiness assessment and meet our minimum score requirements to receive official admission. Only at this stage are students formally admitted into the program and able to participate in the ISA.

Repayment rates: The amount of income that is “shared” has to be comparable to what a student might pay for a loan. We were concerned that higher rates of repayment — upwards of 15% — could undermine the potential for ISAs to enable the sort of career and economic mobility that loans may not.

The GA ISA sets that repayment amount at 10% of income.

Income thresholds: Income thresholds guarantee that students who make lower salaries are not responsible for making payments. This ensures that students who wish to take lower-paying jobs — for example, in the public or social sectors — are not penalized, and students who take a lower starting salary as they begin their new career are protected.



The GA ISA has an income threshold of \$40,000 per year; students making less than this have no obligation to make payments. We based this on pre-GA salaries for students using loans, which were, on average, \$31,000 for the Web Development Immersive and \$36,000 for the UX Design Immersive. We believe students should see meaningful salary gains from the program — otherwise they should not have payment obligations. Participants are expected to make a total of 48 payments during a 96-month period, after which ISA repayment obligations end.

Caps and floors: An income share agreement must have a cap — a maximum amount any ISA holder can pay — to ensure that students do not end up paying disproportionately more than they would have if they had chosen to take out a loan. Without a cap, high earners run the risk of paying two, three, or more times the consumer price of a particular program. A floor ensures that anyone making below a certain salary range does not make any payments, so that students only start paying if they see wage gains from the program.

GA's ISA has a 1.5x cap, meaning that students will never pay more than 1.5 times the amount of tuition. Today, that is \$22,500. Based on preliminary outreach in select markets, we learned that students found the mitigation of risk and elimination of any upfront payment appealing, even though there is a chance they will pay \$4,000 more over the 48-month term of the ISA if they command a top salary. Students who hit the cap will end up paying \$83 more per month over the four-year term than if they took out a loan.

Other considerations we observed, which may merit further action from practitioners and policymakers, include:

Stacking: As [lifelong learning](#) becomes an imperative, more workers will need to continue developing new skills throughout their careers. There is potential risk if individuals “stack” ISAs and have significant shares of their income committed to fulfilling ISA obligations. Policy proposals to address this risk include the Investing in Student Success Act of 2017 ([S. 268](#)), cosponsored by Senators Rubio and Young, which proposes an aggregate ISA limit per person of 15% of future income. However, at the time of this publication, there is no regulatory policy in place to address this concern.

Debt: Students who already have significant educational or consumer debt will face considerable financial obligations for repayment while training or in the workforce. Policy analysts [have proposed](#) that in order to address the risk of “stacking” ISAs on top of existing debt, especially



in the college and university context, ISA regulations could require that “students exhaust their federal student loan eligibility first, before considering or accepting an ISA.”

Out-of-field placement: ISA participants who do not pursue careers in tech run the risk of securing roles outside of their field of study with lower salaries and continued ISA obligations. In order to protect students from ineffective training, policymakers may seek to ensure that training providers only get fully compensated for tuition if students are successful.

To account for this at GA, our admissions process validates that students are interested in pursuing careers in-field, and our [career coaches](#) work with them from the beginning of class to job placement to ensure a successful job outcome.

The “Indentured Servitude” Issue Debunked

One critique of ISAs is that they are, in effect, “indentured servitude” because graduates have to give up a portion of their income in exchange for a service provided. By definition, indentured servitude describes when a person goes under contract to work for another person for a definite period of time, usually without pay but in exchange for some other service (e.g., free passage to a new country).

We determined early in our process that while this framing may be rhetorically useful to critics of ISAs, it does not withstand scrutiny for several reasons:

- It may have its origins in earlier conceptions of ISAs in which investors — rather than education providers — backed individual students. This is not the case in any existing institutional ISA programs.
- In our model and others like it, ISAs are voluntary agreements between students and educational institutions. Students are part of a large pool selected by the educational institution based on the expectation that the institution will be able to deliver a valuable outcome for the student. The educational institution has no say in what students study, the careers they pursue, or what job and salary they choose to accept.
- Further, by indexing payments to income, ISAs can help to alleviate the burden of repayment for individuals who earn less than expected — and can address persistent equity gaps in the workplace for those who face racial, gender-based, or other salary discrimination.



Opportunities

As with any new financial instrument, there are considerations that policymakers, financial institutions, and training providers must consider to ensure that the people who use these products are protected. With that said, we are optimistic about ISAs as a tool to bolster access and opportunity, transparency about outcomes, and incentives for education and training providers to produce results for program participants.

Aspiration and underinvestment: By reducing the upfront cost of education and training, and requiring education and training providers to transparently share outcomes and salaries of graduates, the ISA model can help create better clarity about the true value of learning programs.

Researchers at Vanderbilt University [suggest](#) that groups who historically have pursued less education because of skepticism or aversion to debt financing may be more willing to pursue education and training when they have data that show the value and return on investment of a particular course of study and the long-term outcomes of graduates.

We are hopeful that ISAs can play a role in reducing underinvestment in skills training, build aspirations among both professionals and job-seekers, and enable economic mobility.

Renewable learning: Lifelong learning is becoming an economic imperative as the durability of traditional postsecondary credentials faces increasing skepticism. ISAs can form the backbone of new approaches, such as “[renewable learning](#) accounts,” in which ISA payments from program graduates offset the cost of training for new students. Approaches like these can create more sustainable funding sources for the kind of just-in-time, skills-focused training — designed to meet shifting labor market demands and provide individuals with in-demand skills throughout their careers — that will play an increasing role in ensuring economic mobility, and relevance, across the labor market.

Aligned interests: ISAs help to align the interests of education providers and students, giving institutions a stake in student success after graduation. Since education providers will only receive total student tuition when students have successful outcomes, they are better incentivized to properly assess candidate readiness for the program and invest in their professional success after they complete the program.



Flexibility for graduates: Payment obligations adjust based on a graduate’s ability to pay, preventing undue burden during times of financial hardship, or when a graduate has to exit the workforce for personal, family, or health reasons. Students can also build careers based on personal interest or passion without being concerned about making burdensome loan payments, whether becoming an entrepreneur or building a freelance business.



“As lifelong learning becomes an economic imperative, the emergence of new financing models will play an important role in connecting individuals with educational opportunities throughout their careers.”

Ethan Pollack
Associate Director of
Research and Policy,
Aspen Institute’s
Future of Work Initiative

What’s Next

In early conversations with students who have been accepted into GA programs and denied financing, the response to our [Catalyst ISA program](#) has been incredibly positive. Aspiring developers, UX designers, and data science professionals have found the downside risk protection of the ISA model — the safeguard of being able to pause payments if they lose or leave their job for any reason — appealing as they consider making a big career shift. We are excited and heartened by the possibilities and opportunities ahead.

We are committed to remaining transparent about what we learn and sharing our findings and best practices as other education and training providers consider this model. Our hope is to help provide clarity for other accelerated training providers interested in the potential of ISAs, inspire greater transparency for students, and ensure that providers have increased accountability for the success of their students.

As Ethan Pollack, associate director of research and policy for the Aspen Institute’s Future of Work Initiative, put it, “The rapidly changing digital economy is creating new challenges for employers, education and training providers, and individuals. As lifelong learning becomes an economic imperative, the emergence of new financing models will play an important role in connecting individuals with educational opportunities throughout their careers.”

One of our company values at General Assembly is “Keep getting better.” This ethos is reflected in how we constantly refine and develop our curriculum in response to student and employer feedback. Our delivery model and support systems have evolved as we have learned how to best serve a diverse global population at scale, and we expect the same will be true with ISAs. We look forward to evaluating, iterating, and always improving our offering so we can continually foster careers, change lives, and power innovation in countless industries.



About GA

Since 2011, General Assembly has trained individuals and teams online and on campus through experiential education in the fields of coding, data, design, and business. We believe everyone should have access to leading-edge education that will transform their careers — and their lives.

With [more than 15 campuses](#) across four continents, GA has served over 40,00 students and worked with more than 10,000 hiring partners to date. We [work with companies](#) of all sizes — including more than 40 of the Fortune 100 — to [evaluate](#), [train](#), and [develop](#) their workforce in anticipation of future business needs.

We've been widely recognized for breaking down barriers to employment, diversifying the workforce, and closing the skills gap. To learn more, visit our [press room](#).