



# MentorWorks

Education Capital



## Talent Accelerator Platform (TAP)

Outcomes Report



MentorWorks Education Capital, Inc. is a Community Development Financial Institution (CDFI), certified by the U.S. Department of the Treasury.

## EXECUTIVE SUMMARY

MentorWorks Education Capital (MentorWorks) was founded with the mission of developing innovative, student-centric financial products that increase student access to education. These products tie our success to that of our students and support them with social capital that may not otherwise be available to them. This report provides a description of our early investments through income contingent payment contracts or Income Share Agreements (ISAs). MentorWorks is a U.S. Department of the Treasury certified Community Development Financial Institution (CDFI) that focuses on increasing affordable access to education and supports career pathways to students from underserved communities.<sup>1</sup>

MentorWorks' fund and support mission is built around our Talent Accelerator Platform (TAP) which provides more than 40 hours of foundational career search content through a proprietary digital platform. The platform is supplemented by live and on-demand career events featuring hiring partners and recruiters offering their best tips, tricks, and advice along with an exploration of roles that their company has to offer. TAP also uses 1-on-1 career support and mentoring where students engage with our career coaches to elevate their professional brand and put their best foot forward in their job search.

This report provides data and analyses to explore the relation between our student support initiatives and student employment enhancement. Using a sample of ISA funded students as well as students that engage with TAP at no cost without taking ISAs from MentorWorks, we provide the first of its kind analysis on how a well-developed program focused on career outcomes as well as education-to-employment pathways can enhance individual employment prospects.

### HEADLINE RESULTS:

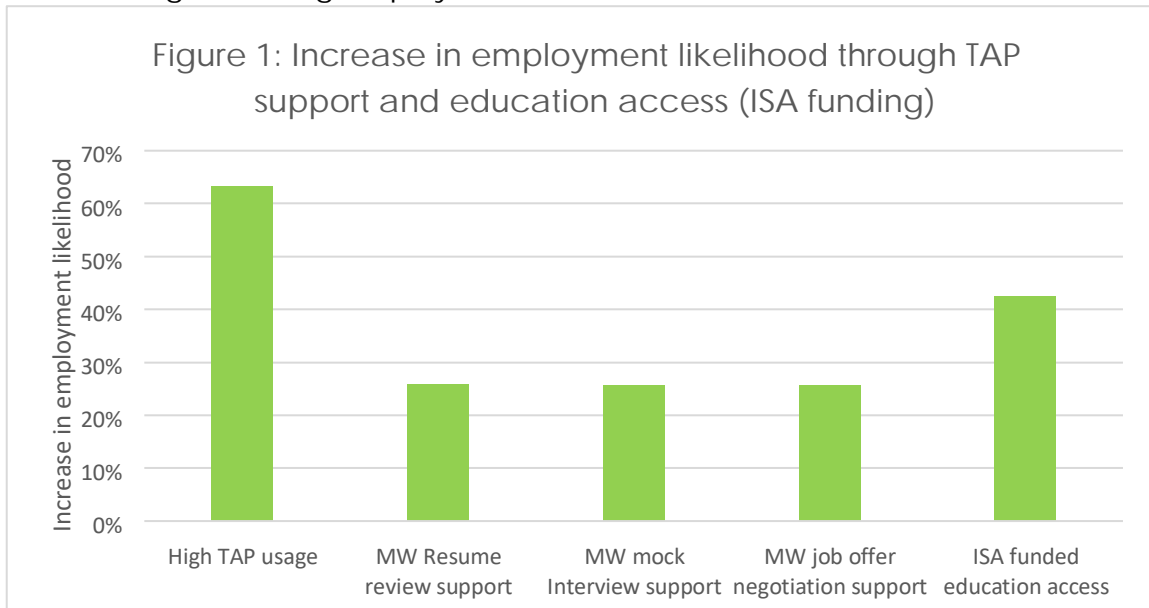
1. Participants that complete more steps on TAP have a **63%** higher employment likelihood, on average.
2. Support provided by MentorWorks in the form of resume review, interview preparation, and job-offer negotiation is associated with 25% higher likelihood of finding employment, on average.
3. On average, ISA funded students at MentorWorks have 43% higher employment likelihood. This shows the additive value of education obtained at MentorWorks ISA partner schools.

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<sup>1</sup> Appendix 1 at the end of this report provides more details on income share agreements. Interested readers can also see our [Impact and Economic Mobility Report](#).

4. Employment likelihood for individuals on TAP is higher for ISA funded individuals. Moreover, ISA funded women and minority ethnic and racial group participants have higher employment likelihood than for a similar population without ISA funding.<sup>2</sup>
5. TAP participation and support has incremental impact over and above the effect of education access related to ISA funding.

Figure 1 below shows the incremental impact of TAP support and education access through ISA funding on finding employment.



## 1. TALENT ACCELERATOR PLATFORM

Very early on in the life of MentorWorks, we realized the importance of providing active, ongoing, wrap-around support (the word “Mentor” is in our name, which has not changed since our founding). Specifically, MentorWorks’ thesis was that low income and traditionally underserved students not only need *financial capital*, but also *social capital*, (job placement networks, career direction, mentoring, and job-search advice). These students may not have connections that can readily provide such advice and networks or ‘pick up the phone’ to help them get a job. MentorWorks seeks to fill that purpose for our students. Not only is this a social mission of MentorWorks, we “put our money where our mouth is.” Through the ISA, we aim to tie our success to that of our student ISA recipients.

<sup>2</sup> Throughout this Report, MentorWorks will employ terms to describe various protected classes of individuals as used by the Consumer Financial Protection Bureau (CFPB) within its Examination Procedures applicable to the Equal Credit Opportunity Act (ECOA) (Oct. 2015 Rev.).

To this end, we devised a systematic proprietary career development platform now called TAP. Students can access TAP separately or in conjunction with an ISA. TAP provides participants the tools they need to be successful in both the short- and long-term. We offer a wide range of modules and webinars on career enhancement skills such as: (i) developing a job search strategy; (ii) constructing resumes and cover letters; (iii) showcasing one's "professional brand" on LinkedIn; (iiii) interpersonal skills; (v) interviewing techniques; and (vi) compensation/salary negotiation. These training modules are supplemented with live webinars offering valuable, real-time advice from hiring partners, HR teams, industry professionals, recruiters, and MentorWorks alumni. TAP also has a closed, curated, and scalable career platform that allows students to submit their resume for consideration with MentorWorks pre-identified hiring partners. Beyond this training, MentorWorks has dedicated career coaches to support students needing one-on-one support that they can contact and solicit for career advice, strategies, and techniques.

MentorWorks is encouraged by the feedback from students actively engaged within the TAP program. These students provided feedback indicating the significant value that the TAP program provides within their job search efforts. Some of these quotes are provided below.<sup>3</sup>

***“As a former lender and someone who issued thousands of student loans, I had no vested interest in the success of the student. MentorWorks does have a genuine, personal interest in your success and your definition of success.”***

***“MentorWorks Talent Accelerator Platform has provided me with tangible relevant technical and soft skills that I can use throughout my career as a technology professional.”***

***“The Talent Accelerator Program is an invaluable asset for anyone at any point in their career, from newly graduated students entering the workforce to tenured professionals looking to make an industry change. The value of resources provided, such as interview skills, resume building, and networking, make MentorWorks a crucial tool for those looking to elevate their career.”***

***“Finding employment during a pandemic was a challenge I didn't feel prepared for, but MentorWorks completely adjusted my perspective. Even when the job search felt exhausting, MentorWorks provided me the support and encouragement I needed to succeed. I just signed with a company that aligns with my skills, values, and career goals and I couldn't be more grateful to the TAP and the MentorWorks team for giving me the tools I needed to get here.”***

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<sup>3</sup> See, <https://blog.mentorworks.com/2021/04/22/mentorworks-mission-celebrating-1-year-of-tap/>

***“MentorWorks gave me the knowledge and skills to approach my job search with full confidence. Not only did the course help me to navigate my job search, it also helped me to develop each aspect of my job application... The TAP Course even gave me the confidence to decline a job that didn’t fit with my newly realized career goals. I am forever grateful for the TAP Course and the skills that I gained through it.”***

Some of our current employees are also MentorWorks ISA recipients:

***“The Talent Accelerator Platform helped me focus on enhancing my soft skills as well as shifted my views to help me focus on highlighting my personal brand and the message I wanted to bring to others when building my professional network.”***

*– Ian Fields, Web + Marketing Operations Manager*

***“So far, I love the diversity and how well everybody works together to accomplish different tasks. I am also happy to be a part of the mission of helping students afford their education as that will ultimately help them succeed in life.”***

*– Lois Dankwa, Compliance and Underwriting Analyst*

## **2. DATA, VARIABLES, AND EMPIRICAL DESIGN**

The data used in our analysis consists of 56 individuals for whom we have outcomes and TAP engagement data. Of these, 35 are ISA funded and therefore access TAP as part of our ‘fund-and-support’ program, and the remaining 21 are individuals who engaged on TAP through our free offering during the Covid period for anyone interested in accessing career development resources. The sample excludes ISA funded individuals that are still in school.

Our unit of observation is engagements, as we provide different type of support when a student engages with a staff. For students with limited or no engagement, there is only one data point per student. If a student has requested multiple points of support with our staff for specific interviews, we treat each engagement point as an observation, since interview support, resume support, etc., may vary by each engagement. However, the outcome variable, which is employment, can only be 1 for one student-engagement observation at most, and 0 otherwise.

While the variable of interest (employment) does vary by observations, we also recognize that such a data structure can repeat some variables by observations. We take two steps to address this issue. First, we show our regression results using both un-clustered and clustered standard errors, which usually addresses biases in standard errors for data where some variables may be repeated. Second, we repeat our regressions by utilizing a single data point and aggregating all independent variables as the maximum of all values for a student.

Appendix Table A2 reports our list of variables and their definitions. Our empirical design leans heavily on ordinary least squares regressions, but we also use negative binomial and Poisson regressions for count variables as well as logit models for binary variables. Our main empirical specification for analyzing ISA terms and payments is as follows:

$$y_i = \alpha + \beta_1 \cdot \text{ISA funded education access}_i + \beta_2 \cdot X_i + \mu_i \quad (\text{Eq. 1})$$

where,  $y_i$  is the dependent variable of interest for the  $i$ 'th ISA funded student engagement and  $\mu_i$  is a random error term.

ISA funded education access <sub>$i$</sub>  is a dummy variable that is 1 if the participant utilized a MentorWorks ISA to access a MentorWorks partner school education program.

$X_i$  is a (0/1) dummy variable reflecting one of four career support aspects provided by MW TAP. This includes four variables:

- High TAP usage, which is a dummy variable that is 1 if the participant has completed more than 50% of TAP content steps. Each step on TAP reflects a distinct activity or exercise that a participant completes, and 0 otherwise.
- MW resume review support, which is a dummy variable that is 1 if the participant has received resume review support from a MentorWorks coach, and 0 otherwise.
- MW mock interview support, which is a dummy variable that is 1 if the participant has received mock interview support from a MentorWorks coach, and 0 otherwise.
- MW job-offer negotiation support, which is a dummy variable that is 1 if the participant has received job offer negotiation support from a MentorWorks coach, and 0 otherwise.

We estimate all regressions with heteroscedasticity robust standard errors (White, 1980; Huber, 1967).<sup>4,5</sup>

## 4. EMPIRICAL ANALYSIS AND RESULTS

We first report some univariate statistics on employment likelihood. Table 1 reports the results of this analysis. We find that the overall sample employment rate is 71%, whereas that for ISA funded students is 77%. This likely reflects the incremental value of the education accessed by individuals taking on MentorWorks education ISAs.

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<sup>4</sup> White, R, 1980, A heteroskedasticity-consistent covariance matrix estimator and a direct test for heteroskedasticity. *Econometrica* 48: 817–830.

<sup>5</sup> Huber, P. J. 1967. The behavior of maximum likelihood estimates under nonstandard conditions. In *Proceedings of the Fifth Berkeley Symposium on Mathematical Statistics and Probability*. Berkeley, CA: University of California Press, vol. 1, 221–233.

Table 1: Average Employment Likelihood: Overall and by Demographic Group for TAP Participants

| Average Employment Likelihood | Overall | Minority | Female |
|-------------------------------|---------|----------|--------|
| All TAP participants          | 71%     | 66%      | 65%    |
| ISA Funded TAP participants   | 77%     | 73.30%   | 87.50% |

Average employment rate is at 66% for racial and ethnic minority individuals and 65% for female TAP participants. We also report this employment likelihood for MentorWorks ISA funded individuals for education with our partner schools. ISA funded TAP participants have higher levels of average employment rates for racial ethnic minority (73.3%) and female candidates (87.5%), indicating a positive effect of the education accessed by ISA funded students.<sup>6</sup>

One caveat to the results reflected above is that non-ISA TAP participants may be different in some ways than ISA funded TAP participants. Thus, we will be interested in the effect of TAP and career support engagement by TAP participants after controlling for the effect of ISA financing in our regression models. Similarly, an interested question is whether the positive effect of ISA financing on hiring survives controlling for TAP engagement.

Table 2 below reports average employment likelihood by the extent of TAP usage, which is low if the TAP participant completes less than 50% of steps in TAP, and high otherwise. The table show a 32-percentage point increase in average employment likelihood for high TAP users relative to low TAP users. This difference is statistically significant at the 10% level.<sup>7</sup> This reflects a 57% increase relative to the employment likelihood of low TAP users.

Table 2: Average Employment Likelihood by TAP Usage Level

| Average Employment Likelihood |        |
|-------------------------------|--------|
| Low TAP usage                 | 57.41% |
| High TAP usage                | 90.00% |
| Difference                    | 32.59% |

<sup>6</sup> Our sample comprises 65% ethnic and racial minority individuals and 61% women.

<sup>7</sup> Although this significance disappears when we conduct this analysis using TAP participant level data as opposed to TAP engagement level data as reported here, the p-value is close to 0.15. The lack of significance is not very surprising in as we are not controlling for other factors and because of low sample size.

Next, we conduct ordinary least squares (OLS) regression analysis of employment likelihood on TAP engagement, career support metrics, and ISA financing. We control for ISA financing to remove the effect of additional education for TAP users, and to observe the relation between ISA financing and employment rate. Table 3 reports the results of the OLS analysis. Panel A reports the results of our regressions with unclustered standard errors, whereas Panel B reports the results by clustering the standard errors at the individual TAP participant level. In unreported tests, we also conduct our regression analyses using the TAP participant level data, and our results are qualitatively similar.

Table 3: OLS Regression Analysis of Employment Likelihood of TAP Participants and TAP Engagement Metrics

Panel A: Non-clustered Standard Errors

Heteroskedasticity robust standard errors reported in parentheses. Statistical significance levels: \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

|                                  | (1)                 | (2)                 | (3)                 | (4)                 |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|
| Dependent Variable: Employed     |                     |                     |                     |                     |
| High TAP usage                   | 0.633***<br>(0.152) | 0.651***<br>(0.142) | 0.676***<br>(0.139) | 0.625***<br>(0.150) |
| MW resume review support         |                     | 0.259*<br>(0.132)   |                     |                     |
| MW mock interview support        |                     |                     | 0.256*<br>(0.134)   |                     |
| MW job-offer negotiation support |                     |                     |                     | 0.257*<br>(0.149)   |
| ISA funded education access      | 0.426***<br>(0.139) | 0.540***<br>(0.128) | 0.538***<br>(0.127) | 0.487***<br>(0.132) |
| Constant                         | 0.267**<br>(0.117)  | 0.146<br>(0.107)    | 0.147<br>(0.106)    | 0.198*<br>(0.111)   |
| Observations                     | 64                  | 64                  | 64                  | 64                  |
| R-squared                        | 0.191               | 0.222               | 0.220               | 0.217               |



Panel B: Standard Errors Clustered by Individual TAP Participant

Heteroskedasticity robust standard errors, which are clustered by individual TAP participant, are reported in parentheses. Statistical significance levels: \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

|                                     | (1)                  | (2)                 | (3)                 | (4)                 |
|-------------------------------------|----------------------|---------------------|---------------------|---------------------|
| <b>Dependent Variable: Employed</b> |                      |                     |                     |                     |
| High TAP usage                      | 0.633***<br>(0.134)  | 0.651***<br>(0.132) | 0.676***<br>(0.130) | 0.625***<br>(0.138) |
| MW Resume review support            |                      | 0.259**<br>(0.126)  |                     |                     |
| MW mock interview support           |                      |                     | 0.256**<br>(0.127)  |                     |
| MW job-offer negotiation support    |                      |                     |                     | 0.257**<br>(0.117)  |
| ISA funded education access         | 0.426***<br>(0.122)  | 0.540***<br>(0.127) | 0.538***<br>(0.127) | 0.487***<br>(0.132) |
| Constant                            | 0.267***<br>(0.0916) | 0.146<br>(0.102)    | 0.147<br>(0.102)    | 0.198*<br>(0.107)   |
| Observations                        | 64                   | 64                  | 64                  | 64                  |
| Clusters                            | 56                   | 56                  | 56                  | 56                  |
| R-squared                           | 0.191                | 0.222               | 0.220               | 0.217               |

In all specifications in both panels, we find, first that ISA funded individuals are more likely to be employed. The coefficient on ISA funded individual is always significant at the 1% level. Economically, ISA funded TAP participants are 43% more likely to find employment, consistent with the high value of the education that they receive through MentorWorks' school partners (using the coefficient estimate in Column (1) of Table 3). Consistent with the result in Table 2, TAP participants with high TAP usage are 63% more likely to find employment relative to low TAP users, after controlling for ISA funding (based on Column (1)). Thus, using our Talent Accelerator Platform provides significant benefits to users in terms of finding employment.

In Columns (2) to (4), we add additional support provided by MentorWorks coaches to support career outcomes through resume review, interview support and job offer support. In all cases, the coefficient estimates are remarkably stable and shows that career coach support at MentorWorks enhances career outcomes by 26%. The stability is unsurprising as these support variables are highly correlated – TAP participants that seek out one type of support often return to get other types of support.

Thus, the evidence shown here supports the story that MentorWorks' TAP digital content usage as well as career coaching enhances employment outcomes of individuals, over and above additional education supported by MentorWorks ISAs. Moreover, ISA funded

students at MentorWorks partner schools have better outcomes, suggesting that such funding is available at partner schools which provide a strong value proposition for our students.

## APPENDIX 1: MENTORWORKS INCOME SHARE AGREEMENT APPROACH

As described above, MentorWorks Education Capital provides an active student support model by providing financial capital in the form of ISAs and career support through the TAP platform.

### *Income Share Agreements*

ISAs are an alternative to traditional student loans that are income-contingent, income-indexed contracts that require payments based primarily on outcomes. Under the ISA, students pay an amount calculated as a percentage of their future income for a set period of time, up to a maximum cap. The amount paid by the student may be nothing, less than, or more than the amount funded by MentorWorks. The payments are dependent upon the student's earnings, only.

Unlike a loan, under the ISA, students do not pay until they find a job and reach the minimum income threshold. The payments adjust based on the student's income—thereby creating a true outcome-based model with other downside protections for the student.

The following are some key terms in ISAs:

- **Recipient:** the student receiving an ISA for some or all of their educational funding.
- **Income Share or Income Share Percentage:** the percentage of the student's income (as defined in the ISA) that is used to calculate the student's payment obligation, if any.
- **ISA Amount or Funding Amount:** the amount of funds provided to the student Recipient or paid to a third party on the student Recipient's behalf.
- **Payment Term:** the maximum number of monthly payments the ISA Recipient would have to make if they earn income over the minimum Income Threshold.
- **Total Payment Window:** the maximum length of time during which a student may be required to make payments under the ISA if the student has income above the minimum Income Threshold.

- **Income Threshold or Minimum Income Threshold:** the amount of income that the student must earn before any payment obligation under the ISA is triggered.
- **Deferment Month:** a month in which a student has income below the Income Threshold and, therefore, no payment is due under the terms of the ISA. The Deferment Months count against the Total Payment Window. After Deferment Months are exhausted, ISA recipients receive automatic payment forgiveness if their income stays below the minimum Income Threshold.
- **Payment Cap:** the maximum amount (stated in the ISA) that a student will pay, regardless of the student's future income.
- **Early Payment Amount:** the amount set forth in the ISA that the student can pay in order to cancel and terminate further obligations under the ISA.
- **Grace Period:** the period of time set forth in the ISA during which payment is not expected.

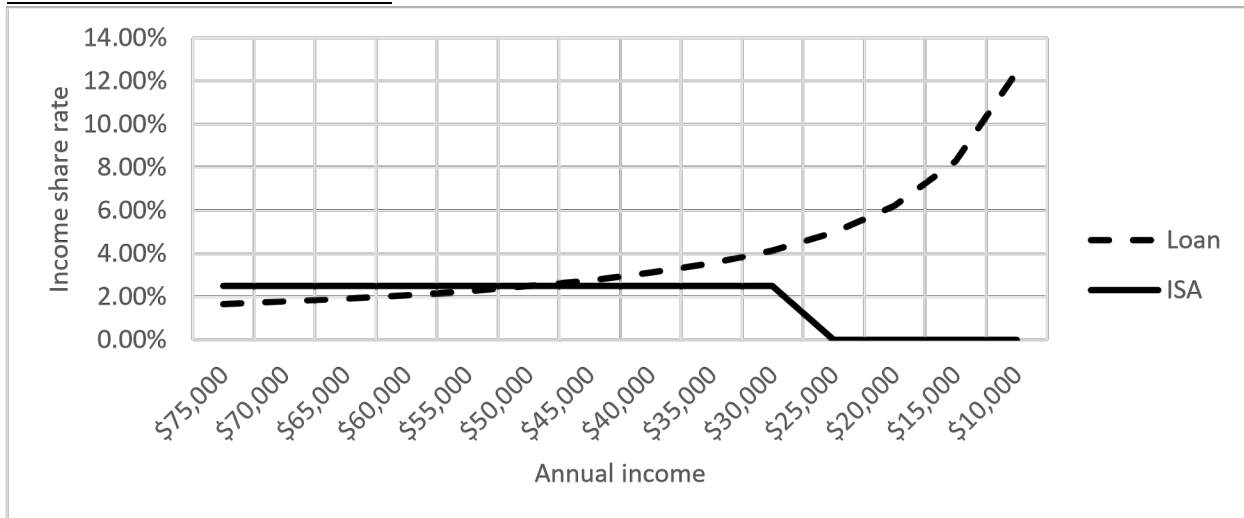
Students can end all obligations under the ISA by any one of the following: (i) making the number of income-indexed payments set forth in the ISA; (ii) paying the relevant Early Payment Amount; (iii) making income-indexed payments that equal to the Payment Cap; or (iv) regardless of whether the student had income and regardless of whether the student made any income-indexed payments, the expiration of the Payment Window.

*In what ways are ISAs better than loans for students?*

While we do not maintain that ISAs are better in every context, MentorWorks ISAs can present some key benefits relative to loans for students in specific situations.

- a. ISA payments are only required when students earn equal to or more than the minimum income threshold. When a student reduces payments or pays nothing upon verified low income, this is not considered a delinquency or default.
- b. ISAs are more progressive for students than loans. With loans, as a student's income decreases, students pay an increasing portion of their income on loans, whereas the portion of the student's income devoted to the ISA payment is fixed. In fact, loans can hurt students by accruing interest and increasing the share of income that the student is required to pay, precisely when the student can least afford it. Figure 1 provides an illustration of how the portion of the student's income devoted to loan or ISA obligations will vary by income.
- c. Interest does not accrue or capitalize on ISAs as in loans. With an ISA, the risk of ever-increasing loan term, principal balance, and unpaid interest obligations (i.e., negative amortization) is non-existent.

Figure 1: Income share percentage for an ISA vs. a comparable loan<sup>8</sup>



<sup>8</sup> See, e.g., <https://blog.mentorworks.com/2020/08/13/student-loans-are-also-income-share-agreements-but-tax-low-earners-more/>. Consistent with this, Catherine and Yannelis (2021), in a working paper out of University of Pennsylvania and University of Chicago, use data from the Survey of Consumer Finances (SCF) to show that income-based repayments are more progressive than even outright loan forgiveness.

# ABOUT THE AUTHOR



Karthik Krishnan

Dr. Karthik Krishnan is CEO and President of MentorWorks Education Capital, Inc. which was founded in 2016. MentorWorks offers a mutually reinforcing "fund and support" hybrid model combining an Income Share Agreement (ISA), which is a more flexible alternative to student debt, along with active career enhancement, and connections to employer partners, to help launch students towards a lifetime of career success through our online and asynchronous Talent Accelerator Platform (TAP). MentorWorks was recently named a finalist for the 2021 EdTech Trendsetters award.

Dr. Krishnan is a tenured Associate Professor of Finance at the D'Amore-McKim School of Business at Northeastern University and works with student startups as an advisor. He has published articles in the student loan space that have been widely cited in [media](#) and by [policymakers](#). Dr. Krishnan holds a bachelor's in electrical engineering from Delhi University and a Ph.D. in Finance from Boston College.

Dr. Krishnan is a board member at MentorHub, which is a non-profit group supporting youth mentoring and supportive accountability. He has been an angel investor at Launchpad Venture Group, which is one of the largest angel group networks in the New England area.

He has published many academic articles on entrepreneurial finance, education finance, venture capital, angel financing, IPOs, corporate governance, banking, and financial intermediation. His work has been published in top journals in business and he has presented papers at high level academic meetings.