



Income Share Agreements & You

What financing will be available to help me pay for the cost of attending ALU?

- ALU understands that the cost of funding higher education is often a barrier for students and families. Traditional sources of financing – scholarships, loans, and government grants – are either unavailable or prohibitively expensive.
- To overcome this barrier, ALU is partnering with private investors to provide students with an **innovative source of educational financing** – this financing system is called Income Share Agreements.

What is an Income Share Agreement (ISA)?

- An **ISA is a partnership** between ALU, private investors and students. Investors provide funding to an investment company – called the African Leadership Finance Company (ALFC) – which in turn provides students with financing to pay for their tuition.

Who is eligible to apply for the ISA?

- Only admitted students who wish to enroll at ALU in Rwanda are eligible to apply for an ISA.

How does an ISA work?

- An ISA is a legal arrangement in which a student receives financing to pay for their tuition, in exchange of a **commitment to pay a share of their future income** for a fixed period of time after their graduation. The income share includes both cash income and equity in start-up ventures.
- The ISA programme is **provided by private investors who consider a student's future earning potential**, rather than assessing how much money is in the bank or the assets owned. These private partners are investing in the future success of ALU graduates.
- Unlike a traditional loan, an Income Share Agreement does not carry a fixed amount of principal and interest. Instead, students pay a fixed share of their cash income and personal equity over a period of time. **Under an Income Share Agreement, some students will pay more than they received – while some will pay less – depending on the student's income and assets after graduation.**
- An ISA is quite different from a grant or a scholarship; it is **not free money**. At the same time, an ISA offers flexible terms not available with most commercial loans.



Tell me more!

How much will I have to pay?

- The percentage of income and equity a student will pay in exchange for ISA financing depends on 1) the amount of funds received (the greater the amount, the higher the percentage); 2) the student's individual need and strength that will be reflected in their ISA application; and 3) available resources.

What are the specific terms of the ISA?

- While individual payment percentages will vary, the following **key terms** are common to all Income Share Agreements at ALFC:
 - ✓ After their graduation, students who are unemployed and actively seeking employment will not have to make payments until they find a job.
 - ✓ Students have the opportunity to request to defer payments in the event that they return to school or encounter difficult circumstances.
 - ✓ Students can exit the ISA obligation before the end of the fixed period by paying a one-time fee (i.e., pay it off as a lump sum amount).

What does the ISA cover?

- The ISA can only be applied to a portion of tuition. It does not cover personal expenses such as flight, accommodation, food and health insurance.
- Admitted students are encouraged to supplement the ISA funding by proactively seeking other sources of funding.
- For a better understanding of the costs of attendance at our partner institution, ALU, please refer to its [website](#).

What is the process of determining if I can receive an ISA?

- All students admitted to ALU automatically qualify to receive funding through an Income Share Agreement. The specific amount of ISA funding offered to a student is determined by ALU's financing partner, ALFC. The specific amount and terms are **based on the need of the individual applicant**.
- Admitted ALU students who are interested in applying for an ISA can do so by starting with the ISA course on the ALFC website [here](#). This is a required course that provides more information on the ISA and includes a sample of the ISA contract. Only admitted students can access this course. Once completed, an admitted student can then proceed to the ISA application.
- Deadlines for each round can also be viewed on the ALFC website. Students will be notified of their ISA offer approximately one month from submitting an application.



- All students and families will have an opportunity to review the ISA offer, the specific terms of their legal contract, and ask questions to ALFC representatives before making an informed decision to commit to an ISA. Students are also **encouraged to research and explore all financing options that are available to them** before signing an ISA contract.

What happens when an applicant receives an ISA offer?

- If the ISA application has been reviewed and accepted, an admitted student will then be sent an ISA offer. Note that ALFC reserves the right to decline an ISA application. Once an ISA offer has been sent out, an admitted student then has one week to accept or decline the offer. Further information of this process will be communicated directly to the ISA recipient.

Where can I read a sample of the ISA contract?

- You can read a sample of the ISA contract on the ISA course. All admitted students who are interested in applying for the ISA will be required to acknowledge that they have read a sample of the contract before they can proceed to the application.

What's the bigger picture? What's at stake with the ISA programme?

- ALFC launched the ISA programme to provide students with a financing option to **address financial support** in higher education, and provide access to more students.
- As ALU graduates pay their ISA obligation, ALFC funds are replenished and made available to **support other students who seek the same educational opportunity**.
- Under the ISA programme, both graduates and ALU literally **pay it forward!** The programme is designed to provide **a sustainable funding mechanism** for the next generation of students seeking an ALU education.
- Across the continent, ISAs have the **potential to be a game changer**. ALU's early classes have the opportunity to prove that ISAs are a **viable model to support the millions in need** and thereby attract additional private investment. The stakes are high and potential impact enormous if the community of ISA recipients work together to ensure the program is successful through their ISA payments.

Who else offers ISAs?

- There are other programs that offer income-share financing around the world including South America, Germany and Australia to name a few places. ALU is bringing ISAs to the continent to **provide students with a funding mechanism to access higher education**.



GLOSSARY

- **ALFC:** African Leadership Finance Company. The private investment company that provides ISA financing to admitted ALU students.
- **ALU:** African Leadership University. The higher education institution that is partnering with ALFC to educate students across Africa
- **Collateral:** Something pledged as security for repayment of a traditional loan, which can or will be forfeited in the event of non-payments or defaulting on payments.
- **Equity:** Value of the shares issued by a company. In the case of ISAs, the equity terms relates to the student's personal share of equity (vs. the overall equity share in the venture).
- **Income:** All money received on a regular basis from all sources before deduction for or relief from tax or other statutory charges. Monthly Income shall include, without limitation, wages, tips, bonuses and extraordinary income.
- **Interest:** Money paid regularly at a particular rate for the use of money lent at an earlier stage. Interest is a concept that applies to traditional loans, not to ISAs.
- **ISA:** Income Share Agreement. In the case of ALU: Investors provide funding to an investment company – called African Leadership Finance Company (ALFC) – which in turn provides students with a funding mechanism to pay for part of their tuition.
- **Principal amount:** A base sum of money lent or invested, on which interest is paid. . Principal is a concept that applies to traditional loans, not to ISAs.