AN INTRODUCTION TO INCOME SHARE AGREEMENTS
There is no doubt that student finance is a big deal today. Federal Direct loans offer Income Sensitive repayment, but Parent PLUS Loans and Private Student Loans do not.

The Purdue Research Foundation and Purdue University are launching a new program called Back A Boiler.
Most Universities have been using the same options to help students and families for nearly 50 years.
WHY?

ONLY ADDING OPTIONS, NOT REDUCING THE TYPES OF RESOURCES AVAILABLE TO STUDENTS

ISAs become a new tool for students and families to utilize in their plan.

Scholarships/Grants
Work Study
Federal Student Loans
INCOME SHARE AGREEMENTS
Federal Parent Loans
Private Education Loans
Income Share Agreements ("ISAs") provide financing in return for a percentage of the student’s future earnings over an agreed upon period of time.

Thus, they are equity-based contracts and provide a distinct alternative to traditional student loans.

### Income Share Agreements

- No principle balance
- Fixed annual % of income payment
- Fixed number of years of required payments
- Allows participants to make professional choices without being bound to long-term revolving debt obligations

### Other Debt Dependent Options

- Longer term obligation
- Interest accrual and capitalization
- Principle balance could increase over time
- Restricts professional choices to manage debt obligations over 10 – 30 years
VALUE OF AN ISA

VALUE/COST

OUTCOMES
WHAT IS AN INSTITUTIONAL ISA PROGRAM?

Definition

- Institution funds educational expenses in exchange for a fixed percent of the student’s future income – called an income share – over a defined period of time, usually 10 years or less.
- The rate is set to ensure payments are comparable to a private student loan.

How do payments work?

- Monthly payments begin after a predetermined grace period and are calculated by applying the income share to the total monthly gross income of the participant.
- The payment obligation temporarily pauses if the participant returns to school or earns a gross income below a threshold of the institution’s choosing.

HOW DOES IT WORK?

Institution

Holds Fund equity and determines program parameters:
- Undergrad vs Grad
- Degree field(s)
- Student credit requirements

Students

Agree to contract terms and make monthly payments based on their income as they pursue professional opportunities

Institution creates a Fund of ISA Assets

Provide payments back to Institution to potentially recycle into more available ISAs
INCOME SHARE AGREEMENTS MAY INCLUDE THE FOLLOWING BENEFITS:

- No cosigner required
- 6-month grace period post graduation/separation
- Availability to all degree seeking students
  - First year will only be Juniors and Seniors
- Lifetime cap on total payments
- Ability to “pause” contract requirements during post graduate studies or voluntary departure from the workforce.
Our Program will include:

- Reasonable Rates
- Total Payment Cap
- Online Comparison Tool
- Knowledgeable advisors who can talk about advantages or disadvantages
- Student Payments will return to the fund to allow the fund to revolve.
WHAT DOES IT MEAN TO ME?

<table>
<thead>
<tr>
<th>TOTAL PAYMENTS</th>
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<tr>
<td>Low</td>
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<tr>
<td>25th Percentile</td>
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<td>Median</td>
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<tr>
<td>High</td>
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<td>Private Loan</td>
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- Low: $9,210
- 25th Percentile: $14,760
- Median: $17,220
- 75th Percentile: $20,172
- High: $25,000
- Private Loan: $19,017

*assumes private loan with interest rate of 9.7% and income share rate of 3.8% per $10,000. Also assumes there are no events that require forbearance or contract pause.
YOUR FEEDBACK MATTERS

QUESTIONS?