The Outcomes-Based Line of Credit – Webinar Q&A

* Q1. Please clarify whether projects are seeking outcomes at the individual participant level or at the population level?

A1. Typically, projects are paid based on outcomes at the population level. For example, in a project reducing recidivism the project may pay out based on 45% of beneficiaries not re-entering the prison system after one year. Despite payments being tied to population level outcomes, many service providers track additional data and outcomes on an individual level as part of their program and overall goals to improve services for beneficiaries, even if these are not tied to payments.

* Q2. Are the lines of credit usually unsecured?

A2. To-date, investments in outcomes-based financing have been generally unsecured. Some projects provide investors an assignment to the outcomes account, but this only holds value if outcomes are indeed achieved. There is the possibility of securing the line of credit or giving recourse, but that is a conversation project parties will have to negotiate in their transaction.

* Q3. Who are some of the major investors in the US focused on social impact investing?

A3. A list of investors who have provided financing for outcomes-based financing / PFS can be found on [payforsuccess.org](https://www.payforsuccess.org/projects/comparison) as part of the project dataset.

* Q4. Is there a specific social need that is being under-addressed?

A4. Projects have focused on a range of issues including recidivism, homelessness, early childhood education, child welfare, maternal and infant wellbeing, environmental issues and social determinants of health. There are many evidence-based programs that could be scaled up using outcomes-based financing.

* Q5. If you do not achieve metrics due to outside factors (ex. huge recession), you still need to pay money back to investors?

A5. Depending on how the financing is structured, you may not need to pay back investors if outcomes are not met despite the cause. Usually contracts will have shut down provisions to limit ongoing project operations if outcomes are not met, but many projects have been structured so they are either unsecured or non-recourse. As the field matures, we expect there to be an increased willingness on behalf of service providers to pledge collateral or provide some payment guarantees.

* Q6. Where can I find more information on Pay for Success and Outcomes-based Financing?

A6. Two great sources are [payforsuccess.org](https://www.payforsuccess.org/) or [pfs.urban.org/](https://pfs.urban.org/)

* Q7. Are loans made directly to the service provider? How comfortable have providers been in taking on this type of loan?

A7. Using this model, you could make a loan directly to the service provider or through an intermediary. You should assess your own capacity to manage debt as part of undertaking this type of transaction.

* Q8. What is the financial strength/financial sophistication needed from the service provider?

A8. This model allows less sophisticated service providers to enter the outcomes-based contracting landscape. Typical Pay for Success contracts are challenging to negotiate, structure and comply with. This model allows for a rate card financing structure and is not necessarily tied to a quasi-experimental design.

* Q9. Are service providers legally obligated to repay the LOC if outcomes are not achieved?

A9. This will depend on the loan agreement between the investor and service provider.