

ISAs & THE COST OF DECEPTION

An investigation into income share agreement company Vemo Education, Inc. found that it lured students into borrowing ISAs by overstating the price of other student loans while understating the cost of its own product.



OVERSTATING THE COST OF A FEDERAL PARENT PLUS LOAN

\$1,124



UNDERSTATING THE BORROWER'S STARTING INCOME

\$2,403



UNDER-CALCULATING INCOME GROWTH

\$204

\$3,731

For some students, Vemo made its ISA falsely appear to be **\$3,731** cheaper than a federal student loan. This is deceptive marketing.

THE PARENT PLUS PLOY

Vemo made the alternatives, including federal Parent PLUS Loans, look more expensive than they are.

THE DECEPTION

Vemo implied that borrowers will pay \$5,727 in finance charges over the life of a \$10,000 federal Parent PLUS Loan.

THE TRUTH

But in reality, the finance charge on a \$10,000 Parent PLUS Loan would be \$4,603

THE HARM

Vemo made ISAs seem more affordable by overstating the finance charge of a Parent PLUS Loan by 24.5%.

What Vemo said a Parent PLUS Loan costs

\$15,727

\$14,603

The true cost of a Parent PLUS Loan



+\$1,124

THE STARTING SALARY SUBTERFUGE

Vemo used misleading salary information to make its product look cheaper.

THE DECEPTION

For example, Vemo suggested first-year income estimates for a Finance major at the University of Utah is \$54,000.

THE TRUTH

But in reality, data shows Finance majors at the University of Utah have a median first-year income of \$63,400.

THE HARM

Vemo deflated the cost of its ISA by choosing artificially low first-year income for borrowers, lowering the perceived cost of financing by 52.5%

Cost of an ISA at the true median first year income (\$63,400)

\$16,983

\$14,580

What Vemo said the ISA costs with artificially low first-year income (\$54,000)



+\$2,403

THE INCOME GROWTH GAMBIT

By miscalculating income growth rates, Vemo made borrowers believe its product was cheaper.

THE DECEPTION

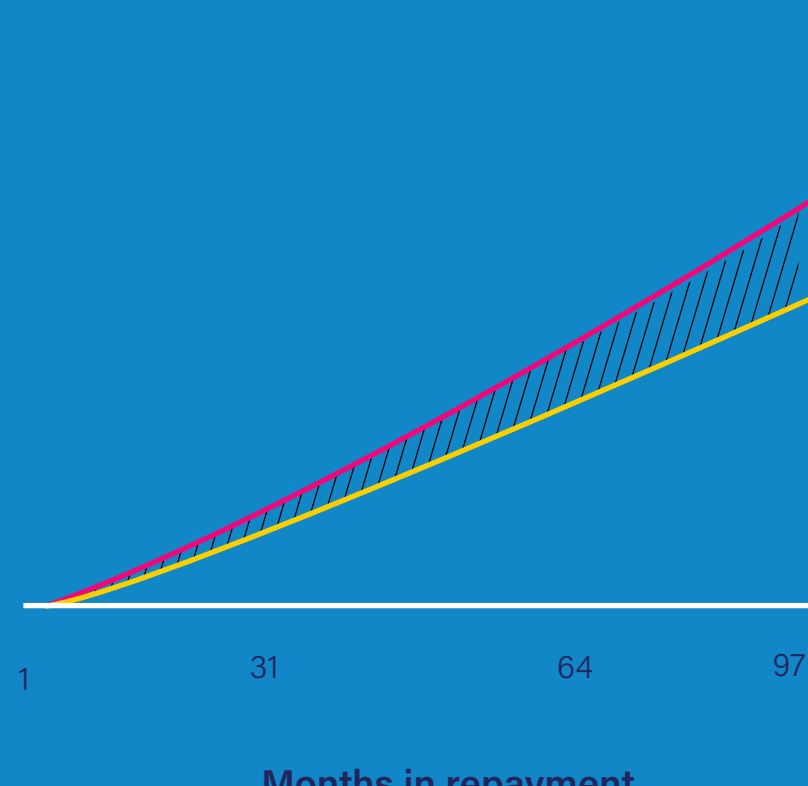
Vemo's calculator made borrowers' income grow slower than advertised.

THE TRUTH

When income grows more quickly, ISAs are more expensive.

THE HARM

Vemo's bad math lowers the perceived cost of an ISA by hundreds of dollars.



+\$204